As filed with the Securities and Exchange Commission on April 3, 2019

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

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

XPEL, INC.
(Name of registrant as specified in its charter)

Nevada	**20-1117381**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
618 W. Sunset Road San Antonio, Texas	**78216**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (210) 678-3700

With copies to:
Steven R. Jacobs
Jackson Walker L.L.P.
112 East Pecan Street, Suite 2400
San Antonio, TX 78205
(210) 978-7727

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

(Title of each class)	(Name of each exchange on which registered)
Common Stock, par value $.001 per share	The NASDAQ Stock Market LLC

Securities to be registered pursuant to Section 12(g) of the Act: None

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, 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 to Section 7(a)(2)(B) of the Securities Act. ☐

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made in this registration statement include forward-looking statements, which reflect our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this registration statement and are subject to a number of risks, uncertainties and assumptions described under the sections entitled "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this registration statement.

Forward-looking statements include, but are not limited to, statements with respect to the nature of our strategy and capabilities, the vertical and regional expansion of our market and business opportunities, and the expansion of our product offering in the future. Statements that include words like "believe," "expect," "anticipate," "intend," "plan," "seek," "estimate," "could," "potentially" or similar expressions are forward-looking statements and reflect future predictions that may not be correct, even though we believe they are reasonable. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict or are beyond our control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward looking statements. Consequently, readers should not place undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made.

The forward-looking statements reflect our current expectations and are based on information currently available to us and on assumptions we believe to be reasonable. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause our actual results, activities, performance or achievements to be materially different from that expressed or implied by such forward-looking statements.

Factors to consider when evaluating these forward-looking statements include, but are not limited to:

- the highly competitive nature of our industry;
- our current reliance on a limited number of suppliers;
- our ability to successfully introduce new products and services;
- our ability to achieve benefits from our business initiatives, including identifying and completing suitable acquisitions and investments;
- fluctuating revenue and operating results;
- our reliance on a single distributor in China;
- political, regulatory, economic, and other risks arising from the multi-national nature of our business, including our extensive business in China;
- volatility in currency exchange rates;
- the potential exit of current key personnel or possibility of failure to attract future qualified personnel;
- significant demands related to our rapid growth;
- risks related to possible future indebtedness or the availability of future financing;
- risks related to internal control over financial reporting;
- our lack of experience, and the requirements related to operating, as a U.S. publicly traded company;
- our status as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012;
- risks related to our intellectual property;
- general global and economic business conditions that may affect demand for our products; and
- considerations related to listing our common stock ("Common Stock") listed on The NASDAQ Stock Market.

Although we have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. The forward-looking information contained herein is made as of the date of this registration statement and, other than as required by law, we do not assume any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise.

You should also read the matters described in "Risk Factors" and the other cautionary statements made in this registration statement as being applicable to all related forward-looking statements wherever they appear in this registration statement. The forward-looking statements in this registration statement may not prove to be accurate and therefore you are encouraged not to place undue reliance on forward-looking statements. You should read this registration statement completely.

This registration statement also includes estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

Explanatory Note

XPEL, Inc. is filing this General Form for Registration of Securities on Form 10 to register our common stock, par value $0.001 per share, or Common Stock, pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, because we are seeking to list our common shares on The NASDAQ Stock Market ("NASDAQ"). We have applied to list our Common Stock on NASDAQ under the symbol "XPEL." We refer to the initial listing of our Common Stock on NASDAQ throughout this registration statement as the "listing."

Persons interested in obtaining information on the Company may read and copy any materials that we file with the Securities and Exchange Commission ("SEC") at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Once this registration statement becomes effective, we will become subject to the information and periodic reporting requirements of the Exchange Act, and will file annual, quarterly and other periodic reports, proxy statements and other information with the SEC. These periodic reports and other information will be available on the SEC's website referred to above.

Unless the context indicates otherwise, all references in this registration statement to "XPEL", the "Company," "we," "us," and "our" refer to XPEL, Inc. (TSXV: DAP.U) and all of its wholly-owned and majority-owned subsidiaries.

Implications of being an emerging growth company

As a company with less than $1.07 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we are exempt from the requirement to obtain an attestation and report from our auditors on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our stockholders non-binding advisory votes on executive compensation or approval of golden parachute arrangements.

We may take advantage of these provisions for up to the last day of our fiscal year following the fifth anniversary of our completion of an initial public offering or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company upon the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion, (ii) December 31 of the fiscal year that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter and we have been publicly reporting for at least 12 months or (iii) the date on which we have issued more than $1.07 billion in non-convertible debt during the preceding three-year period.

We may choose to take advantage of some but not all of these reduced burdens. We have taken advantage of reduced reporting requirements in this registration statement. Accordingly, the information contained herein may be different from the information prospective investors receive from our competitors that are public companies, or other public companies in which prospective investors have made an investment.

Registered trademarks and trademark applications

Our trademarks are the subject of trademark registrations in the United States and other various countries. Other brands, names and trademarks contained in this registration statement are the property of their respective owners. Solely for convenience, the trademarks, service marks and trade names are referred to in this registration statement without the SM, TM and ® symbols, but such references are not intended to indicate, in any way, that the owner thereof will not assert, to the fullest extent under applicable law, such owner's rights to these trademarks, service marks and trade names.

XPEL®, XPEL & DESIGN®, XPEL ULTIMATE®, PELTI®, PROTEX® and TRACWRAP® are registered trademarks of the Company.

XPEL™, XPEL FUSION™, XPEL ULTIMATE PLUS™, XPEL STEALTH™, XPEL RX™, XPEL ARMOR™, XPEL PRIME XR™, XPEL PRIME XR PLUS™, XPEL PRIME CS™, PRIME X-SERIES™, PRIME AP™, PRIME GL™, PRIME SD™, PROTEX (STYLIZED)™, ASP™, LUX™, LUX PLUS™, LUX-M™, ZEUS™, F8000 Film™, F9300 Film™ and MPD™ are trademarks of the Company.

Other trademarks and trade names in this registration statement are the property of their respective owners.

Market and industry data and forecasts

Certain market and industry data and forecasts included in this registration statement were obtained from independent market research, industry publications and surveys, governmental agencies and publicly available information. Industry surveys, publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying assumptions relied upon therein. Similarly, independent market research and industry forecasts, which we believe to be reliable based upon our management's knowledge of the industry, have not been independently verified. While we are not aware of any misstatements regarding the market or industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Item 1A. Risk Factors".

Item 1 – Business

Company Overview

Founded in 1997, XPEL has grown from an automotive product design software company to a global provider of after-market automotive products, including automotive surface and paint protection, headlight protection, and automotive window films, as well as a provider of complementary proprietary software. In 2018, we expanded our product offerings to include window film (both commercial and residential) and security film protection for commercial and residential uses. Today, we have approximately 180 employees and serve over 2,000 direct customers and several thousand indirect customers around the world.

XPEL began as a software company designing vehicle patterns used to produce cut-to-fit protective film for the painted surfaces of automobiles. In 2007, we began selling automotive surface and paint protection film products to complement our software business. In 2011, we introduced our ULTIMATE protective film product line which, at the time, was the industry's first protective film with self-healing properties. The ULTIMATE technology allows the protective film to better absorb the impacts from rock impingement or other road debris, thereby fully protecting the painted surface of a vehicle. The film is described as "self-healing" due to its ability to return to its original state after debris infringement.

The launch of the ULTIMATE product catapulted XPEL into several years of strong revenue growth. In 2014, we began our international expansion by establishing an office in the United Kingdom. In 2015, we acquired Parasol Canada, a distributor of our products in Canada. In 2017, we established our European headquarters in The Netherlands, and expanded our product offerings to include an automotive protective window film branded as PRIME. We continued our international expansion in 2017 with the acquisition of Protex Canada Corp., or Protex Canada, a leading franchisor of automotive protective film franchises serving Canada, as well as opened our XPEL Mexico office. In 2018, we launched our first product offering outside of the automotive industry, a window and security film protection for commercial and residential uses. Also in 2018, we launched the next generation of our highly successful ULTIMATE line, ULTIMATE PLUS and acquired Apogee Corporation which effectively launched XPEL Asia based in Taiwan.

Products and Services

Surface and Paint Protection Film Rolls: Our primary products are paint and surface protection films. Most of the products sold are destined for automotive application which principally protect painted surfaces from rock chips, damage from bug acids and other road debris. Some of the products sold are used for non-automotive applications, such as industrial protection, screen protection or architectural protection. We sell a variety of product lines each with their own unique characteristics, warranty and intended use, including:

XPEL ULTIMATE PLUS: ULTIMATE PLUS is the flagship clear, thermoplastic polyurethane, or TPU, based product which is a self-healing, stain-resistant film with unmatched clarity and durability. ULTIMATE PLUS carries a 10-year warranty in most markets and is by far our top seller.

XPEL STEALTH: STEALTH is a satin-finished paint protection film, made with the same construction as ULTIMATE PLUS. STEALTH is designed to protect surfaces that already have a matte finish or to give otherwise glossy surfaces a matte finish.

TRACWRAP: TRACWRAP is a temporary TPU-based paint protection film, for both do it yourself, or DIY, and professional applications, that is designed to be used for a short period of time, including during road trips, vehicle transport or vehicles pending a full installation of our other products like XPEL ULTIMATE PLUS.

LUX PLUS: LUX PLUS is our flagship clear, TPU-based paint protection film for the Chinese market. Designed and formulated specifically for the demands of China, with excellent self-healing and stain-resistance, it is offered for sale exclusively in that market.

XPEL RX: RX Protection Film provides protection for a variety of surfaces including screens and other electronics and contains silver ions which inhibit the growth of microbes on the film's surface. This product was launched pursuant to our acquisition of E-Shields LLC in 2018.

XPEL ARMOR: ARMOR is a thick PVC-based protection film that looks and performs like a spray-on bedliner. It is designed to resist abrasions and punctures from the most aggressive terrain.

OTHER FILMS: We sell a variety of other specialty films in smaller quantities for select customers or in certain markets, including: LUX-M, ZEUS, PROTEX, MPD and ASP in the Chinese Market, F8000 Film in Mexico and F9300 Film in Canada and Europe.

Most of our Surface and Paint Protection Films are applied wet and can be installed in bulk or pre-cut using our Design Access Program, or DAP, software. While we sell some pre-cut and Do-It-Yourself products made from these rolls direct to consumer, the vast majority of the products are professionally installed.

Surface and Paint Protection film sales represented 77.8% of our 2018 revenue.

Automotive Window Film Rolls: We sell several lines of automotive window films, primarily under the XPEL PRIME brand name, which exhibit a range of performance characteristics and appearances, including:

XPEL PRIME XR PLUS: PRIME XR PLUS offers 98% infrared heat rejection thanks to multi-layer nano-particule technology. This is our most expensive flagship product with the best specs and characteristics. It is available in a variety of visible light transmission, or VLT, levels.

XPEL RRIME XR: PRIME XR utilizes a nano-ceramic construction, blocking 88% of infrared heat and will not interfere with radio, cellular or Bluetooth signals like a metallized film.

XPEL PRIME CS: PRIME CS blocks solar heat radiation to keep vehicles at comfortable temperatures and blocks 99% of harmful UV rays. Available in both a black and neutral charcoal color, PRIME CS will remain the same over the years and never fades or turns purple.

OTHER FILMS: We also sell a variety of other automotive window films both under the PRIME brand and on a private-label basis, including: PRIME X-SERIES and PRIME AP in China, PRIME HP, PRIME GL, PRIME SD and more. Generally, these products are lower cost and are sold only in certain markets.

Automotive window film sales represented 6.7% of our 2018 revenue.

Architectural Window Film Rolls: In 2018, we began offering an architectural glass solution for commercial and residential buildings under the VISION brand name, representing our first product set with a fully non-automotive use. Architectural window films come in several broad categories, including:

SOLAR: Solar films are designed to provide solar energy rejection. We offer a variety of films with varying colors, VLTs and price points.

SAFETY & SECURITY: Safety and Security films are clear, thick polyethylene terephithalate, or PET, films to secure glass in the event of a breakage. We offer a variety of thicknesses and offer films with varying adhesive characteristics for different types of installations.

OTHER: In addition to the main categories of SOLAR and SAFETY & SECURITY films, we also offer anti-graffiti, exterior applied and decorative films.

Design Access Program: A key component of our product offering is our Design Access Program software. DAP is a proprietary software and database consisting of over 80,000 vehicle applications used by the

Company and its customers to cut automotive protection film into vehicle panel shapes for both paint protection film and window film products.

We commit significant resources to keep the pattern database updated with a goal toward having a pattern for every panel of every vehicle. When new vehicle models are introduced to the market, we strive to create the pattern as soon as possible. Our patterns and software increase installer efficiency and reduce waste.

Our DAP customers pay a monthly access fee to access our proprietary data base. Monthly DAP subscriptions represented 2.3% of our 2018 revenue.

Installation Services: We offer installation services of our various products directly to retail and wholesale customers through our ten company-owned installation facilities in their respective markets. Our installation services are primarily automotive film installation but have grown to include architectural film installation in certain markets. Installation services represented 5.6% of our 2018 revenue.

Miscellaneous Products, Tools and Pre-Cut: We sell a variety of other miscellaneous product sets which include:

PRE-CUT FILM PRODUCTS: While most of our surface protection films, automotive window films and architectural window films are sold as rolls, we also offer to pre-cut them into vehicle specific shapes (if applicable) or cut them into smaller pieces or shapes to aide in the installation or to increase affordability or efficiency for our customers who cannot justify purchasing an entire roll of a given product.

XPEL FUSION PLUS CERAMIC COATING: XPEL FUSION PLUS is a hydrophobic, self-cleaning coating that can be applied to paint and paint protection film and provides additional protection to a vehicle's painted surface to enhance its gloss and protect it from minor scratches.

TOOLS AND ACCESSORIES: We sell a variety of tools and accessories which are used in the installation of our products, including squeegees and microfiber towels, application fluids, plotter cutters, knives and more. Generally, these are offered as a service to our customers to provide one-stop shopping.

MERCHANDISE AND APPAREL: We sell a variety of XPEL-branded merchandise and apparel which helps represent and build our brand.

Strategic Overview

XPEL is currently pursuing several key strategic initiatives to drive continued growth. Our global expansion strategy focuses on the need to establish a local presence where possible, allowing us to better control the delivery of our products and services. In furtherance of this approach, we established our European headquarters in early 2017 to capture market share in what we believed to be an under-penetrated region. We are continuing to add locally based regional sales personnel, leveraging local knowledge and relationships to expand the markets in which we operate.

We seek to increase global brand awareness in strategically important areas, including seeking high visibility at premium events such as major car shows and high value placement in advertising media consumed by car enthusiasts, to help further expand the Company's premium brand.

XPEL also continues to expand its delivery channels by acquiring select installation facilities in key markets and acquiring international partners to enhance its global reach. As we expand globally, we strive to tailor our distribution model to adapt to target markets. We believe this flexibility allows us to penetrate and grow market share more efficiently. Our acquisition strategy centers around our belief that the closer the Company is to its end customers, the greater its ability to drive increased product sales.

We also continue to drive expansion of our non-automotive product portfolio. The Company launched its new commercial/residential window film product line in 2018, giving us access to a large new market and representing the first non-automotive product line in XPEL's history. While there is some overlap with our existing customers, we believe that this new product line exposes the Company to several new addressable markets.

Sales and Distribution

We sell and distribute our products through independent installers, new car dealerships, third party distributors, Company-owned installation centers, Protex Canada's franchisees and on-line.

Independent Installers/New Car Dealerships

We primarily operate by selling a complete turn-key solution directly to independent installers and new car dealerships, which includes XPEL protection films, installation training, access to our proprietary DAP software, marketing support and lead generation. Approximately 52% of the Company's product sales in 2018 were through this channel.

While we are principally a product company, we also offer a suite of services to complement our products for our customers, including access to our proprietary DAP software. We believe that this software greatly enhances installation efficiency and reduces film waste – a highly valuable feature to our customers, as their highest cost tends to be labor. We also provide marketing and lead generation for our customers by featuring them in our dealer locator on our website. To be considered an "authorized dealer" (and thereby have end customers referred to them), independent installers must complete our four-day, hands-on training class and meet other requirements. Trainees are certified upon completion. Additionally, XPEL works closely with independent installers and new car dealerships to support local events in their area.

XPEL also offers 24/7 customer service for independent installers and new car dealerships where we provide installation, software and training support via our website and telephone technical support services.

Finally, our customers in the independent installer/new car dealership channel tend to be smaller in nature, and consequently frequently experience "just-in-time" inventory needs. The Company maintains inventory in several locations globally to meet these needs.

Distributors

In various parts of the world, XPEL operates primarily through third party distributors, who operate under written agreements with the Company to develop a market or a region under our supervision and direction. These distributors may sell to other distributors or customers who ultimately install the product on an end customer's vehicle. Due to the nature of this channel, product margins are generally less than other channels. Approximately 42% of the Company's product sales in 2018 were through this channel.

We operate through a sole distributor, Shanghai Xing Ting Trading Co., Ltd., which we refer to as the China Distributor, in China under our form distribution agreement. Approximately 29.2% of our total 2018 revenue derived from sales to the China Distributor.

Through our distribution agreement with the China Distributor entered into on May 31, 2018, the China Distributor has rights to promote, market, distribute, sell and install our products in China. Additionally, we have granted the non-exclusive right to the China Distributor to use our software in connection with customers' purchases of our products. The China Distributor places orders with us on a prepaid basis at a price set by us, which we may change with 30 days' notice. Certain of our products have minimum purchase requirements that increase annually.

We have also granted the China Distributor a non-exclusive license to use our brands to promote sales of our products to end-users. The distribution agreement applies to separate product categories, distinguished by their exclusive or non-exclusive relationship with the China Distributor, each for a term of five years, each of which will automatically renew for up to three additional five year periods unless otherwise terminated by either party with 60 days' notice.

We consider our relations with the China Distributor to be good, but the loss of our relationship could result in the delay of the distribution and a decrease in marketing of our products in China. For more information, see Part I, Item 1A—Risk Factors—*We rely on one distributor of our products and services in China. The loss of this relationship, or a material disruption in sales by this distributor, could severely harm our business.*

Company-Owned Installation Centers

XPEL operates ten company-owned installation centers: six in the United States, three in Canada and one in the United Kingdom. These locations serve wholesale and retail customers in their respective markets. This channel represented approximately 6% of the Company's 2018 revenue.

Some of our Company-owned installation centers are located in geographic areas where we also serve customers in our independent installer/dealership channel, which may be perceived to generate channel conflict. However, we believe these channels have a synergistic relationship with our Company-owned centers supporting independent installers and dealerships by supplementing inventory needs, assisting with overflow work and providing additional customer service and employee training. We believe this channel strategy benefits our goal of generating the most product revenue possible.

Franchisee Channel

XPEL's acquisition of Protex Canada in 2017 added its franchisee network to our distribution portfolio. These franchises are authorized to sell automotive paint film and window film. A franchisee must pay a franchise fee to be assigned an exclusive area in which to offer sale and installation of protective films. As the franchisor, Protex Canada provides brand, training and other support to franchisees. Franchisees pay a royalty to Protex Canada based on percent of revenues. Franchisees, as part of their franchise agreement, are required to purchase paint protection and window films from XPEL. The revenue from this channel which consists of franchise fee and royalty revenue represented less than 1% of the Company's 2018 revenue.

Online and Catalog Sales

XPEL offers certain products such as paint protection kits, car wash products, after-care products and installation tools via its website. Revenues from this channel are negligible but we believe that by offering these products on our website, we increase brand awareness. The revenue from this channel represented less than 1% of the Company's 2018 revenue.

Competition

The Company principally competes with other manufacturers and distributors of automotive protective film products. While the Company considers itself a product company competing with other product companies, the Company believes its suite of services which accompany the Company's product offerings including its software, marketing and lead generation to its customers and customer service provide for substantial differentiation from its competitors. Within the market for surface and paint protection film, our principal competitors include Eastman Chemical Company (under the LLumar and Suntek brands) and several other smaller companies. For more information, see Part I, Item 1A—Risk Factors—*The after-market automotive product supply business is highly competitive. Competition presents an ongoing threat to the success of our Company.*

Suppliers

The Company's paint and surface protection, automotive window films and architectural window films are sourced from five suppliers. Approximately 87% of the Company's inventory purchases in 2018 were sourced from one of these suppliers, entrotech, which we refer to as the primary supplier.

Through our Amended and Restated Supply Agreement that we entered into with our primary supplier in March 2017, we have exclusive rights to commercialize, market, distribute and sell its automotive aftermarket products through March 21, 2020, at which time the term automatically renews for successive two year periods thereafter unless terminated at the option of either party with two months' notice. During such term, we have agreed to use commercially reasonable efforts to purchase a minimum of $5,000,000 of products quarterly from this primary supplier, with a yearly minimum purchasing requirement of $20,000,000.

The primary supplier manufactures our products according to mutually agreed-upon specifications, quality assurance programs and other standards that are mutually established. We consider our relations with the primary supplier to be good, but the loss of our relationship with the primary supplier could result in the delay of the manufacture and delivery of some of our automotive film products. For more information, see Part I, Item 1A—Risk Factors—*A material disruption from our primary supplier could cause us to be unable to meet customer demands or increase our costs.*

Film Conversion Process

The Company receives its surface and paint protection, automotive window film and architectural window film in a variety of roll forms, including short and master roll format. For some of the Company's products, the Company engages in a variety of converting activities in its facilities in San Antonio, Texas and in other locations. Depending on the product and the format in which it was received, conversion activities may include: inspection, slitting, rewinding or boxing. Additionally, for some of the Company's products, including pre-cut film products, the Company performs further conversion which includes cutting film into specific shapes using computer aided cutting equipment.

Government Regulation and Legislation

The manufacturing, packaging, storage, distribution, advertising and labeling of our products and our business operations all must comply with extensive federal, state and foreign laws and regulations and consumer protection laws. Governmental regulations also affect taxes and levies, capital markets, healthcare costs, energy usage, international trade, immigration and other labor issues, all of which may have a direct or indirect negative effect on our business and our customers' and suppliers' businesses. We are also required to comply with certain federal, state and local laws and regulations and industry self-regulatory codes concerning privacy and date security. These laws and regulations require us to provide customers with our policies on sharing information with third parties, and advance notice of any changes to these policies. Related laws may govern the manner in which we store or transfer sensitive information, or impose obligations on us in the event of a security breach or inadvertent disclosure of such information. International jurisdictions impose different, and sometimes more stringent, consumer and privacy protections.

Our products are subject to export controls, including the U.S. Department of Commerce's Export Administration Regulations and economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Asset Controls, and similar laws that apply in other jurisdictions in which we distribute or sell our products. Export control and economic sanctions laws include prohibitions on the sale or supply of certain products and services to certain embargoed or sanctioned countries, regions, governments, persons and entities. In addition, various countries regulate the import of certain products, through import permitting and licensing requirements, as well as customs, duties and similar charges, and have enacted laws that could limit our ability to distribute our products. The exportation, reexportation, and importation of our products, including by our partners, must comply with these laws or else we may be

adversely affected, through reputational harm, government investigations, penalties, and a denial or curtailment of our ability to export our products. Complying with export control and sanctions laws for a particular sale may be time consuming and may result in the delay or loss of sales opportunities. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Changes in export, sanctions or import laws, may delay the introduction and sale of our product in international markets, or, in some cases, prevent the export or import of our products to certain countries, regions, governments, persons or entities altogether, which could adversely affect our business, financial condition and operating results.

We are also subject to various domestic and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our exposure for violating these laws would increase to the extent our international presence expands and as we increase sales and operations in foreign jurisdictions.

Environmental Matters

We are subject to a variety of federal, state, local and foreign environmental, health and safety laws and regulations governing, among other things, the generation, storage, handling, use and transportation of hazardous materials; the emission and discharge of hazardous materials into the environment; and the health and safety of our employees. We have incurred and expect to continue to incur costs to maintain or achieve compliance with environmental, health and safety laws and regulations.

Available Information

XPEL is a Nevada corporation formed in 2003. Our street address is 618 W. Sunset Road, San Antonio, Texas 78216 and our phone number is (210) 678-3700. The address of our website is www.xpel.com. The inclusion of the Company's website address in this registration statement does not include or incorporate by reference the information on or accessible through the Company's website, and the information contained on or accessible through the website should not be considered as part of this registration statement.

The Company will make its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports (and amendments to those reports) filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 available on the Company's website as soon as reasonably practicable after the Company electronically files or furnishes such materials with the Securities and Exchange Commission ("SEC"). Interested persons can view such materials without charge under the "Investor Relations" section and then by clicking "Corporate Filings / Financial Results" on the Company's web site.

XPEL, Inc. is an "emerging growth" and a "smaller reporting company filer" within the meaning of Rule 12b-2 under the Securities Exchange Act.

Item 1A – Risk Factors

Any investment in our Common Stock involves a high degree of risk. Investors should carefully consider the risks described below and all of the information contained in this registration statement before deciding whether to purchase our Common Stock. Our business, financial condition or results of operations could be materially adversely affected by these risks if any of them actually occur. This registration statement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this registration statement. See "Cautionary Notice Regarding Forward-Looking Statements."

Risks Related to Our Business and Industry

The after-market automotive product supply business is highly competitive. Competition presents an ongoing threat to the success of our Company.

We face significant competition from a number of companies, many of whom have greater financial, marketing and technical resources than us, as well as regional and local companies and lower-cost manufacturers of automotive and other products. Such competition may result in pressure on our profit margins and limit our ability to maintain or increase the market share of our products.

Additionally, as we introduce new products and as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition. Our principal competitors have significantly greater resources than us. This may allow our competitors to respond more effectively than we can to new or emerging technologies and changes in market requirements. Our competitors may also develop products, features, or services that are similar to ours or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. Certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against us.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the usefulness, ease of use, performance, and reliability of our products compared to our competitors;
- the timing and market acceptance of products, including developments and enhancements to our products or our competitors' products;
- customer service and support efforts;
- marketing and selling efforts;
- our financial condition and results of operations;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to attract, retain, and motivate talented employees;
- our ability to cost-effectively manage and grow our operations;
- our ability to meet the demands of local markets in high-growth emerging markets, including some in which we have limited experience; and
- our reputation and brand strength relative to that of our competitors.

If we are unable to differentiate or successfully adapt our products, services and solutions from competitors, or if we decide to cut prices or to incur additional costs to remain competitive, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A material disruption from the primary supplier could cause us to be unable to meet customer demands or increase our costs.

Pursuant to an Amended and Restated Supply Agreement dated as of March 21, 2017, between us and our primary supplier, which we refer to as the Supply Agreement, we have engaged the primary supplier to act as the primary source of our automotive paint protection film products. In 2018, approximately 87% of our inventory purchases were purchased from the primary supplier.

Any failure by the primary supplier to perform its obligations under the Supply Agreement, including a failure to provide sufficient supply of our products to satisfy customer demand, could have a material adverse effect on our revenue, operating results and operating cash flows.

Additionally, if our relationship with the primary supplier were to terminate or if operations at its manufacturing facility were to be disrupted as a result of significant equipment failures, natural disasters, earthquakes, power outages, fires, explosions, terrorism, adverse weather conditions, labor disputes or other reasons, we may be unable to fill customer orders or otherwise meet customer demand for our products, and such disruption could increase our costs and reduce our sales, any of which could have a material adverse effect our business, financial condition, results of operations and cash flows.

We rely on one distributor of our products and services in China. The loss of this relationship, or a material disruption in sales by this distributor, could severely harm our business.

The Company distributes all of its products in China through one distributor, with sales to such distributor representing 29.2% of total 2018 revenue. The China Distributor places orders with us on a prepaid basis at a price set by us, which we may change with 30 days' notice. The China Distributor then generates orders, sells and distributes our products to its end customers in China.

Any failure by the China Distributor to perform its obligations, including a failure to procure sufficient orders of our products to satisfy customer demand or a failure to adequately market our products, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Because of our dependence on the China Distributor, any loss of our relationship or any adverse change in the financial health of such distributor that would affect its ability to distribute our products may have a material adverse effect on our business, financial condition, results of operations and cash flows.

A significant percentage of our revenue is generated from our business in China, a market that is associated with certain risks.

Our business in China is operated through a single distributor. In 2018, approximately 29.2% of our revenue was generated in China, more than any other country in which we operate, and we expect such portion will increase with the expansion of our business in China. However, there are risks generally associated with doing business in China, including:

Significant political and economic uncertainties

Historically, the Chinese government has exerted substantial influence over the business activities of private companies. Under its current leadership, the Chinese government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the Chinese government will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice. Furthermore, the Chinese government continues to exercise significant control over the Chinese economy through regulation and state ownership. Changes in China's laws, regulations or policies, including those affecting taxation, currency, imports, or the nationalization of private enterprises could have a material adverse effect on our business, results of operations and financial condition. Furthermore, government actions in the future could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties.

Possible trade dispute

A growing trade dispute between the United States and China could increase the sales price of our products or decrease our profits, if any, in China. The current U.S. and China administrations have recently imposed tariffs on imports from the other country, and the current U.S. administration has indicated that it may impose additional tariffs on imported Chinese goods. These tariffs may escalate to a trade conflict between China and the United States, which may affect our business in China. If such a dispute were to escalate or if tariffs were imposed on any of our products, we could be forced to increase the sales price of

our products, reduce margins, or otherwise suffer from trade restrictions levied by the Chinese government that may have a material adverse effect on our business.

Limited recourse in China

While the Chinese government has enacted a legal regime surrounding corporate governance and trade, its experience in implementing such laws and regulations is limited. It is unclear how successful any attempt to enforce commercial claims or resolve commercial disputes will be. The resolution of any such dispute may be subject to the exercise of considerable discretion by the Chinese government and its agencies and forces unrelated to the legal merits of a particular matter or dispute may influence their determination.

Additionally, any rights we may have to specific performance, or to seek an injunction under China law, in either of these cases, are severely limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Uncertain interpretation of law

There are substantial uncertainties regarding the interpretation and application of the laws and regulations in the greater China area, including, but not limited to, the laws and regulations governing our business. China's laws and regulations are frequently subject to change due to rapid economic and social development and many of them were newly enacted within the last 10 years. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

The Chinese government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business permits and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted to our Company by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. We cannot predict the effect of the interpretation of existing or new Chinese laws or regulations on our businesses. We cannot assure you that our current ownership and operating structure would not be found to be in violation of any current or future Chinese laws or regulations. As a result, we may be subject to sanctions, including fines, and could be required to restructure our operations or cease to provide certain services. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Any of these or similar actions could significantly disrupt our business operations or restrict us from conducting a substantial portion of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

General global economic and business conditions affect demand for our products.

We compete in various geographic regions and markets around the world. We expect to experience fluctuations in revenues and results of operations due to economic and business cycles. Important factors for our business and the businesses of our customers include the overall strength of the economy and our customers' confidence in the economy, unemployment rates, availability of consumer financing and interest rates. While we attempt to minimize our exposure to economic or market fluctuations by offering a balanced mix of end markets and geographic regions, any of the above factors, individually or in the aggregate, or a significant or sustained downturn in a specific end market or geographic region could reduce demand for our products and services, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If changes to our existing products or introduction of new products or services do not meet our customers' expectations or fail to generate revenue, we could lose our customers or fail to generate any revenue from such products or services and our business may be harmed.

We may introduce significant changes to our existing products or develop and introduce new and unproven products or services, including using products with which we have little or no prior development or operating experience. The trend of the automotive industry towards autonomous vehicles and car- and ride-sharing services may result in a rapid increase of new and untested products in the aftermarket automotive industry. If new or enhanced products fail to attract or retain customers or to generate sufficient revenue, operating margin, or other value to justify certain investments, our business may be adversely affected. If we are not successful with new approaches to monetization, we may not be able to maintain or grow our revenue as anticipated or recover any associated development costs.

If we were unable to maintain our network of sales and distribution channels, it could adversely affect our net sales, profitability and the implementation of our growth strategy.

Our ability to continue to grow our business depends on our ability to maintain effective sales and distribution channels in each of the markets in which we operate. We make use of a variety of distribution channels, including independent installers, new car dealerships, distributors and franchisees. We believe that this network of distribution channels enables us to efficiently reach consumers at a variety of points of sale. If we are not able to maintain our sales and distribution channels, we could experience a decline in sales, as well as reduced market share, as consumers may decide to purchase competing products that are more easily obtainable. The failure to deliver our products in accordance with our delivery schedules could harm our relationships with independent installers and new car dealerships, distributors and franchisees, which could adversely affect our net sales, profitability and the implementation of our growth strategy.

We depend on our relationships with independent installers and new car dealerships and their ability to sell and service our products. Any disruption in these relationships could harm our sales.

The largest portion of our products are distributed through independent installers and new car dealerships. We do not have direct control over the management or the business of these independent installers and new car dealerships, except indirectly through terms as negotiated with us. Should the terms of doing business with them change, our business may be disrupted, which could have an adverse effect on our business, financial condition and results of operations.

Because some of our independent installer and new car dealership customers also may offer our competitors' products, our competitors may incent the independent installers and new car dealerships to favor their products. We do not have long-term contracts with a majority of the independent installers and new car dealerships, and the independent installers and new car dealerships are not obligated to purchase specified amounts of our products. In fact, all of the independent installers and new car dealerships buy from us on a purchase order basis. Consequently, with little or no notice, the independent installers and new car dealerships may terminate their relationships with us or materially reduce their purchases of our products. If we were to lose any significant independent installers or new car dealerships, for among other reasons that the independent installers and new car dealerships acquired or were acquired by a competitor such that they became a direct competitor, then we would need to obtain one or more new independent installers or new car dealerships to cover the particular location or product line, which may not be possible on favorable terms or at all.

The Company may incur material losses and costs as a result of product liability and warranty claims.

The Company faces an inherent risk of exposure to product liability claims if the use of its products results, or is alleged to result, in personal injury and/or property damage. If the Company manufactures a defective product, it may experience material product liability losses. Whether or not its products are defective, the Company may incur significant costs to defend product liability claims. It also could incur significant costs

in correcting any defects, lose sales and suffer damage to its reputation. Product liability insurance coverage may not be adequate for the liabilities and may not continue to be available on acceptable terms.

The Company is also subject to product warranty claims in the ordinary course of business. If the Company sells poor-quality products or uses defective materials, the Company may incur unforeseen costs in excess of what it has reserved in its financial statements. These costs could have a material adverse effect on the Company's business, financial condition, operating cash flows and ability to make required debt payments.

We sell our products under limited warranties. We have established a liability reserve under these warranties based on a review of historical warranty claims. Our liability for warranties as of December 31, 2018 and 2017 was $70,250 and $95,882, respectively. The warranty reserves may not be sufficient to cover the costs associated with future warranty claims. A significant increase in these costs could adversely affect the Company's operating results for future periods in which these additional costs materialize. Warranty reserves may need to be adjusted from time to time in the future if actual warranty claim experience differs from estimates. Any of the foregoing matters could have a material adverse effect on the Company's business, financial condition, operating cash flows and ability to make required debt payments.

Harm to our reputation or the reputation of one or more of our products could have an adverse effect on our business.

We believe that maintaining and developing the reputation of our products is critical to our success and that the importance of brand recognition for our products increases as competitors offer products similar to our products. We devote significant time and incur substantial marketing and promotional expenditures to create and maintain brand loyalty as well as increase brand awareness of our products. Adverse publicity about us or our brands, including product safety or quality or similar concerns, whether real or perceived, could harm our image or that of our brands and result in an adverse effect on our business, as well as require resources to rebuild our reputation.

We may not be able to identify, finance and complete suitable acquisitions and investments, and any completed acquisitions and investments could be unsuccessful or consume significant resources.

Our business strategy is expected to include acquiring businesses and making investments that complement our existing business. We expect to analyze and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen our industry position or enhance our existing set of product and service offerings. We may not be able to identify suitable acquisition candidates, obtain financing or have sufficient cash necessary for acquisitions or successfully complete acquisitions in the future. Acquisitions and investments may involve significant cash expenditures, debt issuance, equity issuance, operating losses and expenses. Acquisitions involve numerous other risks, including:

- diversion of management time and attention from daily operations;
- difficulties integrating acquired businesses, technologies and personnel into our business;
- difficulties in obtaining and verifying the financial statements and other business information of acquired businesses;
- inability to obtain required regulatory approvals;
- potential loss of key employees, key contractual relationships or key customers of acquired companies or of ours;
- assumption of the liabilities and exposure to unforeseen liabilities of acquired companies; and
- dilution of interests of holders of our common stock through the issuance of equity securities or equity-linked securities.

Our revenue and operating results may fluctuate, which may make our results difficult to predict and could cause our results to fall short of expectations.

As a result of the rapidly changing nature of the markets in which we compete, our quarterly and annual revenue and operating results may fluctuate from period to period. These fluctuations may be caused by a number of factors, many of which are beyond our control. For example, changes in industry or third-party specifications may alter our development timelines and consequently our ability to deliver and monetize new or updated products and services. Other factors that may cause fluctuations in our revenue and operation results include but are not limited to:

- any failure to maintain strong customer relationships;
- any failure of significant customers, including distributors, to renew their agreements with us;
- variations in the demand for our services and products and the use cycles of our services and products by our customers;
- changes in our pricing policies or those of our competitors; and
- general economic, industry and market conditions and those conditions specific to our business.

For these reasons and because the market for our services and products is relatively new and rapidly changing, it is difficult to predict our future financial results.

If we are unable to retain and acquire new customers, our financial performance may be materially and adversely affected.

Our financial performance and operations are dependent on retaining our current customers and acquiring new customers. A number of factors could negatively affect our customer retention or acquisition. For example, potential customers may request products or services that we currently do not provide and may be unwilling to wait until we can develop or source such additional features.

Other factors that affect our ability to retain or acquire new customers include customers' increasing use of competing products or services, our failure to develop and introduce new and improved products or new products or services not achieving a high level of market acceptance, changes in customer preference or customer sentiment about the quality or usefulness of our products and services, including customer service, consolidation or vertical integration of our customers, adverse changes in our products mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees, and technical or other problems preventing us from delivering our products in a rapid and reliable manner.

If we are unable to retain and acquire new customers, our financial performance may be materially and adversely affected.

We are exposed to political, regulatory, economic and other risks that arise from operating a multinational business.

Sales outside of the U.S. for the year ended December 31, 2018 accounted for approximately 58% of our revenue. Accordingly, our business is subject to the political, regulatory, economic and other risks that are inherent in operating in numerous countries. These risks include:

- changes in general economic and political conditions in countries where we operate, particularly in emerging markets;
- relatively more severe economic conditions in some international markets than in the U.S.;
- the difficulty of enforcing agreements and collecting receivables through non-U.S. legal systems;
- the difficulty of communicating and monitoring standards and directives across our global facilities;

- the imposition of trade protection measures and import or export licensing requirements, restrictions, tariffs or exchange controls;
- the possibility of terrorist action affecting us or our operations;
- the threat of nationalization and expropriation;
- difficulty in staffing and managing widespread operations in non-U.S. labor markets;
- changes in tax treaties, laws or rulings that could have a material adverse impact on our effective tax rate;
- limitations on repatriation of earnings;
- the difficulty of protecting intellectual property in non-U.S. countries; and
- changes in and required compliance with a variety of non-U.S. laws and regulations.

Our success depends in part on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse effect on our international operations or on our business as a whole.

Volatility in currency exchange rates could have a material adverse effect on our financial condition, results of operations and cash flows.

Our financial statements reflect translation of items denominated in non-U.S. currencies to U.S. dollars. Therefore, if the U.S. dollar strengthens in relation to the principal non-U.S. currencies from which we derive revenue as compared to a prior period, our U.S. dollar-reported revenue and income will effectively be decreased to the extent of the change in currency valuations and vice-versa. Fluctuations in foreign currency exchange rates, most notably the strengthening of the U.S. dollar against other various foreign currencies in markets where we operate, could continue to have a material adverse effect on our reported revenue in future periods. In addition, currency variations could have a material adverse effect on margins on sales of our products in countries outside of the U.S.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of our executive officers, Ryan L. Pape, our President and Chief Executive Officer, and Barry R. Wood, our Senior Vice President and Chief Financial Officer, neither of whom has an employment agreement. Loss of key personnel, including members of management as well as key product development, marketing, and sales personnel, could disrupt our operations and have an adverse effect on our business. As we continue to grow, we cannot guarantee that we will continue to attract the personnel we need to maintain our competitive position. As we grow, the incentives to attract, retain, and motivate employees may not be as effective as in the past. If we do not succeed in attracting, hiring, and integrating effective personnel, or retaining and motivating existing personnel, our business could be adversely affected.

If we fail to manage our growth effectively, our business, financial condition and results of operations may suffer.

We have experienced rapid growth over the last five years and we believe we will continue to grow at a rapid pace. This growth has put significant demands on our processes, systems and personnel. We have made and we expect to make further investments in additional personnel, systems and internal control processes to help manage our growth. In addition, we have sought to, and may continue to seek to grow through strategic acquisitions. Our growth strategy may place significant demands on our management and our operational and financial infrastructure. Our ability to manage our growth effectively and to integrate new technologies and acquisitions into our existing business will require us to continue to expand our operational, financial and management information systems and to continue to retain, attract, train, motivate and manage key employees. Growth could strain our ability to develop and improve our operational, financial and

management controls, enhance our reporting systems and procedures, recruit, train and retain highly skilled personnel, maintain our quality standards; and maintain our customer satisfaction.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows or if we are unable to successfully manage and support our rapid growth and the challenges and difficulties associated with managing a larger, more complex business, this could cause a material adverse effect on our business, financial position and results of operations, and the market value of our shares could decline.

We may seek to incur substantial indebtedness in the future.

Our business strategy may include incurring indebtedness in the future. If this occurs, our degree of leverage could have important consequences for the holders of our Common Stock, including increasing our vulnerability to general economic and industry conditions; requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities; restricting us from making strategic acquisitions or causing us to make non-strategic divestitures; limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged. Any of the above consequences could result in a material adverse effect on our business, financial condition and results of operations.

We cannot be certain that additional financing will be available on reasonable terms when required, or at all.

From time to time, we may need additional financing. Our ability to obtain additional financing, if and when required, will depend on investor demand, our operating performance, the condition of the capital markets, and other factors. To the extent we draw on credit facilities, if any, to fund certain obligations, we may need to raise additional funds and we cannot assure investors that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Common Stock, and existing stockholders may experience dilution.

The preparation of our financial statements will involve the use of estimates, judgments and assumptions, and our financial statements may be materially affected if such estimates, judgments and assumptions prove to be inaccurate.

Financial statements prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”) require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the consolidated financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management’s judgment include, but are not limited to, determining the fair value of our assets and the timing and amount of cash flows from our assets. These estimates, judgments and assumptions are inherently uncertain and, if they prove to be wrong, we face the risk that charges to income will be required. Any such charges could significantly harm our business, financial condition, results of operations and the price of our securities. Estimates and assumptions are made on an ongoing basis for the following: revenue recognition, capitalization of software development costs, impairment of long-lived assets, inventory reserves, allowances for doubtful accounts, revenue recognition, fair value for business combinations, and impairment of goodwill. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of the accounting estimates, judgments and assumptions that we believe are the most critical to an understanding of our future plan of operations.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would likely negatively affect our business and the market price of our Common Stock.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports and prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing conducted by us, or any testing conducted by our independent registered public accounting firm may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which is likely to negatively affect our business and the market price of our Common Stock.

Management is responsible for establishing and maintaining adequate internal control over our financial reporting. We have discovered certain financial statement reporting errors that, while not material, indicated a significant deficiency in internal controls over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of financial reporting. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the significant deficiency, our management concluded that the Company's internal control over financial reporting was insufficiently rigorous and developed and implemented remediation plans designed to address the significant deficiency. If our remedial measures are insufficient to address the significant deficiency, or if additional significant deficiencies or material weaknesses in internal control are discovered or occur in the future, the Company's consolidated financial statements could contain material misstatements. If we are unable to remediate a material weakness or significant deficiency in a timely manner, our investors, regulators, customers and other business partners may lose confidence in our business or our financial reports, and our access to capital markets may be adversely affected. Any of the foregoing effects could have a material adverse effect on the Company's business, financial condition and operating cash flows.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and our management will be required to assess the effectiveness of these controls annually. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). We could be an "emerging growth company" for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

We have no operating experience as a publicly traded company in the U.S.

We have no operating experience as a publicly traded company in the U.S. Following the effectiveness of this registration statement, we will be required to develop and implement internal control systems and procedures in order to satisfy the periodic and current reporting requirements under applicable Securities and Exchange Commission, or SEC, regulations. This transition could place a significant strain on our management team, infrastructure and other resources. In addition, our management team may not successfully or efficiently manage a public company that is subject to significant regulatory oversight and reporting obligations.

We will incur increased costs as a result of being a U.S. public company.

As a publicly traded company in the United States, we will need to comply with new laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act and related regulations of the SEC. Complying with these statutes, regulations and requirements will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses. As a U.S. public company, we will need to institute a more comprehensive compliance regime, including establishing a more robust system of internal controls and the preparation and distribution of periodic public reports. These activities will require us to retain outside counsel and accountants to a greater degree, resulting in increased costs, which may have a material adverse effect on our business. These requirements may also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our Audit Committee, and qualified executive officers.

We are an "emerging growth company," and we cannot be certain if the reduced SEC reporting requirements applicable to emerging growth companies will make our Common Stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act. We will remain an "emerging growth company" until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue is, (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt securities and (iv) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. We intend to take advantage of exemptions from various reporting requirements that are applicable to most other public companies, whether or not they are classified as "emerging growth companies," including, an exemption from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

The JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in the Securities Act of 1933 (as amended, the "Securities Act") for complying with new or revised accounting standards. We have elected to take advantage of the benefits of this extended transition period. Our consolidated financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. If some investors find our Common Stock less attractive because we intend to rely on certain of these exemptions and benefits under the JOBS Act, there may be a less active, liquid or orderly trading market for our Common Stock and the market price and trading volume of our Common Stock may be more volatile and decline significantly.

Violations of the U.S. Foreign Corrupt Practices Act and similar anti-corruption laws outside the U.S. could have a material adverse effect on us.

The Foreign Corrupt Practices Act, or FCPA, and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that are recognized as having governmental and commercial corruption and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We cannot assure you that our internal control policies and procedures will always protect us from reckless or criminal acts committed by our employees or third-party intermediaries. In the event that we believe or have

reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may require self-disclosure to governmental agencies and result in criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

Our failure to satisfy international trade compliance regulations, and changes in U.S. government sanctions, could have a material adverse effect on us.

Our global operations require importing and exporting goods and technology across international borders on a regular basis. Our policy mandates strict compliance with U.S. and non-U.S. trade laws applicable to our products. Nonetheless, our policies and procedures may not always protect us from actions that would violate U.S. or non-U.S. laws. Any improper actions could subject us to civil or criminal penalties, including material monetary fines, or other adverse actions including denial of import or export privileges, and could damage our reputation and business prospects.

Changes in U.S. administrative policy, including changes to existing trade agreements, could have a material adverse effect on us.

As a result of changes to U.S. administrative policy, there may be changes to existing trade agreements, greater restrictions on free trade generally or other possible changes. Changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently sell products, and any resulting negative sentiments towards the U.S. as a result of such changes, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Intellectual property challenges may hinder our ability to develop and market our products, and we may incur significant costs in our efforts to successfully avoid, manage, defend and litigate intellectual property matters.

Proprietary technologies, customer relationships, trademarks, trade names and brand names are important to our business. Intellectual property protection, however, may not preclude competitors from developing products similar to ours or from challenging our names or products. Further, as we expand on a multi-national level and in some jurisdictions where the protection of intellectual property rights is less robust, the risk of competitors duplicating our proprietary technologies increases. We may need to spend significant resources monitoring our intellectual property rights, and we may or may not be able to detect infringement by third parties. Assertions by or against us relating to intellectual property rights, and any inability to protect these rights, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may face design limitations or liability associated with the use of products for which patent ownership or other intellectual property rights are claimed.

From time to time we are subject to claims or inquiries regarding alleged unauthorized use of a third party's intellectual property and cannot be certain that the conduct of our business does not and will not infringe the intellectual property rights of others. An adverse outcome in any intellectual property litigation could subject us to significant liabilities to third parties, require us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or using certain products or brands, or require us to redesign, re-engineer, or re-brand certain products or packaging, any of which could affect our business, financial condition and operating results. Third-party intellectual property rights may also make it more difficult or expensive for us to meet market demand for particular product or design innovations. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses on acceptable terms, if at all. In addition, the cost of responding

to an intellectual property infringement claim, in terms of legal fees and expenses and the diversion of management resources, whether or not the claim is valid, could have a material adverse effect on our business, results of operations and financial condition.

If the model of selling vehicles through dealerships in North America changes dramatically, our revenue could be impacted.

Generally, most vehicles in North America are sold through franchised new car dealerships. These dealerships have a strong profit motive and are historically very good at selling accessories and other products. Going forward, if the dealership model were to change in the form of fewer franchised dealerships, or the possibility of manufacturer owned distribution, the prospects in this channel may diminish. Manufacturer-owned sales of new cars might become harder to penetrate or more streamlined with fewer opportunities to sell accessories. This would make us more reliant on our independent installer, retail-oriented channel, which requires more work to create consumer awareness.

If ride-sharing or alternate forms of vehicle ownership gain in popularity, our revenue could be impacted.

If ride-sharing or alternate forms of vehicle ownership including rental, ride-sharing, or peer-to-peer car sharing gain in popularity, consumers may own fewer vehicles per household, which would reduce our revenue. More vehicles entering a ride-sharing or car-sharing fleet could have an uncertain impact on our revenue as consumers are more or less interested in accessorizing vehicles they own that are in the ride-sharing fleet.

Environmental regulation, changing fuel-economy standards and/or a drive toward electric vehicles could impact our revenue.

Many manufacturers have announced plans to transition from internal-combustion engines into electric vehicle platforms over the coming years. There is no assurance that consumers will respond positively to this fundamental shift in the auto industry, should it occur. If the change results in vehicles that are more utilitarian or otherwise less interesting to a large portion of our customers who are automotive enthusiasts, our revenue could be impacted.

Technology could render the need for some of our products obsolete.

We derive the majority of our revenue from surface and paint protection films, with the majority of products applied on painted surfaces of vehicles. If automotive paint technology were to improve substantially, such that newer paint did not chip, scratch or was generally not as susceptible to damage, our revenue could be impacted.

Similarly, our automotive and architectural window films could be impacted by changes or enhancements from automotive manufacturers or window manufacturers that would reduce the need for our products.

Risks Relating to our Securities

Our Common Stock price has been volatile in recent years and may continue to be volatile.

Our Common Stock trades in Canada on the TSX Venture Exchange under the trading symbol “DAP.U” and the over-the-counter market in the United States under the trading symbol “XPLT”. We have applied to list our Common Stock on The NASDAQ Stock Market under the trading symbol “XPEL”. A number of factors could influence the volatility in the trading price of our Common Stock, including changes in the economy or in the financial markets, after market automotive product industry related developments, and the impact of material events and changes in our operations. Each of these factors could lead to increased volatility in the market price of our Common Stock.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our common share price, notwithstanding our operating results. We expect that the market price of our securities will fluctuate and there can be no assurances about the levels of the market prices for our securities.

An active trading market for our Common Stock may not develop or continue to be liquid.

We expect our Common Stock to be listed and traded on The NASDAQ Stock Market. Prior to the listing on The NASDAQ Stock Market, our Common Stock has only traded in the over-the-counter market in the United States, and an active market for our Common Stock may not develop or be sustained after the listing, which could depress the market price of our Common Stock and could affect the ability of our stockholders to sell their shares. In the absence of an active public trading market, investors may not be able to liquidate their investments in our Common Stock. An inactive market may also impair our ability to raise capital by selling our Common Stock, our ability to motivate our employees through equity incentive awards and our ability to acquire other companies, products or technologies by using our Common Stock as consideration. In addition, we cannot predict the prices at which our Common Stock may trade on The NASDAQ Stock Market following the listing of our Common Stock, and the market price of our Common Stock may fluctuate significantly in response to various factors, some of which are beyond our control.

If research analysts do not publish research about our business or if they issue unfavorable commentary or downgrade our Common Stock, the price of our Common Stock and their trading volume could decline.

The trading market for our Common Stock may depend in part on the research and reports that research analysts publish about us and our business. If we do not maintain adequate research coverage, or if one or more analysts who covers us downgrades our Common Stock or publishes inaccurate or unfavorable research about our business, the price of our Common Stock could decline. If one or more of the research analysts ceases to cover us or fails to publish reports on us regularly, demand for our Common Stock could decrease, which could cause the price or trading volume to decline.

We may issue additional equity securities, or engage in other transactions that could dilute our book value or affect the priority of our Common Stock, which may adversely affect the market price of our Common Stock.

Our articles of incorporation allow our Board to issue up to 100,000,000 shares of Common Stock. Our Board may determine from time to time that we need to raise additional capital by issuing Common Stock or other equity securities. Except as otherwise described in this registration statement, we are not restricted from issuing additional securities, including securities that are convertible into or exchangeable for, or that represent the right to receive, shares of our Common Stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future offerings, or the prices at which such offerings may be affected. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our Common Stock, or both. Holders of our Common Stock are not entitled to pre-emptive rights or other protections against dilution. New investors also may have rights, preferences and privileges that are senior to, and that adversely affect, the then-current holders of our Common Stock. Additionally, if we raise additional capital by making offerings of debt or shares of preferred stock, upon our liquidation, holders of our debt securities and shares of preferred stock, and lenders with respect to other borrowings, may receive distributions of our available assets before the holders of our Common Stock.

We may issue shares of preferred stock with greater rights than our Common Stock.

Subject to the rules of The NASDAQ Capital Market, our articles of incorporation authorize our board of directors to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from holders of our Common Stock. Any preferred stock that is issued may rank ahead of our Common Stock in terms of dividends, priority and liquidation premiums and may have greater voting rights than our Common Stock.

We have not paid any cash dividends in the past and have no plans to issue cash dividends in the future, which could cause our Common Stock to have a lower value than that of similar companies which do pay cash dividends.

We have not paid any cash dividends on our Common Stock to date and do not anticipate any cash dividends being paid to holders of our Common Stock in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board.

While our dividend policy will be based on the operating results and capital needs of the business, it is anticipated that any earnings will be retained to finance our future expansion. As we have no plans to issue cash dividends in the future, our Common Stock could be less desirable to other investors and as a result, the value of our Common Stock may decline, or fail to reach the valuations of other similarly situated companies that pay cash dividends.

Shares eligible for future sale may depress our stock price.

At December 31, 2018, we had 27,612,597 shares of Common Stock outstanding of which 11,088,229 shares were held by affiliates. All of the shares of Common Stock held by affiliates are restricted or are control securities under Rule 144 promulgated under the Securities Act. Sales of shares of Common Stock under Rule 144 or another exemption under the Securities Act or pursuant to a registration statement could have a material adverse effect on the price of our Common Stock and could impair our ability to raise additional capital through the sale of equity securities. Furthermore, all Common Stock beneficially owned by persons who are not our affiliates and have beneficially owned such shares for at least one year may be sold immediately after our initial listing on The NASDAQ Stock Market by these existing stockholders in accordance with Rule 144 of the Securities Act. However, there can be no assurance that any of these existing stockholders will sell any or all of their Common Stock and there may initially be a lack of supply of, or demand for, our Common Stock on The NASDAQ Stock Market. In the case of a lack of supply of our Common Stock offered in the market, the trading price of our Common Stock may rise to an unsustainable level, particularly in instances where institutional investors may be discouraged from purchasing our Common Stock because they are unable to purchase a block of our Common Stock in the open market due to a potential unwillingness of our existing stockholders to sell the amount of Common Stock at the price offered by such investors and the greater influence individual investors have in setting the trading price. In the case of a lack of market demand for our Common Stock, the trading price of our Common Stock could decline significantly and rapidly after our listing.

Your percentage of ownership in our Common Stock may be diluted in the future.

In the future, your percentage ownership in our Common Stock may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including equity awards that we expect to be granting to our directors, officers and employees. Such issuances may have a dilutive effect on our earnings per share, which could materially adversely affect the market price of our ordinary shares.

Anti-takeover provisions could make a third party acquisition of us difficult.

Our bylaws eliminate the ability of stockholders to call special meetings or take action by written consent. These provisions in our bylaws could make it more difficult for a third party to acquire us without the approval

of our board. In addition, the Nevada corporate statute also contains certain provisions that could make an acquisition by a third party more difficult.

Our directors and officers have substantial control over us.

Our directors and executive officers, together with their affiliates and related persons, beneficially owned, in the aggregate, approximately 40.2% of our outstanding Common Stock as of March 1, 2019. These stockholders have the ability to substantially control our operations and direct our policies including the outcome of matters submitted to our stockholders for approval, such as the election of directors and any acquisition or merger, consolidation or sale of all or substantially all of our assets.

Our bylaws provide that the state and federal courts located in Bexar County, Texas will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that, with certain limited exceptions, unless we consent in writing to the selection of an alternative forum, the state and federal courts located in Bexar County, Texas will be the sole and exclusive forum for any stockholder (including any beneficial owner) to bring any (i) derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of, or a claim based on, breach of a fiduciary duty owed by any current or former director, officer, employee or stockholder to us or our stockholders, (iii) any action asserting a claim against us or any current or former director, officer, employee or stockholder arising pursuant to any provision of Chapters 78 and 92 of the Nevada Revised Statutes or our articles of incorporation or bylaws or (iv) any action asserting a claim against us or any current or former director, officer, employee or stockholder (including any beneficial owner of stock) governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in our Common Stock is deemed to have notice of and consented to the foregoing provisions. This choice of forum provision may limit a stockholder's ability to bring claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

Item 2 – Financial Information

The following discussion summarizes the significant factors affecting the operating results, financial condition and liquidity and cash flow of our Company for the years ended December 31, 2018 and 2017. You should read this discussion together with the consolidated financial statements, related notes and other financial information included in this registration statement. Except for historical information, the matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward looking statements that involve risks and uncertainties, including those discussed under Part I, Item IA - "Risk Factors" and elsewhere in this registration statement, and are based upon judgments concerning various factors, that are beyond our control. These risks could cause our actual results to differ materially from any future performance suggested below.

We are an emerging growth company as defined in Section 2(a)(19) of the Securities Act. Pursuant to Section 107 of the Jumpstart Our Business Startups Act, we may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, meaning that we can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We may choose to take advantage of the extended transition period for complying with new or revised accounting standards applicable to public companies to delay adoption of such standards until such standards are made applicable to private companies. Accordingly, our

consolidated financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

Overview

Founded in 1997, XPEL has grown from an automotive product design software company to a global provider of after-market automotive products, including automotive surface and paint protection, headlight protection and automotive window films, as well as a provider of complementary proprietary software. In 2018, we expanded our product offerings to include window film (both commercial and residential) and security film protection for commercial and residential uses. Today, we employ approximately 180 employees and serve over 2,000 direct customers and several thousand indirect customers around the world.

XPEL began as a software company designing vehicle patterns used to produce cut-to-fit protective film for the painted surfaces of automobiles. In 2007, we began selling automobile protective film products to complement our software business. In 2011, we introduced the ULTIMATE protective film which, at the time, was the industry's first protective film with self-healing properties. The ULTIMATE technology allows the protective film to better absorb the impacts from rock impingement or other road debris, thereby fully protecting the painted surface of a vehicle. The film is described as "self-healing" due to its ability to return to its original state after debris impingement.

The launch of the ULTIMATE product catapulted XPEL into several years of strong revenue growth. In 2014, we began our international expansion by establishing an office in the United Kingdom. In 2015, we acquired Parasol Canada, a distributor of our products in Canada. In 2017, we established our European headquarters in The Netherlands, and expanded our product offerings to include an automotive protective window film branded as PRIME. We continued our international expansion in 2017 with the acquisition of Protex Canada, a leading franchisor of automotive protective film franchises serving Canada, as well as opened our XPEL Mexico office. In 2018, we launched our first product offering outside of the automotive industry, a window and security film protection for commercial and residential uses. Also in 2018, we launched the next generation of our highly successful ULTIMATE line, ULTIMATE PLUS.

Key Business Metrics - Non-GAAP Financial Measures

Our management regularly monitors certain financial measures to track the progress of our business against internal goals and targets. We believe that the most important measure to the Company is EBITDA.

EBITDA is a non-GAAP financial measure. We believe EBITDA provides helpful information with respect to our operating performance as viewed by management, including a view of our business that is not dependent on (i) the impact of our capitalization structure and (ii) items that are not part of our day-to-day operations. Management uses EBITDA (1) to compare our operating performance on a consistent basis, (2) to calculate incentive compensation for our employees, (3) for planning purposes including the preparation of our internal annual operating budget, (4) to evaluate the performance and effectiveness of our operational strategies, and (5) to assess compliance with various metrics associated with the agreements governing our indebtedness. Accordingly, we believe that EBITDA provides useful information in understanding and evaluating our operating performance in the same manner as management. We define EBITDA as net income (loss) plus (a) total depreciation and amortization, (b) interest expense, net, and (c) income tax expense.

The following table is a reconciliation of Net income to EBITDA:

	Year Ended Dec 31, 2018	Year Ended Dec 31, 2017
Net Income	$ 8,721,232	$ 994,330
Interest	168,389	328,402
Taxes	2,760,073	1,154,220
Depreciation	735,983	594,712
Amortization	642,801	537,334
EBITDA	$ 13,028,478	$ 3,608,998

Use of Non-GAAP Financial Measures

EBITDA should be considered in addition to, not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. It is not a measurement of our financial performance under GAAP and should not be considered as alternatives to revenue or net income (loss), as applicable, or any other performance measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other businesses. EBITDA has limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our operating results as reported under GAAP.

EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of ongoing operations; and other companies in our industry may calculate EBITDA differently than we do, limiting their usefulness as comparative measures.

Results of Operations

Comparison of Year Ended December 31, 2018 to year ended December 31, 2017

The following table summarizes the Company's results of operations for fiscal years 2018 and 2017:

	Year Ended December 31, 2018	% of Total Revenue	Year Ended December 31, 2017	% of Total Revenue	$ Change	% Change
Total revenue	$109,920,614	100.0%	$ 67,297,044	100.0%	$ 42,623,570	63.3%
Total cost of sales	76,484,009	69.6%	50,613,212	75.2%	25,870,797	51.1%
Gross margin	33,436,605	30.4%	16,683,832	24.8%	16,752,773	100.4%
Total operating expenses	21,604,869	19.7%	14,472,327	21.5%	7,132,542	49.3%
Operating income	11,831,736	10.8%	2,211,505	3.3%	9,620,231	435.0%
Other expenses	350,431	0.3%	62,955	0.1%	287,476	456.6%
Income tax	2,760,073	2.5%	1,154,220	1.7%	1,605,853	139.1%
Net income	$ 8,721,232	7.9%	$ 994,330	1.5%	$ 7,726,902	777.1%

Revenue. Total 2018 revenue increased approximately $42.6 million, or 63.3% over 2017 revenue. The following table summarizes revenue results for fiscal years 2018 and 2017:

	Year Ended December 31,		%	% of Total Revenue	
	2018	2017	Inc (Dec)	2018	2017
Product Revenue					
Paint protection film	$ 85,495,382	$ 49,489,430	72.8 %	77.8%	73.5%
Window film	7,309,773	5,103,080	43.2 %	6.7%	7.6%
Other	2,721,195	1,755,639	55.0 %	2.5%	2.6%
Total	$ 95,526,350	$ 56,348,149	69.5 %	87.0%	83.7%
Service Revenue					
Software	$ 2,566,960	$ 2,820,709	(9.0)%	2.3%	4.2%
Cutbank credits	6,197,250	4,145,745	49.5 %	5.6%	6.2%
Installation labor	5,211,633	3,709,517	40.5 %	4.7%	5.5%
Training	418,421	272,924	53.3 %	0.4%	0.4%
Total	$ 14,394,264	$ 10,948,895	31.5 %	13.0%	16.3%
Total	$ 109,920,614	$ 67,297,044	63.3 %	100.0%	100.0%

Because many of our international customers require us to ship their orders to freight forwarders located in the United States, we cannot be certain about the ultimate destination of the product. The following table represents our estimate of sales by geographic regions based on our understanding of ultimate product destination based on customer interactions, customer locations and other factors:

	Year Ended December 31,		%	% of Total Revenue	
	2018	2017	Inc (Dec)	2018	2017
United States	$ 46,077,624	$ 33,134,851	39.1 %	41.9%	49.2%
China	32,279,335	11,873,582	171.9 %	29.4%	17.6%
Canada	15,146,869	10,693,002	41.7 %	13.8%	15.9%
Continental Europe	5,734,925	2,751,718	108.4 %	5.2%	4.1%
United Kingdom	2,725,925	1,690,664	61.2 %	2.5%	2.5%
Asia Pacific	2,754,495	2,293,285	20.1 %	2.5%	3.4%
Latin America	1,799,180	829,378	116.9 %	1.6%	1.2%
Middle East/Africa	2,806,502	3,331,376	(15.8)%	2.6%	5.0%
Other	595,759	699,188	(14.8)%	0.5%	1.1%
Total	$ 109,920,614	$ 67,297,044	63.3 %	100.0%	100.0%

Product Revenue. Product revenue grew 69.5% over 2017 product revenue and represented 87.0% of our total revenue. Revenue from our paint protection film product line increased 72.8% and represented 77.8% and 73.5% of our total 2018 and 2017 revenue, respectively. Revenue from our window film product line grew 43.2% and represented 6.7% and 7.6% of our total 2018 and 2017 revenue, respectively. These increases were due to continued strong demand for our products throughout the world.

Service revenue. Service revenue consists of revenue from fees for DAP software access, cutbank credit revenue which represents per cut fees charged for the use of our DAP software, revenue from the labor portion of installation sales in our company-owned installation centers and revenue from training services

provided to our customers. Service revenue grew 31.5% over 2017 service revenue and represented 13.0% and 16.3% of our total 2018 and 2017 revenue, respectively. Software revenue decreased (9.0)% and represented 2.3% and 4.2% of our total 2018 and 2017 revenue, respectively. This decrease was due mainly to the restructuring of DAP access fees commensurate with the implementation of our cutbank program . Cutbank credit revenue grew 49.5% and represented 5.6% and 6.2% of our total 2018 and 2017 revenue, respectively, due mainly to our growth in product revenue and the aforementioned restructuring of DAP access fees. Software and cutbank credit revenue combined grew 25.8% due mainly to the increased demand for our products and services. Installation labor increased 40.5% due mainly to increased strong demand in the areas in which our company-owned stores operate. Training revenue increased 53.3% versus 2017 due to increased demand consistent with the growth of the business.

Total installation revenue (labor and product combined) increased 40.5% versus 2017 due mainly to increased demand for our products and services in our company-owned installation facilities. This represented 5.6% and 6.6% of our total 2018 and 2017 revenue, respectively. Adjusted product revenue, which combines the cutbank credit revenue service component with product revenue, grew 68.2% versus 2017 due to an overall increase in demand for our products and services in most of the regions in which we operate.

Cost of Sales

Cost of sales consists of product costs and the costs to provide our services. Product costs consist of material costs, personnel costs related to warehouse personnel, shipping costs, warranty costs and other related costs to provide products to our customers. Cost of service includes the labor costs associated with installation of product in our Company-owned facilities, costs of labor associated with pattern design for our cutting software and the costs incurred to provide training for our customers. Cost of product sales in 2018 grew 53.3% over 2017 and represented 67.0% and 71.4% of total revenue in 2018 and 2017, respectively, commensurate with the growth in revenue. Cost of service grew 10.4% in 2018 due mainly to the increased installation labor costs associated with increased installation sales.

Gross Margin

Gross margin for 2018 grew $16.8 million, an improvement of 100.4% from 2017 and represented 30.4% of revenue. This improvement in gross margin percentage was due mainly to reductions in per unit material cost and reductions in non-product related costs.

Operating Expenses

Sales and marketing expenses increased $1.9 million in 2018, or 37.5% over 2017, and represented 6.2% and 7.3% of 2018 and 2017 total revenue, respectively. This increase was primarily attributable to increases in sales staff and other marketing related expenses incurred to support the on-going growth of the business.

General and administrative expenses grew $5.3 million in 2018, or 55.4% over 2017, and represented 13.5% and 14.2% of 2018 and 2017 total revenue, respectively. The increase was due mainly to increases in personnel, occupancy costs, information technology costs and travel related costs to support the on-going growth of the business and increases in professional fees due mainly to the ancillary costs related to the preparation and filing of this registration statement.

Other (Income) Expense, Net

Other expense increased $0.3 million from 2017, primarily due to the impact from exchange rate fluctuations partially offset by reductions in interest cost due to overall lower debt levels in 2018.

Income Tax Expense

Income tax expense increased $1.6 million from 2017, primarily due to increased profitability in 2018. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax cuts and Jobs Act or Tax Reform Act. The Tax Reform Act made broad and complex changes to the U.S. tax code that affected the Company, including but not limited to, a permanent reduction of the U.S. corporate income tax rate from 34% to 21% effective January 1, 2018.

Net Income

Net income for the period increased by $7.7 million from 2017, to $8.7 million in 2018 owing mainly to the aforementioned increases in revenue and gross margin.

Liquidity and Capital Resources

The primary source of liquidity for our business is cash flows provided by operations. We expect to continue to have cash requirements to support working capital needs, capital expenditures, and to pay interest and service debt, if applicable. We believe we have the ability and sufficient capacity to meet these cash requirements by using available cash and internally generated funds and borrowing under committed credit facilities. We are focused on continuing to generate positive operating cash to fund our operational and capital investment initiatives. We have sufficient liquidity to operate for at least the next 12 months from the date of filing this registration statement.

Operating activities. Cash flows provided by operations totaled approximately $6.8 million for the year, compared to $3.0 million in 2017 primarily as a result of strong positive cash flow due mainly to cash generated from increased revenues and gross margins.

Investing activities. Cash flows used in investing activities totaled approximately $3.1 million during the year compared to $2.3 million in the prior year. This increase includes approximately $0.8 million attributable to our acquisitions during the year ended December 31, 2018. Investments in property and equipment also increased by $0.5 million compared to prior year capital expenditures.

Financing activities. Cash flows used in financing activities during the year totaled approximately $3.1 million compared to a source of funds of $1.0 million in the prior year due primarily to $1.5 million in additional net principal reductions on the Company's revolving line of credit and the prior year net proceeds of $2.6 million from the issuance of Common Stock.

Debt obligations at December 31, 2018 totaled approximately $1.8 million compared with $4.0 million at December 31, 2017.

Credit Facilities

Our credit facilities consist of a $8.5 million revolving line of credit agreement with The Bank of San Antonio and a revolving credit facility maintained by our Canadian subsidiary. The Bank of San Antonio facility is utilized to fund our working capital needs and is secured by a security interest in substantially all of our current and future assets. The line has a variable interest rate of the Wall Street Journal prime rate plus 0.75% with a floor of 4.25% and matures in May 2020. The interest rate at December 31, 2018 and 2017 was 6.25% and 5.25%, respectively. As of December 31. 2018, no balance was outstanding on this line. As of December 31, 2017, the balance outstanding was $2.0 million.

The credit agreement contains customary covenants including covenants relating to complying with applicable laws, delivery of financial statements, payment of taxes and maintaining insurance. The credit agreement also requires that XPEL must maintain debt service coverage (EBITDA divided by the current portion of long-term debt plus interest) of 1.25:1 and debt to tangible net worth of 4.0:1 on a rolling four

quarter basis. The credit agreement also contains customary events of default including the failure to make payments of principal and interests, the breach of any covenants, the occurrence of a material adverse change, and certain bankruptcy and insolvency events.

During 2018, XPEL Canada Corp., a wholly-owned subsidiary of XPEL, Inc. entered into an Canadian Dollar ("CAD") $4.5 million revolving credit facility through HSBC Bank Canada. This facility is utilized to fund our working capital needs in Canada. This facility bears interest at HSBC Canada Bank's prime rate plus .25% per annum and is guaranteed by the parent company. As of December 31, 2018, no balance was outstanding on this facility.

2017 Private Placement

On February 27, 2017, the Company issued 1,659,182 shares of common Stock at a price of $1.43 per share to accredited investors in reliance on the exemption from the registration requirements of the Securities Act set forth in Section 4(a)(2) of the Securities Act. On March 21 , 2017, the Company issued an additional 168,465 shares of Common Stock at a price of $1.43 share to accredited investors in reliance on the exemption from the registration requirements of the Securities Act set forth in Section 4(a)(2) of the Securities Act. The net proceeds from this private placement of $2.6 million were used to fund on-going operations. Issuance costs related to this private placement totaled $0.04 million and were recorded as a reduction in proceeds in additional paid-in-capital.

RECENTLY ADOPTED ACCOUNTING STANDARDS

On January 1, 2018, we adopted Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers", and all related amendments, using the full retrospective transition method. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Topic 606 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most prior revenue recognition guidance. This new standard requires an entity to recognize revenue for the transfer of promised goods or services to a customer in an amount that reflects the consideration that the entity expects to receive and consistent with the delivery of the performance obligation described in the underlying contract with the customer. There was no impact to the amount or timing of revenue that the Company had recognized in prior periods.

In November 2016, the FASB issued new standards on the statement of cash flows and restricted cash that change the presentation of restricted cash and cash equivalents on the statement of cash flows. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted this standard effective January 1, 2017. The adoption of this standard did not have a material effect on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations – Clarifying the Definition of a Business." ASU 2017-01 narrows the definition of a business and provides a screen to determine when a set of the three elements of a business – inputs, processes, and outputs – are not a business. The screen requires that when substantially all the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. If the screen is not met, the amendments (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. The amendments provide a framework to assist entities in evaluating whether both an input and a substantive process are present. We adopted this standard effective January 1, 2017. The adoption of this standard did not have a material effect on the consolidated financial statements.

In January 2017, the FASB issued new guidance on goodwill impairment intended to simplify the testing for goodwill impairment by the elimination of Step 2 in the determination on whether goodwill should be considered impaired. The annual and/or interim assessments are still required to be completed. This guidance is effective for fiscal years (including interim periods) beginning after December 15, 2019, which is the Company's fiscal year ending December 31, 2020. We adopted this standard effective January 1, 2017. The adoption of this standard did not have a material effect on the consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, "Leases" ("the new lease standard" or "ASC 842"), which requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. The new lease standard requirements are effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and early adoption is permitted. The Company has begun evaluating the new lease standard, including the review and implementation of the necessary changes to our existing processes and systems that will be required to implement this new standard. While we are unable to quantify the impact at this time, it is expected the adoption of this standard will lead to a material increase in the assets and liabilities recorded on the consolidated balance sheets. The Company expects to use the effective date of this standard as the date of initial application with no retrospective adjustments to prior comparative periods.

In August 2018, the FASB issued ASU 2018-15, "Intangibles – Goodwill and Other – Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract" in order to provide additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. This is an amendment to ASU 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is still assessing this guidance and the impact it will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement*, to amend the disclosure requirements related to fair value measurements. These amendments include, but are not limited to, additional disclosures related to the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The standard has an effective date for annual periods beginning after December 15, 2019, and interim periods within those annual periods, with early adoption permitted. The Company is still assessing this guidance and the impact it will have on its consolidated financial statements.

Critical Accounting Policies

We have adopted various accounting policies to prepare the consolidated financial statements in accordance with U.S. GAAP. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. We identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements.

Certain of the most critical estimates that require significant judgment are as follows:

Allowance for Doubtful Accounts

When evaluating the adequacy of the allowance for doubtful accounts, we analyze accounts receivable, historical write-offs of bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms. We maintain an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than full payment on outstanding accounts receivable. An amount of judgment is required when assessing the ability to realize accounts receivable, including assessing the probability of collection and the current credit-worthiness of each customer. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, an additional provision for uncollectible accounts may be required. Our allowance for doubtful accounts was $0.1 million and $0.3 million as of December 31, 2018 and 2017, respectively, and based on our analysis, we believe the reserve is adequate for any exposure to credit losses.

Inventory Reserves

Inventory reserves are maintained for the estimated value of the inventory that may have a lower value than stated or quantities in excess of future production needs. We have an evaluation process to assess the value of the inventory that is slow moving, excess or obsolete on a quarterly basis. We evaluate our inventory based on current usage and the latest forecasts of product demand and production requirements from our customers. Our inventory reserve was $0.2 million as of both December 31, 2018 and 2017, and based on our evaluation, we believe the reserve to be adequate.

Recoverability of Long-Lived Assets

The Company reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable and determines potential impairment by comparing the carrying value of the assets with expected net cash flows expected to be provided by operating activities of the business or related products. If the sum of the expected undiscounted future net cash flows were less than the carrying value, we would determine whether an impairment loss should be recognized. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the asset. No impairment losses were recorded in any year presented.

Goodwill and Intangible Assets

Goodwill represents the excess purchase price over the fair value of tangible net assets acquired in business combinations after amounts have been allocated to intangible assets. Goodwill is not amortized, but is reviewed for impairment during the last quarter of each year, or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, using a discounted cash flow model and comparable market values of each reporting unit. Measuring the fair value of reporting units is a Level 3 measurement under the fair value hierarchy. See Note 12, Fair Value Measurements, for a discussion of levels.

Intangible assets primarily consist of capitalized software, customer relationships, trademarks and non-compete agreements. These assets are amortized on a straight-line basis over the period of time in which their expected benefits will be realized. Indefinite-lived intangible assets are not amortized but are tested at least annually for impairment.

Revenue Recognition

Our revenue is comprised primarily of product and services sales where we act as principal to the transaction. All revenue is recognized when the Company satisfies its performance obligation(s) by

transferring the promised product or service to our customer when our customer obtains control of the product or service, with the majority of our revenue being recognized at a point in time. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation. Revenue is recorded net of returns, allowances. Sales, value add, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis. Shipping and handling costs are accounted for as a fulfillment obligation, on a net basis, and are included in cost of sales.

Business Combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. Acquisition-related expenses are recognized separately from the business combination and are recognized as general and administrative expense as incurred.

There have been no other material changes to our critical accounting policies and estimates from those previously disclosed in our consolidated financial statements.

Related Party Relationships

There are no family relationships between or among any of our directors or executive officers. There are no arrangements or understandings between any two or more of our directors or executive officers, and there is no arrangement, plan or understanding as to whether non-management stockholders will exercise their voting rights to continue to elect the current Board. There are also no arrangements, agreements or understandings between non-management stockholders that may directly or indirectly participate in or influence the management of our affairs.

Off-Balance Sheet Arrangements

At December 31, 2018 and 2017, we did not have any relationships with unconsolidated organizations or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements. We do not engage in off-balance sheet financing arrangements. In addition, we do not enaged in trading activities involving non-exchange contracts.

Item 3 – Properties

Our principal office is located in leased premises in San Antonio, Texas. Our operations are conducted in facilities throughout North America and Europe. These facilities house production, distribution and operations, as well as installation services, sales and marketing. A description of our principal facilities as of December 31, 2018 is set forth in the chart below.

Location	Leased or Owned	Square Footage	Facility Activity
Headquarters:			
San Antonio, Texas	Leased	16,651	Training/Admin functions
Other Properties:			
Austin, Texas	Leased	3,880	Sales/Installation
Boise, Idaho	Leased	4,986	Sales/Installation
Calgary, Alberta, Canada	Leased	5,680	Warehouse/Sales/Training
Dallas, Texas	Leased	1,625	Sales/Installation
Dallas, Texas	Leased	1,125	Sales/Installation
Guadalajara, Jalisco, Mexico	Leased	6,830	Warehouse/Sales/Training
Houston, Texas	Leased	7,780	Sales/Installation
Las Vegas, Nevada	Leased	6,864	Sales/Installation
Letchworth, United Kingdom	Leased	3,632	Sales/Installation/Training
San Antonio, Texas	Leased	48,770	Warehouse/production
San Antonio, Texas	Leased	4,992	Sales/Installation
Terrebonne, Quebec, Canada	Leased	12,440	Warehouse/Sales/Training
Tilburg, The Netherlands	Leased	21,527	Warehouse/Sales/Training
Yilan City, Yilan County, Taiwan	Leased	4,300	Warehouse/Sales

We believe that our facilities are suitable for their purpose and are sufficient to support our current business needs.

Item 4 – Security Ownership of Certain Beneficial Owners and Management

Based upon information received from the persons concerned, each person known to XPEL to be the beneficial owner of more than five percent of the outstanding shares of Common Stock of XPEL, each director, each of the executive officers and all directors and officers of XPEL as a group, owned beneficially as of March 1, 2019, the number and percentage of outstanding shares of Common Stock of XPEL indicated in the following table. Except as otherwise noted below, the address for each of the beneficial owners is c/o XPEL, Inc., 618 W. Sunset Road, San Antonio, Texas 78216. None of the shares listed below have been pledged as security. For the purpose of calculating beneficial ownership, the applicable percentage of ownership is based upon 27,612,597 common shares outstanding as of March 1, 2019.

Name	Number of Common Stock Beneficially Owned, or Controlled or Directed	%
Mark E. Adams	3,175,171	11.5%
John A. Constantine	1,834,332	6.6%
Richard K. Crumly	4,634,699[(1)]	16.8%
Michael Klonne	50,425	*
Ryan L. Pape	1,323,602	4.8%
Barry R. Wood	30,000	*
Directors and Executive Officers as a group	11,088,229	40.2%

* Less than one percent (1%)

(1) 2,079,793 Common Stock are held by Adamas, LLC; 2,329,906 shares of Common Stock are held by Carpe, LLC; and 225,000 shares of Common Stock are held by Crumly Family Partners, Ltd. Mr. Crumly has represented to the Company that he is the sole beneficial owner of all of these shares.

Item 5 – Directors and Officers

The following table sets forth the names, ages and positions of the directors and executive officers of the Company as of March 1, 2019:

Name	Age	Position(s) Presently Held
Ryan L. Pape	37	President, Chief Executive Officer and Director
Barry R. Wood	56	Senior Vice President and Chief Financial Officer
John A. Constantine	59	Director
Richard K. Crumly	62	Director
Michael A. Klonne	67	Director
Mark E. Adams	57	Director

The business experience and background of each of our directors and executive officers is provided below:

Executive Officers

Ryan L. Pape

Mr. Pape has served as our President and Chief Executive Officer since 2009 and as a director since 2010. In these roles, he is responsible for providing strategic leadership by working with the Board and the management team to establish long-term goals, growth strategies, and policies and procedures for the Company. Mr. Pape's primary objective is to ensure the Company's affairs are carried out competently, ethically, in accordance with the law, and in the best interest of employees, customers and stockholders. From 2008 to 2009, Mr. Pape served as our Vice President of Operations, and has previously also served in other positions in operations and technology within the Company. Prior to his initial employment with the Company in 2004, Mr. Pape started his career in technology consulting. Mr. Pape graduated from the University of Texas in Austin with a Bachelor of Science Degree in Computer Science.

Mr. Pape was appointed President and Chief Executive Officer of the Company in 2009. Our Board has determined that Mr. Pape is qualified to serve as a director and President and Chief Executive Officer based on his extensive experience with strategy, technology and product distribution and his proven ability to bring people together and develop a strong team of leaders.

Barry R. Wood

Mr. Wood joined the Company in June 2016 as Senior Vice President and Chief Financial Officer. In this role, he oversees the Company's finance functions, including accounting, risk management, treasury management, investor relations and corporate development, and human resources. Mr. Wood brings to the Company significant financial and operational expertise, having spent his entire professional career in the public accounting and finance fields. During his 4 year tenure as Vice President of Dispensing Operations with OptumRx, Inc. (previously Catamaran Home Delivery), from 2011 to 2016, Mr. Wood was responsible for back-end dispensing operations for four dispensing pharmacies. From 2008 to 2011, Mr. Wood served as the Chief Financial Officer of PTRX, Inc., a pharmacy benefits and prescription home delivery company, where he was responsible for all aspects of finance, treasury, audit, risk management, investor relations and human resources. Prior to this, Mr. Wood served in various executive finance roles with AT&T. Prior to that, Mr. Wood was as an audit manager for Ernst & Young. Mr. Wood graduated from Southern Illinois University - Edwardsville with a Bachelor of Science Degree in Accountancy, and obtained his Master of Business Administration with a Finance Concentration (MBA) at the University of Texas - Dallas. He earned his Certified Public Accountant designation in 1986 and his Chartered Global Management Accountant designation in 2010, and is currently licensed in Texas.

Our Board has determined that Mr. Wood is qualified to serve as Senior Vice President and Chief Financial Officer based on his strong expertise in a wide variety of financial skills and his many years of executive-level financial leadership.

Non-Employee Directors

John A. Constantine

Mr. Constantine is the co-founder and managing partner of two ambulatory surgical centers, a national employee benefits company and an international direct sales company with over 3,500 distributors. John has held these roles since 2011. Currently, Mr. Constantine serves as a director for two non-profit organizations: Affordable Housing Development Fund, Inc., an organization with a mission to facilitate the development of affordable rental and homeownership opportunities, and Small Business United, an organization that promotes the interests of small businesses on a national scale. Mr. Constantine graduated

from the University of Texas at Austin with a Bachelor of Business Administration, with a minor in Real Estate Development.

Mr. Constantine became a director of the Company in 2010. Mr. Constantine brings to our Board his extensive background in company building as well as a strategic and visionary approach to leadership.

Richard K. Crumly

Mr. Crumly has been investing in start-up companies and other entrepreneurial ventures for more than 35 years.

Mr. Crumly also has years of experience investing in various real estate ventures, from raw land to developed properties. Mr. Crumly has been involved in ventures ranging from product manufacturing, industrial and consumer goods to telecommunications and technology from early-stage funding to transitioning to the public market. Mr. Crumly has also advised some privately held companies. He graduated from Trinity University in San Antonio with a Bachelor of Science in Business Administration. Mr. Crumly has served on the Board since 2010.

We believe that Mr. Crumly's qualifications to serve on our Board include his entrepreneurial experience and broad investment background.

Michael A. Klonne

Mr. Klonne built a successful career from entry level sales to President and CEO. From 1993 to 1996, Mr. Klonne played a major part in the growth of Findley Adhesives from a $20 million, regional company to a $300 million global company leading to the ultimate sale of the company to Bostik, S.A. From 1996 to 2010, Mr. Klonne served as Chief Executive Officer of Bostik, Inc, a subsidiary of Bostik, S.A., of Paris France, helping grow Bostik, Inc.'s revenue to $1 billion with over 1,000 employees at 20 sites across North America, Latin America, Europe and Asia. He received his Bachelor of Science in Business Education at the University of Cincinnati, and his Master of Business Administration from Duke University.

Since 2013, Mr. Klonne has been serving as an industry leading consultant in the adhesives and polymers industries. His clients have included private equity firms, top global consumer companies and other industry leaders. Mr. Klonne is also active in the support of non-profit education startup companies and schools. Mr. Klonne also serves as board chairman for the Right Step, Inc., a 501(c)(3) Choice School in Milwaukee, WI. Mr. Klonne has served on the Board since 2017.

We believe that Mr. Klonne's qualifications to serve on our Board include his broad and deep senior-level experience in the products and sales industry as well as his general business acumen.

Mark E. Adams

Mr. Adams is a successful serial entrepreneur and visionary who has founded, led, built, and sold several companies he has created in a variety of different industries including Health Care, Finance, Manufacturing, Electric Vehicles, Restaurants, Insurance, Software, Real Estate, Medical Products, Nutritional Products, Digital Communications, Farming, and others. Mr. Adams spent the first 17 years of his career working for large public companies such as Xerox, Johnson & Johnson and Bostik, and has spent the last 16 years creating, building, running and selling several successful companies in a variety of different industries.

After graduating from Texas State University with a BBA in Marketing in 1985, Mr. Adams spent the next 17 years working for three global market leading companies including Xerox, Johnson & Johnson and Bostik. Mr. Adams spent 12 years at Bostik where he held a variety of senior sales management and business management roles in the US, Latin America, Europe and Asia. During his tenure at Bostik, Mr. Adams also

managed the company's two largest global customer relationships, and he also spent 3 years as the General Manager and a Director of Bostik's largest joint venture company headquartered in Osaka, Japan.

Then in 2000, Mr. Adams decided to leave Bostik to pursue an entrepreneurial path and bought a minority interest in a small Industrial distribution business. There he grew sales and net income by almost 300% in 3 years. Upon selling his interest in that company in 2003, Mr. Adams then founded Advocate, MD Financial Group, Inc., which created and operated what became one of the largest medical liability insurance underwriting companies in Texas and Mississippi. Mr. Adams sold that company in 2009 and continued running the company as President and CEO until 2011. In 2007, Mr. Adams co-founded Murphy Adams Restaurant Group, Inc. which today owns over 40 restaurants including Mama Fu's Asian House restaurants in the US and internationally, and Austin's Pizza restaurants in Central Texas. In 2008, Mr. Adams co-founded Kind Health, Inc., which is today one of the nation's fastest growing on-line health insurance companies. Mr. Adams is the co-founder of Sustainability initiatives, LLC., Austin Electric Vehicles, Inc., Direct Biologics, LLC, Tru-EV Financial, Inc., Evergreen Farms, LLC and is a co-founder and large owner of at least 12 other successful companies in a variety of industries all currently in operation today.

Mr. Adams is a past winner of the prestigious Ernst & Young Entrepreneur of the Year Award for Central Texas and was named an Outstanding Texas Entrepreneur by the Governor of Texas and the Texas House of Representatives. Mr. Adams serves on the board of directors of numerous companies including Public (NASDAQ & TSX), private and non-profit boards. Mr. Adams is a long serving member of the McCoy College of Business Advisory Board at Texas State University and was named a 2018 Distinguished Alumnus of Texas State University. Mr. Adams is a large individual XPEL stock holder and has served on the XPEL Board of Directors since 2010.

Independence of Directors

The Board has determined that Messrs. Constantine, Crumly, Klonne and Adams are "independent" as defined in Rule 5605(a)(2) of The NASDAQ Stock Market Rules. Our Board currently consists of four independent directors and one non-independent director.

Board of Directors and Committees

The Board is responsible for directing and overseeing the business and affairs of the Company. The Board represents the Company's stockholders and its primary purpose is to build long-term stockholder value. The Board meets on a regularly scheduled basis during the year to review significant developments affecting the Company and to act on matters that, in accordance with good corporate governance, require Board approval. It also holds annual meetings and acts by unanimous written consent when an important matter requires Board action between scheduled meetings.

Leadership Structure and Risk Oversight

Our Board recognizes that it is important to determine an optimal board leadership structure to ensure the independent oversight of management as the Company continues to grow.

The Board is actively involved in overseeing our risk management processes. The Board focuses on our general risk management strategy and ensures that appropriate risk mitigation strategies are implemented by management. Further, operational and strategic presentations by management to the Board include consideration of the challenges and risks of our businesses, and the Board and management actively engage in discussion on these topics. In addition, each of the Board's committees considers risk within its area of responsibility. For example, the Audit Committee provides oversight to legal and compliance matters and assesses the adequacy of our risk-related internal controls. The Compensation Committee considers risk and structures our executive compensation programs to provide incentives to reward appropriately executives for growth without undue risk taking.

Board Committees

The Board has the following committees:

Audit Committee. The Audit Committee is appointed by the Board to assist the Board in its duty to oversee the Company's accounting, financial reporting and internal control functions and the audit of the Company's consolidated financial statements. The role of the Audit Committee is to oversee management in the performance of its responsibility for the integrity of the Company's accounting and financial reporting and its systems of internal controls, the performance and qualifications of the Company's independent auditor, including the independent registered accounting firm's independence, and the Company's compliance with legal and regulatory requirements.

Our Board has adopted an audit committee charter. The audit committee charter defines its primary duties to include the following oversight responsibilities with respect to the following principal areas:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control systems and review the Company's consolidated financial statements;
- Review and appraise the performance of the Company's independent registered public accounting firm; and
- Provide an open avenue of communication among the Company's independent registered public accounting firm, financial and senior management and the Board

The current members of the Audit Committee are Messrs. Constantine, Crumly and Klonne. The Audit Committee met four times during the fiscal year ended December 31, 2018.

Additionally, the SEC requires that at least one member of the Audit Committee have a heightened level of financial and accounting sophistication. Such a person is known as the audit committee financial expert under the SEC's rules. Our Board has determined that Mr. Klonne is an audit committee financial expert, as the SEC defines that term, and is an independent member of our Board and our Audit Committee. Please see Mr. Klonne's biography included in this registration statement for a description of his relevant experience.

Corporate Governance Committee. The Corporate Governance Committee's primary duties include:

- identifying individuals qualified to become members of our Board and recommending director candidates for election or re-election to our Board;
- maintaining oversight of our Board and our governance functions and effectiveness;
- considering and making recommendations to our Board regarding board size and composition, committee composition and structure and procedures affecting directors, and each director's independence;
- establishing standards for service on our Board; and
- advising the Board on candidates for our executive offices, and conducting appropriate investigation of such candidates.

Our Corporate Governance Committee consists of Messrs. Adams, Constantine and Klonne. The Corporate Governance Committee met four times during the fiscal year ended December 31, 2018.

Compensation Committee. The Compensation Committee reviews and recommends to the full Board (i) the adequacy and form of compensation of the Board; (ii) the compensation of the President and Chief Executive Officer, including base salary, incentive bonus, stock option and other grant, award and benefits upon hiring and on an annual basis; (iii) after obtaining the recommendation of the President and Chief Executive Officer, the compensation of other senior management, including the Senior Vice President and

Chief Financial Officer, upon hiring and on an annual basis; and (iv) the Company's incentive compensation and other equity-based plans and recommends changes to such plans to our Board when necessary.

The current members of the Compensation Committee are Messrs. Adams, Constantine and Crumly. The Compensation Committee met four times during the fiscal year ended December 31, 2018.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is or has been an officer or employee of our Company. None of our executive officers currently serves, or in the past year has served, as a member of the Board or Compensation Committee (or other Board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our Board or Compensation Committee.

Code of Business Conduct and Ethics Policy

In 2018, our Board adopted a Code of Business Conduct and Ethics Policy which is applicable to all of our directors, officers and employees, including our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer.

Compensation of Directors

The Compensation Committee is responsible for all forms of compensation to be granted to the directors of the Company. The Compensation Committee's mandate includes reviewing and recommending director compensation proposals for approval by the Board. The level of compensation for directors is determined after consideration of various relevant factors, including the expected nature and quantity of duties and responsibilities, past performance, comparison with compensation paid by other issuers of comparable size and scope, and the availability of financial and other resources of the Company.

Non-executive directors receive annual directors' fees of $60,000, plus $350 per month for each committee in which they participate. The chairman for each committee receives $500 per month.

The following table summarizes the compensation paid to directors, other than directors who are also named executive officers and whose compensation as directors is reflected in the Summary Compensation Table in the "Executive Compensation" section of this registration statement, for the fiscal year ended December 31, 2018.

Name[(1)]	Fee Earned ($)	Total ($)
Mark Adams	63,000	63,000
John A. Constantine	67,100	67,100
Richard K. Crumly	61,150	61,150
Mike Klonne[(2)]	62,700	62,700

(1) Information for Ryan Pape, the Chief Executive Officer of the Company is provided under "Summary Compensation Table". Mr. Pape does not receive any compensation for acting as a director of the Company.

(2) Mr. Klonne was appointed to the Board on June 30, 2017

Item 6 – Executive Compensation

Compensation of Named Executive Officers of the Company

As of the date of this registration statement, the Company had two named executive officers, Ryan L. Pape, President and Chief Executive Officer; and Barry R. Wood, Senior Vice President and Chief Financial Officer.

The following table provides compensation information for the Company's two most recently completed financial years in respect of the named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock awards ($)	Option awards ($)	Nonequity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)[1]	Total ($)
Ryan L. Pape President and CEO	2018	350,000	162,750	—	—	—	—	23,760	536,510
	2017	260,000	91,000	—	—	—	—	21,695	372,695
Barry R. Wood Senior Vice President and CFO	2018	260,000	90,675	—	—	—	—	12,000	362,675
	2017	225,000	36,562	—	—	—	—	12,000	273,562

(1) All other compensation represents matching contributions for 401K and health insurance premiums.

Incentive Bonus Compensation

In addition to base salaries, the Company may award discretionary bonuses to executive officers. The bonus element of the Company's Executive Compensation Program is designed to retain top quality talent and reward both corporate and individual performance during the Company's last completed financial year. Bonuses are determined at the discretion of the Compensation Committee and are based on overall Company revenue, net income performance and other factors. The proposed bonus amounts and targets for executive officers are recommended by the Compensation Committee for review, discussion, and approval by the Board. The discretionary bonuses paid to each executive officer are included in the summary compensation table above under "Bonus."

Stock Option Plan

The 2018 XPEL, Inc. Stock Option Plan ("Stock Option Plan") authorizes us to grant incentive stock options and non-qualified stock options to our directors, executive officers, employees, consultants and any affiliate of the Company. Option grants generally have a term of less than 10 years, and no single participant in the plan may be granted more than 5% of the issued and outstanding shares of Common Stock of the Company in any 12-month period, unless we have obtained the approval of disinterested stockholders. The maximum number of shares allocated to and made available to be issued under the Plan shall not exceed 10% of the common shares issued and outstanding (on a non-diluted basis) at any time. There are currently no options issued under our Stock Option Plan.

The Stock Option Plan is administered by our Board and the grant of stock options are determined by an assessment of an individual's current and expected future performance, level of responsibilities, and the importance of his or her position with and contribution to the Company. The number of shares of Common Stock issued under the Stock Option Plan and any other stock options of the Company may not exceed 10% of all of our issued and outstanding shares. The Stock Option Plan also requires us reserves sufficient shares

of Common Stock to satisfy all outstanding options. The Board determines the exercise price of options issued pursuant to the Stock Option Plan, provided that such price meets the requirements of The NASDAQ Stock Market.

Item 7 – Certain Relationships and Related Transactions, and Director Independence

The Board has determined that Messrs. Constantine, Crumly, Klonne and Adams are "independent" as defined in Rule 5605(a)(2) of The NASDAQ Stock Market Rules. Our Board currently consists of four independent directors and one non-independent director.

There were no related party transactions during 2018.

Item 8 – Legal Proceedings

From time to time, we are made parties to actions filed or have been given notice of potential claims relating to the ordinary conduct of our business, including those pertaining to commercial disputes, product liability, patent infringement and employment matters.

While we believe that a material impact on our financial position, results of operations or cash flows from any such future claims or potential claims is unlikely, given the inherent uncertainty of litigation, it is possible that an unforeseen future adverse ruling or unfavorable development could result in future charges that could have a material adverse impact. We do and will continue to periodically reexamine our estimates of probable liabilities and any associated expenses and receivables and make appropriate adjustments to such estimates based on experience and developments in litigation. As a result, the current estimates of the potential impact on our financial position, results of operations and cash flows for the proceedings and claims described in the notes to our consolidated financial statements could change in the future.

Item 9 – Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Our Common Stock commenced trading on the TSX-V on February 27, 2006 and have been listed under the symbol "DAP.U".

The closing price of our Common Stock on the TSX-V on March 1, 2019 was USD $6.32 per share. As of March 1, 2019, there were approximately 52 record holders of our Common Stock.

Dividend Policy

Holders of our Common Stock are entitled to receive such dividends as may be declared by our Board. No dividends have been paid with respect to our Common Stock and no dividends are anticipated to be paid in the foreseeable future. Any future decisions as to the payment of dividends will be at the discretion of our Board, subject to applicable law.

Equity Compensation Plan Information

For a description of our Stock Option Plan, see Item 6—"Executive Compensation—Stock Option Plan".

(Shares in million) Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Approved by Stockholders
Equity compensation plans approved by stockholders	—	—	—
Equity compensation plans not approved by stockholders	—	—	—
Total	—	—	—

Item 10 – Recent Sales of Unregistered Securities

On February 27, 2017, the Company issued 1,659,182 shares of common Stock at a price of $1.43 per share to accredited investors in reliance on the exemption from the registration requirements of the Securities Act set forth in Section 4(a)(2) of the Securities Act. On March 21 , 2017, the Company issued an additional 168,465 shares of Common Stock at a price of $1.43 share to accredited investors in reliance on the exemption from the registration requirements of the Securities Act set forth in Section 4(a)(2) of the Securities Act. The net proceeds from this private placement of $2.6 million were used to fund on-going operations. Issuance costs related to this private placement totaled $0.04 million.

Item 11 – Description of Registrant's Securities to be Registered

As of the date of this registration statement, our authorized capital stock consisted of 100,000,000 shares of Common Stock and 10,000,000 shares of preferred stock. As of the date of this registration statement, 27,612,597 shares of Common Stock were issued and outstanding with approximately 52 stockholders of record.

Common Stock

Holders of Common Stock are entitled to receive notice of and to attend all meetings of stockholders of the Company. Holders of Common Stock are entitled to cast one vote for each share held of record on all matters submitted to a vote of stockholders and are not entitled to cumulate votes for the election of directors. Holders of our Common Stock do not have preemptive rights to subscribe for additional shares of Common Stock issued by us.

Holders of our Common Stock are entitled to receive dividends as may be declared by the board of directors out of funds legally available for that purpose.

In the event of liquidation, holders of Common Stock are entitled to share pro rata in any distribution of our assets remaining after payment of liabilities, subject to the preferences and rights of the holders of any outstanding shares of preferred stock. All of the outstanding shares of our Common Stock are fully paid and non-assessable.

Preferred Stock

Our articles of incorporation authorize the issuance of up to 10,000,000 shares of preferred stock, par value $0.001 per share, in one or more series with such voting powers, designations, preferences and rights or qualifications as adopted by the Board of Directors. Upon issuance, the shares of preferred stock will be

fully paid and nonassessable, which means that its holders will have paid their purchase price in full and we may not require them to pay additional funds. Holders of preferred stock will not have any preemptive rights.

Anti-takeover Effects of Certain Provisions of Bylaws

On May 15, 2018, the Board adopted Amended and Restated Bylaws of the Company (the "Amended and Restated Bylaws"), which were approved by the stockholders of the Company on June 29, 2018. Certain provisions in our Amended and Restated Bylaws summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market value for the Common Stock. Such provisions include:

- Authorizing our Board to adopt, amend or repeal our Amended and Restated By-Laws without stockholder approval;
- Requiring advance notice of any stockholder nomination for the election of directors or any stockholder proposal;
- Requiring any stockholder action to be taken only at a duly called annual or special meeting of the stockholders, and not by written consent;
- Authorizing only our Board, and not stockholders, to fix the number of directors; and
- Authorizing only our Board to fill director vacancies and newly created directorships.

Exclusive Forum

Our Amended and Restated Bylaws provide that, with certain limited exceptions, unless we consent in writing to the selection of an alternative forum, the state and federal courts located in Bexar County, Texas will be the sole and exclusive forum for any (i) derivative action or proceeding brought on our behalf, (ii) action asserting a claim of, or a claim based on, breach of a fiduciary duty owed by any current or former director, officer, employee or stockholder to us or our stockholders, (iii) action asserting a claim against us or any current or former director, officer, employee or stockholder arising pursuant to any provision of Chapters 78 and 92 of the Nevada Revised Statutes or our Amended and Restated Bylaws or (iv) action assert a claim against us or any current or former director, officer, employee or stockholder (including any beneficial owner of stock) governed by the internal affairs doctrine. The enforceability of similar forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

Anti-Takeover Statutes

Chapter 78 of the Nevada Revised Statutes, which we refer to as the Nevada GCL, contains two provisions, described below as "Combination Provisions" and the "Control Share Act," that may make the unsolicited or hostile attempts to acquire control of a corporation through certain types of transactions more difficult.

Restrictions on Certain Combinations between Nevada Resident Corporations and Interested Stockholders

The Nevada GCL includes certain provisions (the "Combination Provisions") prohibiting certain "combinations" (generally defined to include certain mergers, disposition of assets transactions, and share issuance or transfer transactions) between a resident domestic corporation and an "interested stockholder" (generally defined to be the beneficial owner of 10% or more of the voting power of the outstanding shares of the corporation), except those combinations which are approved by the board of directors before the interested stockholder first obtained a 10% interest in the corporation's stock. There are additional exceptions to the prohibition, which apply to combinations if they occur more than three years after the interested stockholder's date of acquiring shares. The Combination Provisions apply unless the

corporation elects against their application in its original articles of incorporation or an amendment thereto or timely elected against their application in its bylaws no later than October 31, 1991. Our articles of incorporation and bylaws do not currently contain a provision rendering the Combination Provisions inapplicable.

Nevada Control Share Act

Nevada Revised Statutes 78.378 through 78.3793, inclusive, which we refer to as the Control Share Act, imposes procedural hurdles on and curtails greenmail practices of corporate raiders. The Control Share Act temporarily disenfranchises the voting power of "control shares" of a person or group ("Acquiring Person") purchasing a "controlling interest" in an "issuing corporation" (as defined in the Nevada GCL) not opting out of the Control Share Act. In this regard, the Control Share Act will apply to an "issuing corporation" unless, before an acquisition is made, the articles of incorporation or bylaws in effect on the tenth day following the acquisition of a controlling interest provide that it is inapplicable. Our articles of incorporation and bylaws do not currently contain a provision rendering the Control Share Act inapplicable.

Under the Control Share Act, an "issuing corporation" is a corporation organized in Nevada which has 200 or more stockholders, at least 100 of whom are stockholders of record and residents of Nevada, and which does business in Nevada directly or through an affiliated company. Our status at the time of the occurrence of a transaction governed by the Control Share Act (assuming that our articles of incorporation or bylaws have not theretofore been amended to include an opting out provision) would determine whether the Control Share Act is applicable.

The Control Share Act requires an Acquiring Person to take certain procedural steps before such Acquiring Person can obtain the full voting power of the control shares. "Control shares" are the shares of a corporation (1) acquired or offered to be acquired which will enable the Acquiring Person to own a "controlling interest," and (2) acquired within 90 days immediately preceding that date. A "controlling interest" is defined as the ownership of shares which would enable the Acquiring Person to exercise certain graduated amounts (beginning with one-fifth) of all voting power of the corporation. The Acquiring Person may not vote any control shares without first obtaining approval from the stockholders not characterized as "interested stockholders" (as defined below).

To obtain voting rights in control shares, the Acquiring Person must file a statement at the registered office of the issuer ("Offeror's Statement") setting forth certain information about the acquisition or intended acquisition of stock. The Offeror's Statement may also request a special meeting of stockholders to determine the voting rights to be accorded to the Acquiring Person. A special stockholders' meeting must then be held at the Acquiring Person's expense within 30 to 50 days after the Offeror's Statement is filed. If a special meeting is not requested by the Acquiring Person, the matter will be addressed at the next regular or special meeting of stockholders.

At the special or annual meeting at which the issue of voting rights of control shares will be addressed, "interested stockholders" may not vote on the question of granting voting rights to control the corporation or its parent unless the articles of incorporation of the issuing corporation provide otherwise. Our articles of incorporation do not currently contain a provision allowing for such voting power.

If full voting power is granted to the Acquiring Person by the disinterested stockholders, and the Acquiring Person has acquired control shares with a majority or more of the voting power, then (unless otherwise provided in the articles of incorporation or bylaws in effect on the tenth day following the acquisition of a controlling interest) all stockholders of record, other than the Acquiring Person, who have not voted in favor of authorizing voting rights for the control shares, must be sent a "dissenter's notice" advising them of the fact and of their right to receive "fair value" for their shares. Our articles of incorporation and bylaws do not provide otherwise. By the date set in the dissenter's notice, which may not be less than 30 or more than 60 days after the dissenter's notice is delivered, any such stockholder may demand to receive from the

corporation the “fair value” for all or part of his shares. “Fair value” is defined in the Control Share Act as “not less than the highest price per share paid by the Acquiring Person in an acquisition.”

The Control Share Act permits a corporation to redeem the control shares in the following two instances, if so provided in the articles of incorporation or bylaws of the corporation in effect on the tenth day following the acquisition of a controlling interest: (1) the Acquiring Person fails to deliver the Offeror’s Statement to the corporation within 10 days after the Acquiring Person’s acquisition of the control shares; or (2) an Offeror’s Statement is delivered, but the control shares are not accorded full voting rights by the stockholders. Our articles of incorporation and bylaws do not address this matter.

Transfer Agents and Registrar

Our U.S. transfer agent for our Common Stock will be American Stock Transfer and Trust Company.

Item 12. – Indemnification of Directors and Officers

Subsection 7 of Section 78.138 of the Nevada Revised Statutes (the “Nevada Law”) provides that, subject to certain limited statutory exceptions, a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer, unless it is proven that the act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and such breach of those duties involved intentional misconduct, fraud or a knowing violation of law. The statutory standard of liability established by Section 78.138 controls even if there is a conflicting provision in the corporation’s articles of incorporation unless an amendment to XPEL’s Articles of Incorporation were to provide for greater individual liability.

Subsection 1 of Section 78.7502 of the Nevada Law empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (any such person, a “Covered Person”), against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Covered Person in connection with such action, suit or proceeding if the Covered Person is not liable pursuant to Section 78.138 of the Nevada Law or the Covered Person acted in good faith and in a manner the Covered Person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceedings, had no reasonable cause to believe the Covered Person’s conduct was unlawful.

Subsection 2 of Section 78.7502 of the Nevada Law empowers a corporation to indemnify any Covered Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in the capacity of a Covered Person against expenses, including amounts paid in settlement and attorneys’ fees actually and reasonably incurred by the Covered Person in connection with the defense or settlement of such action or suit, if the Covered Person is not liable pursuant to Section 78.138 of the Nevada Law or the Covered Person acted in good faith and in a manner the Covered Person reasonably believed to be in or not opposed to the best interests of the corporation. However, no indemnification may be made in respect of any claim, issue or matter as to which the Covered Person shall have been adjudged by a court of competent jurisdiction (after exhaustion of all appeals therefrom) to be liable to the corporation or for amounts paid in settlement to the corporation unless and only to the extent that the court in which such action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the Covered Person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Section 78.7502 of the Nevada Law further provides that to the extent a Covered Person has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to in Subsection 1 or 2 of Section 78.7502, as described above, or in the defense of any claim, issue or matter therein, the corporation shall indemnify the Covered Person against expenses (including attorneys' fees) actually and reasonably incurred by the Covered Person in connection with the defense.

Subsection 1 of Section 78.751 of the Nevada Law provides that any discretionary indemnification pursuant to Section 78.7502 of the Nevada Law, unless ordered by a court or advanced pursuant to Subsection 2 of Section 78.751, may be made by a corporation only as authorized in the specific case upon a determination that indemnification of the Covered Person is proper in the circumstances. Such determination must be made (a) by the stockholders, (b) by the board of directors of the corporation by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding, (c) if a majority vote of a quorum of such nonparty directors so orders, by independent legal counsel in a written opinion, or (d) by independent legal counsel in a written opinion if a quorum of such nonparty directors cannot be obtained.

Subsection 2 of Section 78.751 of the Nevada Law provides that a corporation's articles of incorporation or bylaws or an agreement made by the corporation may require the corporation to pay as incurred and in advance of the final disposition of a criminal or civil action, suit or proceeding, the expenses of officers and directors in defending such action, suit or proceeding upon receipt by the corporation of an undertaking by or on behalf of the officer or director to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the corporation. Subsection 2 of Section 78.751 further provides that its provisions do not affect any rights to advancement of expenses to which corporate personnel other than officers and directors may be entitled under contract or otherwise by law.

Subsection 3 of Section 78.751 of the Nevada Law provides that indemnification pursuant to Section 78.7502 of the Nevada Law and advancement of expenses authorized in or ordered by a court pursuant to Section 78.751 does not exclude any other rights to which the Covered Person may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his or her official capacity or in another capacity while holding his or her office. However, indemnification, unless ordered by a court pursuant to Section 78.7502 or for the advancement of expenses under Subsection 2 of Section 78.751 of the Nevada Law, may not be made to or on behalf of any director or officer of the corporation if a final adjudication establishes that his or her acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and were material to the cause of action. Additionally, the scope of such indemnification and advancement of expenses shall continue for a Covered Person who has ceased to be a director, officer, employee or agent of the corporation, and shall inure to the benefit of his or her heirs, executors and administrators.

Section 78.752 of the Nevada Law empowers a corporation to purchase and maintain insurance or make other financial arrangements on behalf of a Covered Person for any liability asserted against such person and liabilities and expenses incurred by such person in his or her capacity as a Covered Person or arising out of such person's status as a Covered Person whether or not the corporation has the authority to indemnify such person against such liability and expenses.

Our Amended and Restated Bylaws provide for indemnification of Covered Persons substantially identical in scope to that permitted under the Nevada Law. Such Bylaws provide that the expenses of directors and officers of XPEL incurred in defending any action, suit or proceeding, whether civil, criminal, administrative or investigative, must be paid by XPEL as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it is ultimately determined by a court of competent jurisdiction that the director or officer is not entitled to be indemnified by XPEL.

XPEL has a contract for insurance coverage under which XPEL and certain Covered Persons (including the directors and officers of XPEL) are covered under certain circumstances with respect to litigation and other costs and liabilities arising out of actual or alleged misconduct of such Covered Persons.

The above-described provisions of the Nevada Law relating to the indemnification of directors and officers do not prohibit the indemnification of such persons in certain circumstances against liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Item 13. – Financial Statements and Supplementary Data

Item 14 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 15. – Financial Statements and Exhibits

(a) Consolidated Financial Statements.

The consolidated financial statements are filed as part of this registration statement and begin on page F-2 and an index thereto is included in Item 13.

(b) Exhibits. The following exhibits are included as part of this registration statement:

Number	Description
3.1	Articles of Incorporation of the Company, filed with the Nevada Secretary of State on October 14, 2003.*
3.2	Certificate of Amendment to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on December 29, 2003.*
3.3	Certificate of Amendment to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on June 3, 2018.*
3.4	Amended and Restated Bylaws of the Company, effective as of May 11, 2018.*
4.1	Form of Common Stock Certificate.*
10.1	Business Loan Agreement, dated as of August 5, 2017, between XPEL Technologies Corp., as borrower, and The Bank of San Antonio, as lender.*
10.2	Change in Terms Agreement, dated as of May 5, 2018, modifying that certain Business Loan Agreement dated as of August 5, 2017, between XPEL Technologies, Corp., as borrower, and The Bank of San Antonio, as lender.*
10.3	Credit Facility Letter, dated September 11, 2018, by and among XPEL Canada Corp., as borrower, XPEL, Inc., as guarantor, and HSBC Bank Canada, as lender.*
10.4	Amended and Restated Supply Agreement by and between XPEL Technologies Corp., and entrotech, inc. (to be filed by amendment).
10.5	Form of Distribution Agreement of the Company.*
10.6	Stock Option Plan of the Company.*
14.1	Code of Business Conduct and Ethics (to be filed by amendment).
21.1	Subsidiaries of the Company.*

* Filed herewith

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the board of directors of XPEL, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of XPEL, Inc. (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows, for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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 audits 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 consolidated 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 audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Baker Tilly Virchow Krause, LLP

We have served as the Company's auditor since 2017.

Minneapolis, Minnesota

March 12, 2019

XPEL, INC.

Consolidated Balance Sheets

	December 31, 2018	December 31, 2017
Assets		
Current		
Cash and cash equivalents	$ 3,971,226	$ 3,498,904
Accounts receivable, net	5,554,313	5,445,036
Inventory, net	10,799,611	10,520,794
Prepaid expenses and other current assets	706,718	774,762
Total current assets	21,031,868	20,239,496
Property and equipment, net	3,384,206	2,153,233
Intangible assets, net	3,804,026	3,562,772
Goodwill	2,322,788	1,856,642
Total assets	$ 30,542,888	$ 27,812,143
Liabilities		
Current		
Revolving line of credit	$ —	$ 2,000,000
Current portion of notes payable	853,150	1,024,434
Accounts payable and accrued liabilities	6,292,093	9,718,833
Income tax payable	1,337,599	1,171,618
Total current liabilities	8,482,842	13,914,885
Deferred tax liability, net	478,864	474,440
Notes payable	968,237	927,432
Total liabilities	9,929,943	15,316,757
Stockholders' equity		
Preferred stock, $0.001 par value; authorized 10,000,000; none issued and outstanding	—	—
Common stock, $0.001 par value; authorized 100,000,000; as of December 31, 2018 and 2017, 27,612,597 issued and outstanding	27,613	27,613
Additional paid-in-capital	11,348,163	11,348,163
Accumulated other comprehensive loss	(1,190,055)	(596,683)
Retained earnings	10,617,253	1,904,719
	20,802,974	12,683,812
Non-controlling interest	(190,029)	(188,426)
Total stockholders' equity	20,612,945	12,495,386
Total liabilities and stockholders' equity	$ 30,542,888	$ 27,812,143

See notes to consolidated financial statements.

XPEL, INC.

Consolidated Statements of Income

	Year Ended December 31,	
	2018	**2017**
Revenue		
Product revenue	$ 95,526,350	$ 56,348,149
Service revenue	14,394,264	10,948,895
Total revenue	109,920,614	67,297,044
Cost of Sales		
Cost of product sales	73,656,389	48,051,461
Cost of service	2,827,620	2,561,751
Total cost of sales	76,484,009	50,613,212
Gross Margin	33,436,605	16,683,832
Operating Expenses		
Sales and marketing	6,802,241	4,945,390
General and administrative	14,802,628	9,526,937
Total operating expenses	21,604,869	14,472,327
Operating Income	11,831,736	2,211,505
Interest expense	168,389	328,402
Loss (gain) on sale of property, plant and equipment	25,733	(13,251)
Foreign exchange loss (gain)	156,309	(252,196)
Income before income taxes	11,481,305	2,148,550
Income tax expense	2,760,073	1,154,220
Net income	8,721,232	994,330
Income (loss) attributed to non-controlling interest	8,698	(53,001)
Net income attributable to stockholders of the Company	$ 8,712,534	$ 1,047,331
Earnings per share attributable stockholders of the Company		
Basic and diluted	$ 0.32	$ 0.04
Weighted Average Number of Common Shares		
Basic and diluted	27,612,597	27,326,261

See notes to consolidated financial statements.

XPEL, INC.

Consolidated Statements of Comprehensive Income

	Year Ended December 31,	
	2018	**2017**
Other comprehensive income		
Net income	$ 8,721,232	$ 994,330
Foreign currency translation	(603,673)	238,410
Total comprehensive income	8,117,559	1,232,740
Total comprehensive income attributable to:		
Stockholders of the Company	8,119,162	1,268,409
Non-controlling interest	(1,603)	(35,669)
Total comprehensive income	$ 8,117,559	1,232,740

See notes to consolidated financial statements.

XPEL, INC.

Consolidated Statements of Changes in Stockholders' Equity

Year ended December 31, 2018

	Common Stock		Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Equity attributable to Stockholders of the Company	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance as of December 31, 2016	25,784,950	$ 25,785	$ 8,774,478	$ 857,388	$ (817,761)	$ 8,839,890	$ (152,757)	$ 8,687,133
Issuance of common stock	1,827,647	1,828	2,611,701	—	—	2,613,529	—	2,613,529
Common stock issuance costs	—	—	(38,016)	—	—	(38,016)	—	(38,016)
Net income	—	—	—	1,047,331	—	1,047,331	(53,001)	994,330
Foreign currency translation	—	—	—	—	221,078	221,078	17,332	238,410
Balance as of December 31, 2017	27,612,597	27,613	11,348,163	1,904,719	(596,683)	12,683,812	(188,426)	12,495,386
Net income	—	—	—	8,712,534	—	8,712,534	8,698	8,721,232
Foreign currency translation	—	—	—	—	(593,372)	(593,372)	(10,301)	(603,673)
Balance as of December 31, 2018	27,612,597	$ 27,613	$ 11,348,163	$10,617,253	$ (1,190,055)	$ 20,802,974	$ (190,029)	$ 20,612,945

See notes to consolidated financial statements.

XPEL, INC.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2018	**2017**
Cash flows from operating activities		
Net income	$ 8,721,232	$ 994,330
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	735,983	594,712
Amortization of intangible assets	642,801	537,334
Loss (gain) on sale of property and equipment	25,733	(13,251)
Bad debt expense	190,230	308,891
Deferred income tax	(86,218)	(221,873)
Accretion on notes payable	43,416	78,957
Changes in current assets and liabilities:		
Accounts receivable	(261,256)	(788,524)
Inventory, net	11,148	(2,546,671)
Prepaid expenses and other current assets	132,682	(244,716)
Accounts payable and accrued liabilities	(3,635,246)	3,472,092
Income tax payable	276,280	846,175
Net cash provided by operating activities	6,796,785	3,017,456
Cash flows used in investing activities		
Purchase of property, plant and equipment	(2,030,314)	(1,499,762)
Proceeds from sale of property, plant and equipment	155,277	39,500
Acquisition of subsidiaries, net of cash acquired and notes payable (Note 6)	(831,934)	(659,132)
Development of intangible assets	(386,985)	(207,787)
Net cash used in investing activities	(3,093,956)	(2,327,181)
Cash flows from financing activities		
Net repayments on revolving credit agreement	(2,000,000)	(500,000)
Repayment of bank loan payable	(440,126)	(565,240)
Repayments of notes payable - acquisitions	(658,055)	(468,484)
Proceeds from issuance of common stock	—	2,613,529
Common share issuance costs	—	(38,016)
Net cash (used in) provided by financing activities	(3,098,181)	1,041,789
Net change in cash and cash equivalents	604,648	1,732,064
Foreign exchange impact on cash and cash equivalents	(132,326)	(94,249)
Increase in cash and cash equivalents during the period	472,322	1,637,815
Cash and cash equivalents at beginning of year	3,498,904	1,861,089
Cash and cash equivalents at end of year	$ 3,971,226	$ 3,498,904
Supplemental schedule of non-cash activities		
Notes payable issued for acquisitions	$ 998,668	$ 382,141
Contingent consideration	$ —	$ 157,724
Forgiveness of debt for acquired entities	$ 88,216	$ —
Supplemental cash flow information		
Cash paid for income taxes	$ 2,514,727	$ 452,173
Cash paid for interest	$ 86,417	$ 245,986

See notes to consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Nature of Business - XPEL, Inc. (the "Company") is based in San Antonio, Texas and sells, distributes, and installs after-market automotive products, including automotive paint protection film, headlight protection film, automotive window films and other related products.

The Company was incorporated in the state of Nevada, U.S.A. in October 2003 and its registered office is 618 W. Sunset Road, San Antonio, Texas, 78216.

Basis of Presentation - The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of XPEL, Inc. and its wholly owned or majority owned subsidiaries ("XPEL" or "the Company"). The ownership interest of non-controlling participants in subsidiaries that are not wholly-owned is included as a separate component of stockholders' equity. The non-controlling participants' share of the net income is included as "Income attributable to noncontrolling interest" on the Consolidated Statements of Income and Comprehensive Income. Intercompany accounts and transactions have been eliminated.

The functional currency for the Company is the United States dollar. The assets and liabilities of each of its foreign subsidiaries are translated int U.S dollars using the exchange rate at the end of the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period. Gains and losses from translations are recognized in foreign currency translation included in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets. Foreign currency exchange gains and losses are recorded in other expense, net in the accompanying consolidated statements of income. The ownership percentages and functional currencies of the entities included in these consolidated financial statements are as follows:

Subsidiaries	Functional Currency	% Owned by XPEL, Inc.
XPEL, Ltd.	UK Pound Sterling	85%
Armourfend CAD, LLC	US Dollar	100%
XPEL Canada Corp.	Canadian Dollar	100%
XPEL B.V.	Euro	100%
XPEL de Mexico S. de R.L. de C.V.	Peso	100%
XPEL Acquisition Corp.	Canadian Dollar	100%
Protex Canada, Inc.	Canadian Dollar	100%
Apogee Corp.	New Taiwan Dollar	100%

Fiscal Year - The Company's fiscal year ends on December 31. We report our interim quarterly periods on a calendar quarter basis.

Segment Reporting - Management has concluded that our chief operating decision maker (CODM) is our chief executive officer. The Company's CODM reviews the entire organization's consolidated results as a whole on a monthly basis to evaluate performance and make resource allocation decisions. Management views the Company's operations and manages its business as one operating segment.

Use of Estimates - The preparation of these consolidated financial statements in conformity to U.S. GAAP requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

Foreign Currency Translation - The financial statements of subsidiaries located outside of the U.S. are generally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average monthly rates of exchange. The resultant translation adjustments are included in accumulated other comprehensive income, a separate component of stockholders' equity.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less at the date of purchase. The balance, at times, may exceed federally insured limits.

Accounts Receivable - Accounts receivable are shown net of an allowance for doubtful accounts of $133,696 and $308,660 as of December 31, 2018 and 2017, respectively. The Company evaluates the adequacy of its allowances by analyzing the aging of receivables, customer financial condition, historical collection experience, the value of any collateral and other economic and industry factors. Actual collections may differ from historical experience, and if economic, business or customer conditions deteriorate significantly, adjustments to these reserves may be required. When the Company becomes aware of factors that indicate a change in a specific customer's ability to meet its financial obligations, the Company records a specific reserve for credit losses.

Inventory - Inventory is comprised of film, film based products and supplies which are valued at lower of cost or net realizable value, with cost determined on a weighted average cost basis. We provide reserves for discontinued and excess inventory based upon historical demand, forecasted usage, estimated customer requirements and product line updates. As of December 31, 2018 and 2017, inventory reserves were $185,056 and $243,888, respectively.

Property, Plant and Equipment - Property and equipment are recorded at cost, except property and equipment acquired in connection with the Company's business combinations, which are recorded at fair value on the date of acquisition. Expenditures which improve or extend the life of the respective assets are capitalized, whereas expenditures for normal repairs and maintenance are charged to operations as incurred. Depreciation expense is computed using the straight-line method as follows:

Furniture and fixtures	-	5 years
Computer equipment	-	3-4 years
Vehicles	-	5 years
Equipment	-	5-7 years
Leasehold improvements	-	shorter of lease term or estimate useful life
Plotters	-	4 years

The following table presents geographic property, plant and equipment, net by region as of December 31:

	2018	2017
United States	$ 2,288,792	$ 1,429,829
Canada	421,588	153,206
Europe	475,345	554,236
Other	198,481	15,962
Consolidated	$ 3,384,206	$ 2,153,233

Goodwill - Goodwill represents the excess purchase price over the fair value of tangible net assets acquired in business combinations after amounts have been allocated to intangible assets. Goodwill is not

amortized, but is reviewed for impairment during the last quarter of each year, or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, using a discounted cash flow model and comparable market values of each reporting segment. The Company uses push down accounting for acquired assets, and goodwill balances are assessed at the subsidiary level. Measuring the fair value of reporting units is a Level 3 measurement under the fair value hierarchy. See Note 12, Fair Value Measurements, for a discussion of levels.

The following table presents geographic Goodwill by region as of December 31:

	2018	2017
United States	$ 617,334	$ 490,788
Canada	1,701,826	1,365,854
Other	3,628	—
Consolidated	$ 2,322,788	$ 1,856,642

Intangible Assets - Intangible assets consist primarily of software, customer relationships, trademarks and non-compete agreements. These assets are amortized on a straight-line basis over the period of time in which their expected benefits will be realized. Indefinite-lived trade names are not amortized but are tested at least annually for impairment. No impairment losses were recorded within the years ended December 31, 2018 and 2017.

The following table presents geographic Intangible assets, net by region as of December 31:

	2018	2017
United States	$ 1,891,479	$ 1,775,273
Canada	1,652,347	1,787,499
Europe	1,773	—
Other	258,427	—
Consolidated	$ 3,804,026	$ 3,562,772

The following table presents the anticipated useful lives of intangible assets:

Trademarks	- 10 years
DAP software platform	- 5 years
Trade name	- 10-15 years
Contractual and customer relationships	- 9-10 years
Non-compete	- 3-5 years
Other	- 10 years

Impairment of Long-Lived Assets - The Company reviews and evaluates long-lived assets for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable. When the undiscounted expected future cash flows are not sufficient to recover an asset's carrying amount, the fair value is compared to the carrying value to determine the impairment loss to be recorded. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less the cost to sell. Fair values are determined by independent appraisals or expected sales prices based upon market participant data developed by third party professionals or by internal licensed real estate professionals. Estimates of future cash flows and expected sales prices are judgments based upon the Company's experience and knowledge of operations. These estimates project cash flows several years into the future and are affected by changes in the economy, real estate market conditions and inflation.

There were no impairment charges recorded for identifiable intangible assets in any year presented.

Revenue Recognition - Our revenue is comprised primarily of product and services sales where we act as principal to the transaction. All revenue is recognized when the Company satisfies its performance obligation(s) by transferring the promised product or service to our customer when our customer obtains control of the product or service, with the majority of our revenue being recognized at a point in time. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation. Revenue is recorded net of returns and allowances. Sales, value add, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis. Shipping and handling costs are accounted for as a fulfillment obligation, on a net basis, and are included in cost of sales. See Note 2, Revenue Recognition, for additional accounting policies and transition disclosures.

Research and Development - Research costs are charged to operations when incurred. Software development costs, including costs associated with developing software patterns, are expensed as incurred unless the Company incurred these expenses in the development of a a new product or long-lived asset. Research and development costs were $223,886 and $0 in the years ended December 31, 2018 and 2017, respectively.

Advertising costs - Advertising costs are charged to operations when incurred. Advertising costs were $572,218 and $286,442 in the years ended December 31, 2018 and 2017, respectively.

Provisions and Warranties - We provide a warranty on our products. Liability under the warranty policy is based on a review of historical warranty claims. Adjustments are made to the accruals as claims data experience warrant. Our liability for warranties as of December 31, 2018 and 2017, was $70,250 and $95,882, respectively.

Income Taxes - Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred and other tax assets and liabilities.

Accumulated Other Comprehensive Income (Loss) ("AOCI") - The Company reports comprehensive income (loss) that includes net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to expenses, gains and losses that are not included in net earnings. These amounts are also presented in the consolidated statements of comprehensive income. As of December 31, 2018 and December 31, 2017, AOCI relates to foreign currency translation adjustments.

Earnings Per Share - Basic earnings per share amounts are calculated by dividing net income for the year attributable to common stockholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net income attributable to common stockholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

Business Combinations - Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. Acquisition-related expenses are

recognized separately from the business combination and are recognized as general and administrative expense as incurred.

Fair Value - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

Level 1:	Valuation is based on observable inputs such as quoted market prices (unadjusted) for identical assets or liabilities in active markets.
Level 2:	Valuation is based on inputs such as quoted market prices for similar assets or liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3:	Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

In making fair value measurements, observable market data must be used when available. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

RECENTLY ADOPTED ACCOUNTING STANDARDS

On January 1, 2018, we adopted Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers", and all related amendments, using the full retrospective transition method. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Topic 606 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most prior revenue recognition guidance. This new standard requires an entity to recognize revenue for the transfer of promised goods or services to a customer in an amount that reflects the consideration that the entity expects to receive and consistent with the delivery of the performance obligation described in the underlying contract with the customer. There was no impact to the amount or timing of revenue that the Company had recognized in prior periods.

In November 2016, the FASB issued new standards on the statement of cash flows and restricted cash that change the presentation of restricted cash and cash equivalents on the statement of cash flows. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted this standard effective January 1, 2017. The adoption of this standard did not have a material effect on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations – Clarifying the Definition of a Business." ASU 2017-01 narrows the definition of a business and provides a screen to determine when a set of the three elements of a business – inputs, processes, and outputs – are not a business. The screen requires that when substantially all the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. If the screen is not met, the amendments (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. The amendments provide a framework to assist entities in evaluating whether both an input and a substantive process are present. We adopted this standard effective January 1, 2017. The adoption of this standard did not have a material effect on the consolidated financial statements.

In January 2017, the FASB issued new guidance on goodwill impairment intended to simplify the testing for goodwill impairment by the elimination of Step 2 in the determination on whether goodwill should be considered impaired. The annual and/or interim assessments are still required to be completed. This guidance is effective for fiscal years (including interim periods) beginning after December 15, 2019, which is the Company's fiscal year ending December 31, 2020. We adopted this standard effective January 1, 2017. The adoption of this standard did not have a material effect on the consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, "Leases" ("the new lease standard" or "ASC 842"), which requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. The new lease standard requirements are effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and early adoption is permitted. The Company has begun evaluating the new lease standard, including the review and implementation of the necessary changes to our existing processes and systems that will be required to implement this new standard. While we are unable to quantify the impact at this time, we expect the primary impact to our consolidated financial position upon adoption will be the recognition, on a discounted basis, of our minimum commitments under noncancelable operating leases on our consolidated balance sheets resulting in the recording of right of use assets and lease obligations. While the Company is still in the process of evaluating the effect of adoption on our financial statements, it is expected the adoption of this standard will lead to a material increase in the assets and liabilities recorded on the consolidated balance sheets. The Company expects to use the effective date of this standard as the date of initial application with no retrospective adjustments to prior comparative periods.

In August 2018, the FASB issued ASU 2018-15, "Intangibles – Goodwill and Other – Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract" in order to provide additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. This is an amendment to ASU 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is still assessing this guidance and the impact it will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement*, to amend the disclosure requirements related to fair value measurements. These amendments include, but are not limited to, additional disclosures related to the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The standard has an effective date for annual periods beginning after December 15, 2019, and interim periods within those annual periods, with early adoption permitted. The Company is still assessing this guidance and the impact it will have on its consolidated financial statements.

2. REVENUE

Revenue recognition

The Company recognizes revenue when it satisfies a performance obligation by transferring control of the promised goods and services to a customer, in an amount that reflects the consideration that it expects to receive in exchange for those goods or services. This is achieved through applying the following five-step model:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company generates substantially all of its revenue from contracts with customers, whether formal or implied. Sales taxes collected from customers are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue as the Company considers itself a pass-through conduit for collecting and remitting sales taxes, with the exception of taxes assessed during the procurement process of select inventories. Shipping and handling costs are included in cost of sales.

Revenues from product and services sales are recognized when control of the goods is transferred to the customer which occurs at a point in time typically upon shipment to the customer or completion of the service. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments.

Based upon the nature of the products the Company sells, its customers have limited rights of return which are immaterial. Discounts provided by the Company to customers at the time of sale are recognized as a reduction in sales as the products are sold.

Warranty obligations associated with the sale of our products are assurance-type warranties that are a guarantee of the product's intended functionality and, therefore, do not represent a distinct performance obligation within the context of the contract. Warranty expense is included in cost of sales.

We apply a practical expedient to expense direct costs of obtaining a contract when incurred because the amortization period would have been one year or less.

Under its contracts with customers, the Company stands ready to deliver product upon receipt of a purchase order. Accordingly, the Company has no performance obligations under its contracts until its customers submit a purchase order. The Company does not receive pre-payment from its customers, or enter into commitments to provide goods or services that have terms greater than one year. As the performance obligation is part of a contract that has an original expected duration of less than one year, the Company has applied the practical expedient under ASC 606 to omit disclosures regarding remaining performance obligations.

When the Company transfers goods or services to a customer, payment is due - subject to normal terms - and is not conditional on anything other than the passage of time. Typical payment terms range from due upon receipt to 30 days, depending on the type of customer and relationship. At contract inception, the Company expects that the period of time between the transfer of goods to the customer and when the customer pays for those goods will be less than one year, which is consistent with the Company's standard payment terms. Accordingly, the Company has elected the practical expedient under ASC 606 to not adjust for the effects of a significant financing component. As such, these amounts are recorded as receivables and not contract assets.

The Company had no material contract assets or liabilities for any period presented.

The table below sets forth the disaggregation of revenue by product category:

	Year Ended December 31,	
	2018	**2017**
Product Revenue		
Paint protection film	$ 85,495,382	$ 49,489,430
Window film	7,309,773	5,103,080
Other	2,721,195	1,755,639
Total	95,526,350	56,348,149
Service Revenue		
Software	$ 2,566,960	2,820,709
Cutbank credits	6,197,250	4,145,745
Installation labor	5,211,633	3,709,517
Training	418,421	272,924
Total	14,394,264	10,948,895
Total	$ 109,920,614	$ 67,297,044

Because many of our international customers require us to ship their orders to freight forwarders located in the United States, we cannot be certain about the ultimate destination of the product. The following table represents our estimate of sales by geographic regions based on our understanding of ultimate product destination based on customer interactions, customer locations and other factors:

	Year Ended December 31,	
	2018	**2017**
United States	$ 46,077,624	$ 33,134,851
China	32,279,335	11,873,582
Canada	15,146,869	10,693,002
Continental Europe	5,734,925	2,751,718
United Kingdom	2,725,925	1,690,664
Asia Pacific	2,754,495	2,293,285
Latin America	1,799,180	829,378
Middle East/Africa	2,806,502	3,331,376
Other	595,759	699,188
Total	$ 109,920,614	$ 67,297,044

Our largest customer accounted for 29.2% and 17.0% of our net sales during the year ended December 31, 2018 and 2017, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2018	December 31, 2017
Furniture and fixtures	$ 956,467	$ 691,799
Computer equipment	939,979	729,288
Vehicles	730,765	647,200
Equipment	1,079,503	895,223
Leasehold improvements	941,627	696,023
Plotters	544,080	392,111
Construction in Progress	646,576	—
Total property and equipment	5,838,997	4,051,644
Less accumulated depreciation	2,454,791	1,898,411
Property and equipment, net	$ 3,384,206	$ 2,153,233

Depreciation expense for the years ended December 31, 2018 and 2017 was $735,983 and $594,712, respectively.

4. INTANGIBLE ASSETS

For the years ended December 31, 2018 and 2017, intangible assets are comprised of the following balances:

	December 31,	
	2018	2017
Trademarks	$ 289,734	$ 286,812
DAP software platform	1,635,731	1,244,397
Trade name	457,766	465,670
Contractual and customer relationships	2,947,264	2,496,963
Non-compete	261,914	274,074
Other	150,267	148,135
Total cost	5,742,676	4,916,051
Less: Accumulated amortization	1,938,650	1,353,279
Intangible assets, net	$ 3,804,026	$ 3,562,772

Amortization expense for the years ended December 31, 2018 and 2017 was $642,801 and $537,334, respectively. Based on the carrying value of definite-lived intangible assets as of December 31, 2018, we estimate our future amortization expense will be as follows:

2019	$ 674,772
2020	577,263
2021	487,205
2022	426,043
2023	392,190
Thereafter	$ 1,246,553

5. GOODWILL

The following table summarizes goodwill transactions for the years ended December 31, 2018 and 2017:.

Balance December 31, 2016	$	1,365,158
Additions		406,013
Foreign Exchange		85,471
Balance December 31, 2017		1,856,642
Additions		576,173
Foreign Exchange		(110,027)
Balance December 31, 2018	$	2,322,788

6. ACQUISITION OF BUSINESSES

The Company completed the following acquisitions during the years ended December 31, 2018 and 2017:

Acquisition Date	Name/Location	Acquisition Type	Acquisition Purpose
April 1, 2017	Stratashield Customs, LLC, Dallas, TX, USA	Asset Purchase	Local market expansion
November 1, 2017	Transguard, Inc., Boise, ID, USA	Asset Purchase	Local market expansion
November 30, 2017	Protex Canada, Inc., Montreal, Quebec, Canada	Share Purchase	Add distribution channel
April 1, 2018	9352-4692, Quebec, Inc., Quebec City, Quebec, Canada	Share Purchase	Local market expansion
June 1, 2018	eShields, LLC, La Verne, CA, USA	Asset Purchase	Product line expansion
August 1, 2018	9341-9182 Quebec, Inc., Pointe Claire, Quebec, Canada	Share Purchase	Local market expansion
August 1, 2018	9846905 Canada, Inc., Calgary, Alberta, Canada	Share Purchase	Local market expansion
November 1, 2018	Apogee, Corp., Yilan City, Yilan County, Taiwan	Share Purchase	Local market expansion

The total purchase price for acquisitions completed during the years ended December 31, 2018 and 2017 are as follows:

	December 31,			
	2018	2017		
	2018 Acquisitions	Protex Canada, Inc.	Other 2017 Acquisitions	Total
Purchase Price				
Cash	$ 831,934	$ 434,132	$ 225,000	$ 659,132
Promissory note	998,668	382,141	—	382,141
Contingent payable agreements	—	—	157,724	157,724
Forgiveness of debt	88,216	—	—	—
	$ 1,918,818	$ 816,273	$ 382,724	$ 1,198,997
Allocation				
Cash	$ 41,407	$ 32,378	$ 409	$ 32,787
Accounts receivable	155,434	44,454	767	45,221
Inventory	494,663	17,843	5,963	23,806
Prepaid expenses and other assets	78,631	10,142	—	10,142
Property and equipment	167,622	30,339	7,500	37,839
Non-compete	—	—	15,000	15,000
Customer relationships	609,751	444,985	173,000	617,985
Trade name	—	187,607	—	187,607
Goodwill	576,173	215,516	190,497	406,013
Accounts payable	(126,715)	(69,866)	(4,065)	(73,931)
Other accrued liabilities	(78,148)	(97,125)	(6,347)	(103,472)
	$ 1,918,818	$ 816,273	$ 382,724	$ 1,198,997

Intangible assets acquired in 2018 have estimated useful lives of 9 years with the same weighted average life. Intangible assets acquired in the Protex acquisition have useful lives of between 9 and 15 years with a weighted average amortization period of 10 years. Acquired intangible assets for other 2017 acquisitions have estimated useful lives of between 5 and 9 years with a weighted-average amortization period of 8 years.

Goodwill for these acquisitions relates to the expansion into new geographical areas as well as the addition of a new distribution channel. The goodwill represents the acquired employee knowledge of the various markets, distribution knowledge by the employees of the acquired businesses, as well as the expected synergies resulting from the acquisitions.

Acquisition costs incurred related to these acquisitions were immaterial and were included in selling, general and administrative expenses.

The Company entered into contingent payable agreements in conjunction with a 2017 acquisition. According to this agreement, the Company will make future payments for the acquired business if certain revenue thresholds were met by the acquired entity. The maximum amount that can be paid under this arrangement is $157,724. These liabilities are recorded within accounts payables and accrued liabilities as of December 31, 2018 and 2017.

The acquired companies were consolidated into our financial statements on their respective acquisition dates. The aggregate revenue and operating income (loss) of these acquisitions consolidated into our financial statements since the respective dates of acquisition were $613,701 and $43,030 and $341,290 and $(64,229), respectively, for the years ended December 31, 2018, and 2017. The following unaudited financial information presents our results, including the estimated expenses relating to the amortization of intangibles purchased, as if the acquisitions during the years ended December 31, 2018 and 2017 had occurred on January 1, 2018 and 2017, respectively:

	Twelve Months Ended December 31,	
	2018 (Unaudited)	2017 (Unaudited)
Revenue	$ 111,048,518	$ 70,596,459
Net income	$ 8,480,919	$ 1,027,217

The pro forma unaudited results do not purport to be indicative of the results which would have been obtained had the acquisition been completed as of the beginning of the earliest period presented or of results that may be obtained in the future. In addition, they do not include any benefits that may result from the acquisition due to synergies that may be derived from the elimination of any duplicative costs.

7. DEBT

BANK TERM NOTE PAYABLE

In 2015, the Company entered into a loan agreement with the Company's primary lender, The Bank of San Antonio, to help fund its acquisition of its Canadian business in the principle amount of $1,900,000. This loan had a fixed interest rate of 4.25% and matured on September 3, 2018 at which time it was fully paid. The Bank of San Antonio was granted a security interest in substantially all of the Company's current and future assets.

REVOLVING FACILITIES

The Company has entered into a $8,500,000 revolving line of credit agreement with The Bank of San Antonio to support its continuing working capital needs. The Bank of San Antonio has been granted a security interest in substantially all of the Company's current and future assets. The line of credit has a variable interest rate of the Wall Street Journal prime rate plus 0.75% with a floor of 4.25% and matures on May 5, 2020. The interest rate at December 31, 2018 and 2017 was 6.25% and 5.25%, respectively. As of December 31, 2018, no balance was outstanding on this line. As of December 31, 2017, the balance outstanding on this line was $2,000,000.

The credit agreement contains customary covenants including covenants relating to complying with applicable laws, delivery of financial statements, payment of taxes and maintaining insurance. The credit agreement also requires that XPEL must maintain debt service coverage (EBITDA divided by the current portion of long-term debt +interest) of 1.25:1 and debt to tangible net worth of 4.0:1 on a rolling four quarter basis. The credit agreement also contains customary events of default including the failure to make payments of principal and interests, the breach of any covenants, the occurrence of a material adverse change, and certain bankruptcy and insolvency events.

At December 31, 2018 and 2017, the Company was in compliance with all debt covenants.

XPEL Canada, Corp., a wholly owned subsidiary of XPEL, Inc. has also entered into a CAD $4,500,000 revolving line of credit agreement with HSBC Bank Canada to support its continuing working capital needs. The line has a variable interest rate of the HSBC Canada Bank's prime rate plus 0.25%. The interest rate

at December 31, 2018 was 5.75%. As of December 31, 2018, no balance was outstanding on this line of credit. This facility is guaranteed by the parent company.

NOTES PAYABLE – ACQUISITIONS

As part of its acquisition strategy, the Company uses a combination of cash and unsecured non-interest bearing promissory notes payable to fund its business acquisitions. The Company issued non-interest bearing notes with fair values of $998,668 and $382,141 in relation to acquisition activity in the years ended December 31, 2018 and 2017, respectively. The Company discounts the promissory note to fair value using market interests rates at the time of the acquisition. See Note 6, “Acquisition of Businesses” for a more details.

Notes payable are summarized as follows:

	Weighted Average Interest Rate	Matures	December 31, 2018	December 31, 2017
Bank Term Note Payable	4.25%	—	$ —	$ 440,126
Acquisition Notes Payable	4.49%	2022	1,821,387	1,511,740
Total Debt			1,821,387	1,951,866
Current Portion			853,150	1,024,434
Total Long-term debt			$ 968,237	$ 927,432

The approximate future principal payments on the notes payable are as follows:

2019	$ 853,150
2020	612,523
2021	355,551
2022	115,446
2023	—
Thereafter	—
	$ 1,936,670

The approximate future principal payments include $115,283 which will be recognized as interest expense and represent the difference between the fair value and carrying value.

8. EMPLOYEE BENEFIT PLAN

The Company sponsors defined contribution plans for substantially all employees. Annual Company contributions under the plans are discretionary. Company contribution expense during the years ended December 31, 2018 and 2017 was $124,431 and $65,132, respectively.

9. INVENTORIES

The components of inventory are summarized as follows:

	December 31, 2018	December 31, 2017
Film and film based products	$ 9,399,067	$ 9,781,486
Other products	1,264,862	750,657
Packaging and supplies	320,738	232,539
Inventory Reserve	(185,056)	(243,888)
	$ 10,799,611	$ 10,520,794

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table presents significant accounts payable and accrued liability balances as of December 31,

	2018	2017
Trade payables	$ 3,905,187	$ 6,475,224
Payroll liabilities	1,194,237	304,741
Customer deposits	136,213	1,701,356
Other liabilities	1,056,456	1,237,512
	$ 6,292,093	$ 9,718,833

11. CAPITAL STOCK

Issued and outstanding – common shares:

	Number of shares	Amount
Balance, December 31, 2016	25,784,950	$ 25,785
Issuance of common shares	1,827,647	1,828
Balance, December 31, 2017	27,612,597	$ 27,613
Issuance of common shares	—	—
Balance, December 31, 2018	27,612,597	$ 27,613

During the year ended December 31, 2017, the Company announced its intention to issue, by way of a non-brokered private placement up to 2,097,903 of its Common Shares at a purchase price of $1.43 USD per share for gross proceeds of up to $3,000,000. The Company completed a first tranche of this private placement in February 2017 resulting in the issuance of 1,659,182 Common Shares at a price of $1.43 USD per share for gross proceeds of $2,372,630. In connection with this offering,1,260,000 Common Shares were issued to certain directors and officers of the Company.

In March 2017 the Company completed a second tranche of this private placement resulting in the issuance of an additional 168,465 Common Shares at a price of $1.43 USD per share for gross proceeds of $240,899.

Total direct issuance costs related to this private placement were $38,016.

12. STOCK OPTIONS

The Company has an Incentive Stock Option Plan (the "Plan"). The Plan provides for options to be granted to the benefit of employees, directors and third parties. The maximum number of shares allocated to and made available to be issued under the Plan shall not exceed 10% of the common shares issued and outstanding (on a non-diluted basis) at any time. The exercise price of options granted under the Stock Option Plan will be determined by the directors, but will at least be equal to the closing trading price of the common shares on the last trading day prior to the grant and otherwise the fair market price as determined by the Board of Directors. The term of any option granted shall not exceed ten years. Except as otherwise provided elsewhere in the Stock Option Plan, the options shall be cumulatively exercisable in installments over the option period at a rate to be fixed by the Board of Directors. The Company will not provide financial assistance to any optionee in connection with the exercise of options. The Company has not issued stock options during the years ended December 31, 2018 and 2017, respectively.

13. FAIR VALUE MEASUREMENTS

Financial instruments include cash and cash equivalents (level 1), accounts receivable, accounts payable and long-term debt. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate fair value because of the near-term maturities of these financial instruments. For discussion of the fair value measurements related to goodwill refer to Note 5, Goodwill. At December 31, 2018 and 2017, the book value and estimated fair value of the Company's debt instruments were as follows:

Notes payable	December 31, 2018	December 31, 2017
Current maturities of notes payable	$ 853,150	1,024,434
Long-term portion of notes payable	968,237	927,432
Fair Value of notes payable	$ 1,821,387	$ 1,951,866

The estimated fair value of debt is based on market quotes for instruments with similar terms and remaining maturities (Level 2 inputs and valuation techniques).

ASC 820 prioritizes the inputs to valuation techniques used to measure fair value into the following hierarchy:

Level 1 – Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than the quoted prices in active markets that are observable either directly or indirectly, including: quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market data and require the reporting entity to develop its own assumptions.

14. INCOME TAXES

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax cuts and Jobs Act or Tax Reform Act. The Tax Reform Act made broad and complex changes to the U.S. tax code that affected the Company , including but not limited to, a permanent reduction of the U.S. corporate income tax rate from 34% to 21% effective January 1, 2018.

Income Tax Expense

The provision for income taxes differs from the United States federal statutory rate as follows:

	2018	2017
Income before income taxes	$ 11,481,305	$ 2,148,550
Statutory rate	21%	34%
	2,411,074	730,507
State taxes net of federal benefit	183,468	49,533
Foreign tax rate differential	81,474	151,085
Other	84,057	223,095
Income tax expense	$ 2,760,073	$ 1,154,220

The components of the income tax provision (benefit) are as follows:

	Years ended December 31	
	2018	2017
Current Income Tax Expense/(Benefit)		
Federal	$ 2,182,415	$ 1,039,363
Foreign	431,638	261,680
State	232,238	75,050
Total Current Income Tax Expense/(Benefit)	2,846,291	1,376,093
Deferred Income Tax Expense/(Benefit)		
Federal	(65,801)	7,503
Foreign	(20,417)	(229,376)
Total Deferred Income Tax Expense/(Benefit)	(86,218)	(221,873)
Total	$ 2,760,073	$ 1,154,220

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows:

	Years ended December 31	
	2018	2017
DEFERRED TAX ASSETS:		
Allowance for Doubtful Accounts	$ 16,823	$ 27,868
263(A) Adjustment	17,421	15,779
Accrued Expenses	9,485	—
Inventory Reserve	34,978	—
Accretion of Acquisition Notes	8,156	—
State Tax Credit	48,770	—
NOL Carryforward and Other	249,772	352,743
Deferred tax assets	385,405	396,390
Less valuation allowance	—	—
Total deferred tax assets	$ 385,405	$ 396,390
DEFERRED TAX LIABILITIES:		
Fixed and Intangible Assets	$ 824,822	$ 811,642
Unrealized Gain	14,146	30,197
Accretion	8,639	—
Allowance for Doubtful Accounts	16,662	28,991
Total deferred tax liabilities	864,269	870,830
Total net deferred tax assets/(liabilities)	$ (478,864)	$ (474,440)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company regularly assesses the likelihood tha the deferred tax assets will be recovered from future taxable income. The Company considers projected future taxable income and ongoing tax planning strategies, then records a valuation allowance, if deemed necessary, to reduce the carrying value of the net deferred taxes to an amount that is more likely than not able to be realized. Based upon the Company's assessment of all available evidence, including the previous two years of taxable income and loss after permanent items, estimates of future profitability, and the Company's overall prospects of future business, the Company determined that it is more likely than not that the Company will realize all of its deferred tax assets in the future. The Company will continue to assess the potential realization of deferred tax assets on an annual basis, or an interim basis if circumstances warrant. If the Company's actual results and updated projections vary significantly from the projections used as as basis for this determination, the Company may need to change the valuation allowance against the gross deferred tax assets.

The Company, through XPEL Ltd. and XPEL B.V., has net operating losses of approximately $1,112,785 and $566,396, respectively, available to apply against future taxable income. The losses in XPEL Ltd. have no expiration date. If not utilized, the net operating losses in XPEL B.V. will expire in 2027.

Uncertain Tax Positions

The Company recognizes the tax effects of an uncertain tax position only if it is more likely than not to be sustained based solely upon its technical merits at the reporting date. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense. The unrecognized tax benefit is the difference between the tax benefit recognized and the tax benefit claimed on the Company's income tax

return. The Company has reviewed its prior year returns and believes that all material tax positions in the current and prior years have been analyzed and properly accounted for and that the risk that additional material uncertain tax positions have not been identified is remote.

Goodwill and other intangibles acquired in taxable asset purchases are amortized for tax purposes over allowable periods as prescribed by applicable regulatory jurisdictions.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is still subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years 2011 and after. There are no on-going or pending IRS, state or foreign examinations.

15. COMMITMENTS AND CONTINGENCIES

(a) Operating Lease Commitment

The Company has entered into lease agreements for premises housing warehousing, installation, administrative, and sales operations. The remaining term for these leases ranges from between one to ten years. Monthly payments for these agreements range between $1,295 and $18,591. Rent expense incurred for the years ended December 31, 2018 and 2017 was $1,209,208 and $796,497, respectively. The combined future minimum payments for the following five years are as follows:

2019	$ 869,492
2020	736,169
2021	667,551
2022	601,593
2023	528,427
Thereafter	1,372,388
	$ 4,775,620

(b) Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

(c) Supply Agreement

Through our Amended and Restated Supply Agreement that we entered into with our primary supplier in March 2017, we have exclusive rights to commercialize, market, distribute and sell its automotive aftermarket products through March 21, 2020, which term automatically renews for successive two year periods thereafter unless terminated at the option of either party with two months' notice. During such term, we have agreed to use commercially reasonable efforts to purchase a minimum of $5,000,000 of products quarterly from this principal supplier, with a yearly minimum purchasing requirement of $20,000,000.

EXHIBITS

Number	Description
3.1	Articles of Incorporation of the Company, filed with the Nevada Secretary of State on October 14, 2003.*
3.2	Certificate of Amendment to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on December 29, 2003.*
3.3	Certificate of Amendment to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on June 3, 2018.*
3.4	Amended and Restated Bylaws of the Company, effective as of May 11, 2018.*
4.1	Form of Common Stock Certificate.*
10.1	Business Loan Agreement, dated as of August 5, 2017, between XPEL Technologies Corp., as borrower, and The Bank of San Antonio, as lender.*
10.2	Change in Terms Agreement, dated as of May 5, 2018, modifying that certain Business Loan Agreement dated as of August 5, 2017, between XPEL Technologies, Corp., as borrower, and The Bank of San Antonio, as lender.*
10.3	Credit Facility Letter, dated September 11, 2018, by and among XPEL Canada Corp., as borrower, XPEL, Inc., as guarantor, and HSBC Bank Canada, as lender.*
10.4	Amended and Restated Supply Agreement by and between XPEL Technologies Corp., and entrotech, inc. (to be filed by amendment).
10.5	Form of Distribution Agreement of the Company.*
10.6	Stock Option Plan of the Company.*
14.1	Code of Business Conduct and Ethics (to be filed by amendment).
21.1	Subsidiaries of the Company.*

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

XPEL, Inc. (Registrant)

By: /s/ Barry R. Wood

Barry R. Wood

Senior Vice President and Chief Financial Officer

(Authorized Officer and Principal Financial and Accounting Officer)

April 3, 2019

ARTICLES OF INCORPORATION

OF

XPEL TECHNOLOGIES CORP.

The undersigned, being the original incorporator herein named, for the purpose of forming a corporation under the General Corporation Laws of the State of Nevada, to do business both within and without the State of Nevada, do make and file these Articles of Incorporation, hereby declaring and certifying that the facts herein stated are true.

ARTICLE I

The name of the corporation, which is hereinafter referred to as "the corporation" is:

XPEL TECHNOLOGIES CORP.

ARTICLE II

The name and address of the Resident Agent for the service of process is:

NEVADA STATE CORPORATE NETWORK, INC.
2764 LAKE SAHARA DRIVE SUITE 111
LAS VEGAS, NEVADA 89117

ARTICLE III

The corporation is organized for the purpose of engaging in **Any Lawful Activity**, within or without the State of Nevada.

ARTICLE IV

The total number of shares of authorized capital stock of the Corporation shall consist of one-hundred million **(100,000,000) shares** of common stock at .001 par value and ten-million **(10,000,000) shares** of preferred stock at .001 par value.

The Board of Directors may issue such shares of Common Stock in one or more series, with such voting powers, designations, preferences and rights or qualifications, limitations or restrictions thereof as shall be stated in Resolutions or Bylaws adopted by them

Stockholders of the corporation have a preemptive right, granted on uniform terms and conditions prescribed by the Board of Directors to provide a fair and reasonable opportunity to exercise the right, to acquire proportional amounts of the corporation's unissued shares upon the decision of the board of directors to issue them limited by the provisions of NRS 78.267.

The Common Stock of the corporation, after the amount of the subscription price has been paid, in money, property or services, as the directors shall determine, shall not be subject to assessment to pay the debts of the corporation, nor for any other purpose, and no stock issued as fully paid shall ever be assessable or assessed, and the Articles of Incorporation shall not be amended in this particular.

ARTICLE V

The name and address of the one member of the Board of Directors is as follows:

1. Graig Zapper, 2764 Lake Sahara Drive Ste 111, Las Vegas, Nevada 89117.

ARTICLE VI

The liability of the directors, officers or stock.holders for damages for breach of fiduciary duty as a director or officer is hereby eliminated pursuant to NRS 78.037 except for acts or omissions which involve intentional misconduct, fraud or knowing violation of law; or the payments of distributions in violation of NRS 78.300.

ARTICLE VII

Every person who was or is a party to or is threatened to be made a party to, or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he, or a person of whom be is the legal representative, is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, or as its representative in a partnership.joint venture, trust or other enterprise, shall he indemnified and held harmless to the fullest extent legally permissible under the Jaws of the State of Nevada from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by him in connection therewith. Such right of indemnification shall be a contract right which may be enforced in any manner desired by such person. The expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. Such right of indemnification shall not be exclusive of any other right which such directors, officers or representatives may have or hereafter acquire, and without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any by-law, agreement, vote of stockholders, provision of law, or otherwise, as well as their rights under this Article.

ARTICLE VIII

The name and address of the incorporator of **XPEL TECHNOLOGIES CORP**., is:

Nevada State Corporate Network, Inc.
2764 Lake Sahara Drive Suite l11
Las Vegas, Nevada, 89117.

CERTIFICATE OF ACCEPTANCE OF APPOINTMENT OF RESIDENT AGENT

I, **NEVADA STATE CORPORATE NETWORK, INC**. do hereby accept appointment as Resident Agent for **XPEL TECHNOLOGIES CORP.**

DEAN HELLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4299
(775) 684 5708
Website: secretaryofstate.biz

Certificate of Amendment
(PURSUANT TO NRS 78.380)

Important: Read attached instructions before completing form. **ABOVE SPACE IS FOR OFFICE USE ONLY**

Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations
(Pursuant to NRS 78.380 - Before Issuance of Stock)

1. Name of corporation:

XPEL TECHNOLOGIES CORP.

2. The articles have been amended as follows (provide article numbers, if available):

Article IV: The amendment alters IV of the original Articles of Incorporation to read as follows:

The total number of shares of authorized capital stock of the corporation shall consist of one hundred million (100,000,000) shares of common stock at $0.001 par value and ten million (10,000,000) shares of Preferred stock at $0.001 par value.

The board of Directors may issue such shares of preferred stock in one or more series with such voting powers, designations, preferences and rights or qualifications, limitations or restrictions thereof as shall be stated in the Resolutions adopted by them.

There shall be no preemptive rights upon the shares of the corporation.

The Common stock of the corporation, after the amount of the subscription price has been paid, in money, property or services, as the Directors shall determine, shall not be subject to assessment to pay the debts of the Corporation, nor for any other purpose, and no stock issued as fully paid shall ever be assessable or assessed, and the Articles of Amendment shall not be amended in this particular.

3. The undersigned declare that they constitute at least two-thirds of the incorporators ☒, or of the board of directors ☐ (check one box only)

4. Effective date of filing (optional):

(must not be later than 90 days after the certificate is filed)

5. The undersigned affirmatively declare that to the date of this certificate, no stock of the corporation has been issued.

6. Signatures*:

* If more than two signatures, attach an 8 1/2x 11 plain sheet with the additional signatures.

IMPORTANT: Failure to include any of the above information and submit the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees. See attached fee schedule.

BARBARA K. CEGAVSKE
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsos.gov

Filed in the office of	Document Number
Barbara K. Cegavske	**20180298787-82**
Secretary of State	Filing Date and Time
State of Nevada	**07/03/2018 9:08 AM**
	Entity Number
	C25167-2003

Certificate of Amendment
(PURSUANT TO NRS 78.385 AND 78.390)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations
(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)

1. Name of corporation:

XPEL TECHNOLOGIES CORP.

2. The articles have been amended as follows: (provide article numbers, if available)

The amendment changes the Articles of Incorporation in order to amend Article 1 so as to reflect a change in the Corporation's name from XPEL Technologies Corp. to "XPEL, Inc."

3. ☒ The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation* have voted in favor of the amendment is: 15,268,727

4. Effective date and time of filing: (optional) Date: Time:
(must not be later than 90 days after the certificate is filed)

5. Signature: (required)

X _____, CEO
Signature of Officer

*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Amend Profit-After
Revised: 1-5-15

SECRETARY OF STATE

STATE OF NEVADA

NEVADA STATE BUSINESS LICENSE

XPEL, INC.
Nevada Business Identification # NV20031485054

Expiration Date: October 31, 2018

In accordance with Title 7 of Nevada Revised Statutes, pursuant to proper application duly filed and payment of appropriate prescribed fees, the above named is hereby granted a Nevada State Business License for business activities conducted within the State of Nevada.

Valid until the expiration date listed unless suspended, revoked or cancelled in accordance with the provisions in Nevada Revised Statutes. License is not transferable and is not in lieu of any local business license, permit or registration.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of State, at my office on July 3, 2018

Barbara K. Cegavske

Barbara K. Cegavske
Secretary of State

You may verify this license at www.nvsos.gov under the Nevada Business Search.

License must be cancelled on or before its expiration date if business activity ceases. Failure to do so will result in late fees or penalties which by law cannot be waived.

Exhibit 3.4

AMENDED AND RESTATED BYLAWS

OF

XPEL INC.
A NEVADA CORPORATION

ADOPTED ON
May 11, 2018

ARTICLE I
OFFICES

Section 1.1 Registered Office. The registered office of XPEL Inc., a Nevada corporation (the "**Corporation**") shall be in the State of Nevada as specified in the Corporation's Articles of Incorporation, as amended from time to time (the "**Articles of Incorporation**") and at such location within or without the State of Nevada as the board of directors of the Corporation (the "**Board of Directors**") may from time to time determine.

Section 1.2 Principal Office . The principal office and place of business of the Corporation shall be at 618 West Sunset Road, San Antonio, Texas 78216, or at such other location as established from time to time by resolution of the Board of Directors.

Section 1.3 Other Offices. Other offices and places of business either within or without the State of Nevada may be established from time to time by resolution of the Board of Directors or as the business of the Corporation may require.

Section 1.4. Registered Agent in Nevada. The resident agent of the Corporation in Nevada shall be Nevada State Corporate Network, Inc., 2764 Lake Sahara Drive, Suite 111, Las Vegas, Nevada 89117, U.S.A., until such time as the Board of Directors considers it advisable to change the registered agent in Nevada.

ARTICLE II
STOCKHOLDERS

Section 2.1 Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held on such date and at such time as may be designated from time to time by the Board of Directors, such date to be not later than fifteen (15) months after holding the last preceding annual meeting but no later than six months after the end of the Corporation's financial year. At the annual meeting, directors shall be elected and any other business may be transacted as may be properly brought before the meeting pursuant to these Amended and Restated Bylaws of the Corporation (as amended from time to time, these "**Bylaws**"). Except as otherwise restricted by the Articles of Incorporation or applicable law, the Board of Directors may postpone or reschedule any annual meeting of stockholders, subject to the minimum timing requirements set forth in this Section 2.1.

Section 2.2 Special Meetings.

(a) Subject to any rights of stockholders set forth in the Articles of Incorporation, special meetings of the stockholders may be called only by the chair of the Board of Directors ("**Chair**") or the chief executive officer of the Corporation ("**CEO**") or, if there be no Chair and no CEO, by the President, and shall be called by the Secretary upon the written request of at least a majority of the Board of Directors. Such request shall state the purpose or purposes of the meeting. Except as otherwise restricted by the Articles of Incorporation or applicable law, the Board of Directors may postpone, reschedule or cancel any special meeting of stockholders.

(b) No business shall be acted upon at a special meeting of stockholders except as set forth in the notice of the meeting.

Section 2.3 Place of Meetings. Any meeting of the stockholders of the Corporation may be held at the Corporation's registered office in the State of Nevada or at such other place within or without the

State of Nevada and the United States as may be designated in the notice of meeting. The Board of Directors may, in its sole discretion, determine that any meeting of the stockholders shall be held by means of electronic communications or other available technology in accordance with Section 2.14.

Section 2.4 Notice of Meetings; Waiver of Notice.

(a) Notice of Meeting. The CEO, if any, the President, any Executive Vice President, the Secretary, an Assistant Secretary or any other individual designated by the Board of Directors shall sign and deliver or cause to be delivered to the stockholders written notice of any stockholders' meeting not less than ten (10) days, but not more than sixty (60) days, before the date of such meeting. The notice shall state the place, date and time of the meeting, the means of electronic communication, if any, by which the stockholders or the proxies thereof shall be deemed to be present and vote and, in the case of a special meeting, the purpose or purposes for which the meeting is called. The notice shall be delivered in accordance with, and shall contain or be accompanied by such additional information as may be required by, the Nevada Revised Statutes (as amended from time to time, the "**NRS** "), and any other applicable law.

(b) Purpose of Meeting. In the case of an annual meeting, subject to Section 2.13, any proper business may be presented for action, except that (i) if a proposed plan of merger, conversion or exchange is submitted to a vote, the notice of the meeting must state that the purpose, or one of the purposes, of the meeting is to consider the plan of merger, conversion or exchange and must contain or be accompanied by a copy or summary of the plan; and (ii) if a proposed action creating dissenter's rights is to be submitted to a vote, the notice of the meeting must state that the stockholders are or may be entitled to assert dissenter's rights under the NRS, and be accompanied by a copy of those sections of the NRS required to be provided pursuant to the provisions of the NRS.

(c) Delivery of Notice. A copy of the notice shall be personally delivered or mailed postage prepaid to each stockholder of record at the address appearing on the records of the Corporation. Upon mailing, service of the notice is complete, and the time of the notice begins to run from the date upon which the notice is deposited in the mail. Notwithstanding the foregoing and in addition thereto, any notice to stockholders given by the Corporation pursuant to Chapters 78 or 92A of the NRS, the Articles of Incorporation or these Bylaws may be given pursuant to the forms of electronic transmission listed herein, if such forms of transmission are consented to in writing by the stockholder receiving such electronically transmitted notice and such consent is filed by the Secretary in the corporate records. Notice shall be deemed given (i) by facsimile when directed to a number consented to by the stockholder to receive notice, (ii) by e-mail when directed to an e-mail address consented to by the stockholder to receive notice, (iii) by posting on an electronic network together with a separate notice to the stockholder of the specific posting on the later of the specific posting or the giving of the separate notice or (iv) by any other electronic transmission as consented to by and when directed to the stockholder. The stockholder consent necessary to permit electronic transmission to such stockholder shall be deemed revoked and of no force and effect if (A) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with the stockholder's consent and (B) the inability to deliver by electronic transmission becomes known to the Secretary, Assistant Secretary, transfer agent or other agent of the Corporation responsible for the giving of notice.

(d) Proof of Receipt of Notice. The written certificate of an individual signing a notice of meeting, setting forth the substance of the notice or having a copy thereof attached thereto, the date the notice was mailed or personally delivered to the stockholders and the addresses to which the notice was mailed, shall be prima facie evidence of the manner and fact of giving such notice and, in the absence of

fraud, an affidavit of the individual signing a notice of a meeting that the notice thereof has been given by a form of electronic transmission shall be prima facie evidence of the facts stated in the affidavit.

(e) Waiver of Notice. Any stockholder may waive notice of any meeting by a signed writing or by transmission of an electronic record, either before or after the meeting. Such waiver of notice shall be deemed the equivalent of the giving of such notice.

Section 2.5 Determination of Stockholders of Record.

(a) For the purpose of determining the stockholders entitled to (i) notice of and to vote at any meeting of stockholders or any adjournment thereof, (ii) receive payment of any distribution or the allotment of any rights, or (iii) exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, if applicable.

(b) If no record date is fixed, the record date for determining stockholders: (i) entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (ii) for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any postponement of any meeting of stockholders to a date not more than sixty (60) days after the record date or to any adjournment of the meeting; provided that the Board of Directors may fix a new record date for the adjourned meeting and must fix a new record date if the meeting is adjourned to a date more than sixty (60) days later than the date set for the original meeting.

Section 2.6 Quorum; Adjourned Meetings.

(a) Unless the Articles of Incorporation provide for a different proportion, stockholders holding at least one-third of the voting power of the Corporation's capital stock, represented in person or by proxy (regardless of whether the proxy has authority to vote on all matters), are necessary to constitute a quorum for the transaction of business at any meeting. If, on any issue, voting by classes or series is required by the laws of the State of Nevada, the Articles of Incorporation or these Bylaws, at least a majority of the voting power, represented in person or by proxy (regardless of whether the proxy has authority to vote on all matters), within each such class or series is necessary to constitute a quorum of each such class or series.

(b) If a quorum is not represented, a majority of the voting power represented or the person presiding at the meeting may adjourn the meeting from time to time until a quorum shall be represented. At any such adjourned meeting at which a quorum shall be represented, any business may be transacted which might otherwise have been transacted at the adjourned meeting as originally called. When a stockholders' meeting is adjourned to another time or place hereunder, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. However, if a new record date is fixed for the adjourned meeting, notice of the adjourned meeting must be given to each stockholder of record as of the new record date. The stockholders present at a duly convened meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the departure of enough stockholders to leave less than a quorum of the voting power.

Section 2.7 Voting.

(a) Right to Vote. Unless otherwise provided by applicable law, the Articles of Incorporation, or any resolution providing for the issuance of preferred stock adopted by the Board of Directors pursuant to authority expressly vested in it by the provisions of the Articles of Incorporation, each stockholder of record, or such stockholder's duly authorized proxy, shall be entitled to one (1) vote for each share of voting stock standing registered in such stockholder's name at the close of business on the record date.

(b) Person Entitled to Vote. Except as otherwise provided in these Bylaws, all votes with respect to shares (including pledged shares) standing in the name of an individual at the close of business on the record date shall be cast only by that individual or such individual's duly authorized proxy. With respect to shares held by a representative of the estate of a deceased stockholder, or a guardian, conservator, custodian or trustee, even though the shares do not stand in the name of such holder, votes may be cast by such holder upon proof of such representative capacity. In the case of shares under the control of a receiver, the receiver may vote such shares even though the shares do not stand of record in the name of the receiver but only if and to the extent that the order of a court of competent jurisdiction which appoints the receiver contains the authority to vote such shares. If shares stand of record in the name of a minor, votes may be cast by the duly appointed guardian of the estate of such minor only if such guardian has provided the Corporation with written proof of such appointment.

(c) Shares Held by Entity. With respect to shares standing of record in the name of another corporation, partnership, limited liability company or other legal entity on the record date, votes may be cast: (i) in the case of a corporation, by such individual as the bylaws of such other corporation prescribe, by such individual as may be appointed by resolution of the board of directors of such other corporation or by such individual (including, without limitation, the officer making the authorization) authorized in writing to do so by the chair of the board of directors, if any, the chief executive officer, if any, the president or any vice president of such corporation; and (ii) in the case of a partnership, limited liability company or other legal entity, by an individual representing such stockholder upon presentation to the Corporation of satisfactory evidence of his or her authority to do so.

(d) Cor por at ion's Stoc k Notwithstanding anything to the contrary contained herein and except for the Corporation's shares held in a fiduciary capacity, the Corporation shall not vote, directly or indirectly, shares of its own stock owned or held by it, and such shares shall not be counted in determining the total number of outstanding shares entitled to vote.

(e) Joint Shareholders. With respect to shares standing of record in the name of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, spouses as community property, tenants by the entirety, voting trustees or otherwise and shares held by two or more persons (including proxy holders) having the same fiduciary relationship in respect to the same shares, votes may be cast in the following manner:

(i) If only one person votes, the vote of such person binds all.

(ii) If more than one person casts votes, the act of the majority so voting binds all.

(iii) If more than one person casts votes, but the vote is evenly split on a particular matter, the votes shall be deemed cast proportionately, as split.

(f) Votes Required for Stockholder Action. If a quorum is present, unless the Articles of Incorporation, these Bylaws, the NRS, or other applicable law provide for a different proportion, action by the stockholders entitled to vote on a matter, other than the election of directors, is approved by and is the act of the stockholders if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action, unless voting by classes or series is required for any action of the stockholders by the laws of the State of Nevada, the Articles of Incorporation or these Bylaws, in which case the number of votes cast in favor of the action by the voting power of each such class or series must exceed the number of votes cast in opposition to the action by the voting power of each such class or series.

(g) Votes Required to Elect Directors. If a quorum is present, directors shall be elected by a plurality of the votes cast.

Section 2.8 Proxies.

(a) Proxies. At any meeting of stockholders, any holder of shares entitled to vote may designate, in a writing or electronic signature conforming to the requirements of the NRS and executed by the stockholder or his attorney, another person or persons, who need not be stockholders of the corporation, to act as a proxy or proxies. If a stockholder designates two or more persons to act as proxies, then a majority of those persons present at a meeting has and may exercise all of the powers conferred by the stockholder or, if only one is present, then that one has and may exercise all of the powers conferred by the stockholder, unless the stockholder's designation of proxy provides otherwise. Each proxy is valid only at the meeting in respect of which it is given or any adjournment thereof.

(b) Time for Deposit of Proxies. The Board of Directors may fix a time not exceeding forty-eight (48) hours, excluding non-business days, preceding any meeting or adjourned meeting of stockholders before which time proxies to be used at the meeting must be deposited with the Corporation or its agent, and any time so fixed shall be specified in the notice calling the meeting. A proxy shall be acted on only if, before the time so specified, it has been deposited with the Corporation or its agent specified in the notice or if, no such time having been specified in the notice, it has been received by the Secretary of the Corporation or by the chair of the meeting before the time of voting.

Section 2.9 No Action Without A Meeting. No action shall be taken by the stockholders except at an annual or special meeting of stockholders called and noticed in the manner required by these Bylaws. The stockholders may not in any circumstance take action by written consent.

Section 2.10 Organization.

(a) Chair of the Meeting. Meetings of stockholders shall be presided over by the Chair, or, in the absence of the Chair, by the Vice-Chair, if any, or if there be no Vice-Chair or in the absence of the Vice-Chair, by the CEO, if any, or if there be no CEO or in the absence of the CEO, or, in the absence of any of the foregoing persons, by a chair of the meeting designated by the Board of Directors, or by a chair chosen at the meeting by the stockholders entitled to cast a majority of the votes which all stockholders present in person or by proxy are entitled to cast. The individual acting as chair of the meeting may delegate any or all of his or her authority and responsibilities as such to any director or officer of the Corporation present in person at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary the chair of the meeting may appoint any person to act as secretary of the meeting. The order of business at each such meeting shall be as determined by the chair of the meeting. The chair of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, (i) the

establishment of procedures for the maintenance of order and safety, (ii) limitation on participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies and such other persons as the chairman of the meeting shall permit, (iii) limitation on the time allotted for consideration of each agenda item and for questions or comments by meeting participants, (iv) restrictions on entry to such meeting after the time prescribed for the commencement thereof and (v) the opening and closing of the voting polls. The Board of Directors, in its discretion, or the chair of the meeting, in such chair's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

(b) Inspectors. The chair of the meeting may appoint one or more inspectors of elections. The inspector or inspectors may (i) ascertain the number of shares outstanding and the voting power of each; (ii) determine the number of shares represented at a meeting and the validity of proxies or ballots; (iii) count all votes and ballots; and (iv) certify the determination of the number of shares represented at the meeting and the count of all votes and ballots.

(c) Election of Directors; Transaction of Business. Only such persons who are nominated in accordance with the procedures set forth in Section 2.12 shall be eligible to be elected at any meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in Section 2.12. If any proposed nomination or business was not made or proposed in compliance with Section 2.12 (including proper notice under Section 2.13 and including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in compliance with such stockholder's representation pursuant Section 2.13(a)(iv)(D)), then the chair of the meeting shall have the power to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. If the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.10, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or authorized by a writing executed by such stockholder (or a reliable reproduction or electronic transmission of the writing) delivered to the Corporation prior to the making of such nomination or proposal at such meeting by such stockholder stating that such person is authorized to act for such stockholder as proxy at the meeting of stockholders.

(d) Right to Attend Meetings. Except only to the extent of persons designated by the Board of Directors or the chair of the meeting to assist in the conduct of the meeting, and except as otherwise permitted by the Board of Directors or the chair of the meeting, the persons entitled to attend any meeting of stockholders may be confined to (i) stockholders entitled to vote thereat and (ii) the persons upon whom proxies valid for the purposes of the meeting have been conferred; provided, however, that the Board of Directors or the chair of the meeting may establish rules limiting the number of persons referred to in clause (ii) as being entitled to attend on behalf of any stockholders so as to preclude such an excessively large representation of such stockholder at the meeting as, in the judgment of the Board of Directors or the chair of the meeting, would be unfair to other stockholders represented at the meeting or be unduly disruptive to the orderly conduct of business at such meeting (whether such representation would result from fragmentation of the aggregate number of shares held by such stockholder for the purpose of conferring proxies, from the naming of an excessively large proxy delegation by such stockholder, or from the employment of any other device). A person otherwise entitled to attend any such meeting will cease to be so entitled if, in the judgment of the chair of the meeting, such person engages thereat in disorderly conduct impeding the proper conduct of the meeting in the interests of all stockholders as a group.

Section 2.11 Waiver of Notice; Consent to Meetings. Notice of a meeting need not be given to any stockholder who signs a waiver of notice, in person or by proxy, either before or after such meeting; and a stockholder's waiver shall be deemed the equivalent of giving proper notice. Attendance of a stockholder at a meeting, either in person or by proxy, shall constitute a waiver of notice and a waiver of any and all objections to the time or place of the meeting or the manner in which such meeting has been called or convened, except when the stockholder objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called, noticed or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice, to the extent such notice is required, if such objection is expressly made at the time any such matters are presented at the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of stockholders need be specified in any written waiver of notice or consent, except as otherwise provided in these Bylaws.

Section 2.12 Director Nominations and Business Conducted at Meetings of Stockholders. Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) by or at the direction of the Board of Directors or the Chair or (ii) by any stockholder of the Corporation who is entitled to vote on such matter at the meeting, who complied with the notice procedures set forth in Section 2.13 of these Bylaws and who was a stockholder of record at the time such notice is delivered to the Secretary. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or the Chair or (ii) by any stockholder of the Corporation who is entitled to vote on such matter at the meeting, who complied with the notice procedures set forth in Section 2.13 of these Bylaws and who was a stockholder of record at the time such notice is delivered to the Secretary.

Section 2.13 Advance Notice of Director Nominations and Stockholder Proposals by Stockholders.

(a) For nominations or other business to be properly brought before an annual meeting by a stockholder and for nominations to be properly brought before a special meeting by a stockholder in each case pursuant to Section 2.12, the stockholder of record must have given timely notice thereof in writing to the Secretary, and, in the case of business other than nominations, such other business must be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement (as defined below) of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. The notice must be provided by a stockholder of record and must set forth:

(i) as to each person whom the stockholder proposes to nominate for election or re-election as a director all information relating to such person that is required to be disclosed (A) in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"),

including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, and (B) in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute, and the published national instruments, multilateral instruments, policies, bulletins and notice of the securities commission and similar regulatory authority of each province and territory of Canada (collectively, the "Applicable Canadian Securities Laws");

(ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting and any substantial interest (within the meaning of Item 5 of Schedule 14A under the Exchange Act) in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made;

(iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made or the business is proposed: (A) the name and address of such stockholder, as they appear on the Corporation's books, and the name, age, principal occupation or employment, citizenship, and business address and residence address of such beneficial owner, (B) the class and number of shares of stock of the Corporation which are owned of record by such stockholder and such beneficial owner as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five (5) business days after the record date for such meeting of the class and number of shares of stock of the Corporation owned of record by the stockholder and such beneficial owner as of the record date for the meeting, and (C) a representation that the stockholder intends to appear in person or by proxy at the meeting to propose such nomination or business;

(iv) as to the stockholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the nomination is made or the business is proposed, as to such beneficial owner, and if such stockholder or beneficial owner is an entity, as to each director, executive, managing member or control person of such entity (any such person, a "**control person**"): (A) the class and number of shares of stock of the Corporation which are beneficially owned (as defined below) by such stockholder or beneficial owner and by any control person as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five (5) business days after the record date for such meeting of the class and number of shares of stock of the Corporation beneficially owned by such stockholder or beneficial owner and by any control person as of the record date for the meeting, (B) a description of any agreement, arrangement or understanding with respect to the nomination or other business between or among such stockholder or beneficial owner or control person and any other person, including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of Exchange Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder, beneficial owner or control person) and a representation that the stockholder will notify the Corporation in writing within five (5) business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting, (C) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder or beneficial owner and by any control person or any other person acting in concert with any of the foregoing, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of the Corporation's stock, or maintain, increase or decrease the voting power of the stockholder or beneficial owner with respect to shares

of stock of the Corporation, and a representation that the stockholder will notify the Corporation in writing within five (5) business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting, (D) a description of any proxy, contract, arrangement, agreement understanding or relationship pursuant to which such stockholder has a right to vote or direct the voting of any shares of the Corporation and any other information relating to such shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Applicable Canadian Securities Laws and (E) a representation whether the stockholder or the beneficial owner, if any, and any control person will engage in a solicitation with respect to the nomination or business and, if so, the name of each participant (as defined in Item 4 of Schedule 14A under the Exchange Act) in such solicitation and whether such person intends or is part of a group which intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding stock required to approve or adopt the business to be proposed (in person or by proxy) by the stockholder; and

(v) a certification that the stockholder giving the notice and the beneficial owner(s), if any, on whose behalf the nomination is made or the business is proposed, has or have complied with all applicable federal, state and other legal requirements in connection with such stockholder's and/or each such beneficial owner's acquisition of shares of capital stock or other securities of the Corporation and/or such stockholder's and/or each such beneficial owner's acts or omissions as a stockholder of the Corporation, including, without limitation, in connection with such nomination or proposal.

(b) The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation, including information relevant to a determination whether such proposed nominee can be considered an independent director.

(c) For purposes of Section 2.13(a), a "**public announcement**" shall mean disclosure in the United States in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act, and disclosure in Canada in a release reported by a national news service in Canada or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com. For purposes of Section 2.13(a)(iv)(A), shares shall be treated as "**beneficially owned**" by a person if the person beneficially owns such shares, directly or indirectly, for purposes of Section 13(d) of the Exchange Act and Regulations 13D and 13G thereunder or has or shares pursuant to any agreement, arrangement or understanding (whether or not in writing): (i) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time or the fulfillment of a condition or both), (ii) the right to vote such shares, alone or in concert with others and/or (iii) investment power with respect to such shares, including the power to dispose of, or to direct the disposition of, such shares.

(d) Notwithstanding compliance with Section 2.13(a) and (b), the Board of Directors shall not be obligated to include information as to any stockholder nominee for director or any other stockholder proposal in any proxy statements or other communications sent to stockholders. Further, this Section 2.13 shall not apply to notice of a proposal to be made by a stockholder if the stockholder has notified the Corporation of his or her intention to present the proposal at an annual or special meeting only pursuant to and in compliance with Rule 14a-8 under the Exchange Act and such proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such meeting.

(e) If the stockholder does not provide the information required under Section 2.13 (a)(iii)(B) and Section 2.13 (a)(iv)(A)-(C) to the Corporation within the time frames specified herein, or if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. The chair of the meeting shall have the power to determine whether notice of a nomination or of any business proposed to be brought before the meeting was properly made in accordance with the procedures set forth in this Section 2.13. Notwithstanding the foregoing provisions hereof, a stockholder shall also comply with all applicable requirements of the NRS, and the rules and regulations thereunder with respect to the matters set forth herein.

Section 2.14 Meetings Through Electronic Communications. Stockholders may participate in a meeting of the stockholders by any means of electronic communications, videoconferencing, teleconferencing or other available technology permitted under the NRS (including, without limitation, a telephone conference or similar method of communication by which all individuals participating in the meeting can hear each other) and utilized by the Corporation. If any such means are utilized, the Corporation shall, to the extent required under the NRS, implement reasonable measures to (a) verify the identity of each person participating through such means as a stockholder and (b) provide the stockholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to communicate, and to read or hear the proceedings of the meeting in a substantially concurrent manner with such proceedings. Participation in a meeting pursuant to this Section 2.14 constitutes presence in person at the meeting.

ARTICLE III
DIRECTORS

Section 3.1 General Powers; Performance of Duties. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as otherwise provided in Chapter 78 of the NRS or the Articles of Incorporation.

Section 3.2 Number, Tenure, and Qualifications. The Board of Directors shall consist of at least one (1) but no more than seven (7) directors. No member of the Board of Directors need be a stockholder of the Corporation or resident of the State of Nevada. The number of directors may be changed from time to time by resolution of the Board of Directors without amendment to these Bylaws or the Articles of Incorporation. Each director shall hold office until his or her successor shall be elected or appointed and qualified or until his or her earlier death, retirement, disqualification, resignation or removal. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his or her term of office. No provision of this Section 3.2 shall restrict the right of the Board of Directors to fill vacancies or the right of the stockholders to remove directors, each as provided in these Bylaws.

Section 3.3 Chair. The Board of Directors may elect a Chair of the Board of Directors from the members of the Board of Directors, who shall preside at all meetings of the Board of Directors and stockholders at which such Chair is present and shall have and may exercise such powers as may, from time to time, be assigned to such Chair by the Board of Directors, these Bylaws or as provided by law.

Section 3.4 Vice-Chair. The Board of Directors may elect a Vice-Chair of the Board of Directors ("**Vice-Chair**") from the members of the Board of Directors who shall preside at all meetings of the Board of Directors and stockholders at which such Vice-Chair is present and the Chair is not present and

shall have and may exercise such powers as may, from time to time, be assigned to him or her by the Board of Directors, these Bylaws or as provided by law.

Section 3.5 Removal and Resignation of Directors. Subject to any rights of the holders of preferred stock, if any, and except as otherwise provided by applicable law, any director may be removed from office with or without cause by the affirmative vote of the holders of a majority of the voting power of the issued and outstanding stock of the Corporation entitled to vote generally in the election of directors (voting as a single class) excluding stock entitled to vote only upon the happening of a fact or event unless such fact or event shall have occurred. In addition, the Board of Directors, by majority vote, may declare vacant the office of a director who has been (a) declared incompetent by an order of a court of competent jurisdiction or (b) convicted of a felony. Any director may resign effective upon giving written notice, unless the notice specifies a later time for effectiveness of such resignation, to the Chair, if any, the CEO or the Secretary, or in the absence of all of them, any other officer of the Corporation.

Section 3.6 Vacancies; Newly Created Directorships. Subject to any rights of the holders of preferred stock, if any, any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office, or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled by a majority vote of the directors then in office or by a sole remaining director, in either case though less than a quorum, and the director(s) so chosen shall hold office for a term expiring at the next annual meeting of stockholders and when their successors are elected or appointed, at which the term of the class to which he or she has been elected expires, or until his or her earlier resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent directors.

Section 3.7 Annual and Regular Meetings. Within two (2) business days before or after the annual meeting of the stockholders or any special meeting of the stockholders at which directors are elected (and within two (2) business days after such meeting if any individual first becomes a director by way of such election), the Board of Directors, including directors newly elected, if any, shall hold its annual meeting without call or notice other than this Section 3.7, to transact such business as the Board of Directors deems necessary or appropriate. The Board of Directors may provide by resolution the place, date, and hour for holding regular meetings between annual meetings, and if the Board of Directors so provides with respect to a regular meeting, notice of such regular meeting shall not be required.

Section 3.8 Special Meetings. Subject to any rights of the holders of preferred stock, if any, and except as otherwise required by law, special meetings of the Board of Directors may be called only by the Chair, if any, or if there be no Chair, by the CEO, if any, or by the President or the Secretary, and shall be called by the Chair, if any, the CEO, if any, the President, or the Secretary upon the request of at least a majority of the Board of Directors. If the Chair, or if there be no Chair, each of the CEO, the President, and the Secretary, fails for any reason to call such special meeting, a special meeting may be called by a notice signed by at least a majority of the Board of Directors.

Section 3.9 Place of Meetings. Any regular or special meeting of the Board of Directors may be held at such place as the Board of Directors, or in the absence of such designation, as the notice calling such meeting, may designate.

Section 3.10 Notice of Meetings. Except as otherwise provided in Section 3.7, there shall be delivered to each director at the address appearing for such director on the records of the Corporation, (x) not less than forty-eight (48) hours before the time of such meeting if the notice is mailed or (y) not less than twenty-four (24) hours before the time of such meeting if such notice is given personally, is delivered

or sent by any means of transmitted or recorded communication, a copy of a written notice of any meeting as provided in this Section 3.10. Notices of meetings may be sent (i) by delivery of such notice personally, (ii) by mailing such notice postage prepaid, (iii) by facsimile, (iv) by overnight courier, or (v) by electronic transmission or electronic writing, including, without limitation, e-mail. If mailed to an address inside the United States, the notice shall be deemed delivered two (2) business days following the date the same is deposited in the United States mail, postage prepaid. If mailed to an address outside the United States, the notice shall be deemed delivered four (4) business days following the date the same is deposited in the United States mail, postage prepaid. If sent via overnight courier, the notice shall be deemed delivered the business day following the delivery of such notice to the courier. If sent via facsimile, the notice shall be deemed delivered upon sender's receipt of confirmation of the successful transmission. If sent by electronic transmission (including, without limitation, e-mail), the notice shall be deemed delivered when directed to the e-mail address of the director appearing on the records of the Corporation and otherwise pursuant to the applicable provisions of Chapter 75 of the NRS. If the address of any director is incomplete or does not appear upon the records of the Corporation it will be sufficient to address any notice to such director at the registered office of the Corporation. Any director may waive notice of any meeting, and the attendance of a director at a meeting and oral consent entered on the minutes of such meeting shall constitute waiver of notice of the meeting unless such director objects, prior to the transaction of any business, that the meeting was not lawfully called, noticed or convened. Attendance for the express purpose of objecting to the transaction of business thereat because the meeting was not properly called or convened shall not constitute presence or a waiver of notice for purposes hereof.

Section 3.11 Quorum; Adjourned Meetings.

(a) A majority of the directors in office, at a meeting duly assembled, is necessary to constitute a quorum for the transaction of business.

(b) At any meeting of the Board of Directors where a quorum is not present, a majority of those present may adjourn, from time to time, until a quorum is present, and no notice of such adjournment shall be required. At any adjourned meeting where a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

Section 3.12 Manner of Acting. Except as provided in Section 3.13, the affirmative vote of a majority of the directors present at a meeting at which a quorum is present is the act of the Board of Directors.

Section 3.13 Meetings Through Electronic Communications. Members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee by any means of electronic communications, videoconferencing, teleconferencing or other available technology permitted under the NRS (including, without limitation, a telephone conference or similar method of communication by which all individuals participating in the meeting can hear each other) and utilized by the Corporation. If any such means are utilized, the Corporation shall, to the extent required under the NRS, implement reasonable measures to (a) verify the identity of each person participating through such means as a director or member of the committee, as the case may be, and (b) provide the directors or members of the committee a reasonable opportunity to participate in the meeting and to vote on matters submitted to the directors or members of the committee, including an opportunity to communicate, and to read or hear the proceedings of the meeting in a substantially concurrent manner with such proceedings. Participation in a meeting pursuant to this Section 3.13 constitutes presence in person at the meeting.

Section 3.14 Action Without Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors or of a committee thereof may be taken without a meeting if, before or after the action, a written consent thereto is signed by all of the members of the Board of Directors or the committee. The written consent may be signed manually or electronically (or by any other means then permitted under the NRS), and may be so signed in counterparts, including, without limitation, facsimile or email counterparts, and shall be filed with the minutes of the proceedings of the Board of Directors or committee.

Section 3.15 Powers and Duties.

(a) Except as otherwise restricted by Chapter 78 of the NRS or the Articles of Incorporation, the Board of Directors has full control over the business and affairs of the Corporation. The Board of Directors may delegate any of its authority to manage, control or conduct the business of the Corporation to any standing or special committee, or to any officer or agent, and to appoint any persons to be agents of the Corporation with such powers, including the power to subdelegate, and upon such terms as it deems fit.

(b) The Board of Directors, in its discretion, or the chair presiding at a meeting of stockholders, in his or her discretion, may submit any contract or act for approval or ratification at any annual meeting of the stockholders or any special meeting properly called and noticed for the purpose of considering any such contract or act, provided a quorum is present.

Section 3.16 Committees. The Board of Directors may, by resolution, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may adopt charters for one or more of such committees. With respect to all meetings of any such committee, to the extent permitted by applicable law and to the extent provided in the resolution of the Board of Directors designating such committee or the charter for such committee, at all meetings of such committee, a majority of the then authorized members of the committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members of the committee present at any meeting at which there is a quorum shall be the act of the committee. Each committee shall keep regular minutes of its meetings. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules, each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to this Article III. Notwithstanding the foregoing, no committee shall have authroity to act on behalf of the Board of Directors and any action of a committee shall be submitted to and approved by the Board of Directors before becoming an action of the Committee or the Board of Directors.

Section 3.17 Compensation. The Board of Directors, without regard to personal interest, may establish the compensation of directors for services in any capacity. In addition, directors may be paid such sums in respect of their out-of-pocket expenses incurred in attending board, committee or shareholders' meetings or otherwise in respect of the performance by a director in such director's duties as the Board of Directors may from time to time determine. If the Board of Directors establishes the compensation of directors pursuant to this Section 3.17, such compensation is presumed to be fair to the Corporation unless proven unfair by a preponderance of the evidence.

Section 3.18 Organization. Meetings of the Board of Directors shall be presided over by the Chair, or in the absence of the Chair, by the Vice-Chair, if any, or in absence of a Chair or Vice-Chair, by a chair chosen at the meeting. The Secretary, or in the absence, of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary, the

chair of the meeting may appoint any person to act as secretary of the meeting. The order of business at each such meeting shall be as determined by the chair of the meeting.

ARTICLE IV
OFFICERS

Section 4.1 Election. The Board of Directors shall elect or appoint a CEO, President, a Secretary and a Treasurer or the equivalents of such officers. Such officers shall serve until their respective successors are elected and appointed and shall qualify or until their earlier resignation or removal. The Board of Directors may from time to time, by resolution, elect or appoint such other officers and agents as it may deem advisable, who shall hold office at the pleasure of the Board of Directors, and shall have such powers and duties and be paid such compensation as may be directed by the Board of Directors. Any individual may hold two or more offices.

Section 4.2 Removal; Resignation. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause. Any officer may resign at any time upon written notice to the Corporation. Any such removal or resignation shall be subject to the rights, if any, of the respective parties under any contract between the Corporation and such officer or agent.

Section 4.3 Vacancies. Any vacancy in any office because of death, resignation, removal or otherwise may be filled by the Board of Directors for the unexpired portion of the term of such office.

Section 4.4 Chief Executive Officer. The Board of Directors may elect a CEO who, subject to the supervision and control of the Board of Directors, shall have the ultimate responsibility for the management and control of the business and affairs of the Corporation, and perform such other duties and have such other powers which are delegated to him or her by the Board of Directors, these Bylaws or as provided by law.

Section 4.5 President. The President, subject to the supervision and control of the Board of Directors, shall in general actively supervise and control the business and affairs of the Corporation. The president shall keep the Board of Directors fully informed as the Board of Directors may request and shall consult the Board of Directors concerning the business of the Corporation. The President shall perform such other duties and have such other powers which are delegated and assigned to him or her by the Board of Directors, the CEO, if any, these Bylaws or as provided by law. In the absence of a CEO, or if the Board of Directors should fail to appoint a CEO, the President shall be the chief executive officer of the Corporation.

Section 4.6 Executive Vice Presidents. The Board of Directors may elect one or more Executive Vice Presidents. In the absence or disability of the President, or at the President's request, the Executive Vice President or Executive Vice Presidents, in order of their rank as fixed by the Board of Directors, and if not ranked, the Executive Vice Presidents in the order designated by the Board of Directors, or in the absence of such designation, in the order designated by the President, shall perform all of the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions on the President. Each Executive Vice President shall perform such other duties and have such other powers which are delegated and assigned to him or her by the Board of Directors, the President, these Bylaws or as provided by law.

Section 4.7 Secretary. The Secretary shall attend all meetings of the stockholders, the Board of Directors and any committees thereof, and shall keep, or cause to be kept, the minutes of proceedings thereof in books provided for that purpose. The Secretary shall keep, or cause to be kept, a register of the stockholders of the Corporation and shall be responsible for the giving of notice of meetings of the stockholders, the

Board of Directors and any committees, and shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law. The Secretary shall be custodian of the corporate seal, if any, the records of the Corporation, the stock certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors or any appropriate committee may direct. The Secretary shall perform all other duties commonly incident to his or her office and shall perform such other duties which are assigned to him or her by the Board of Directors, the CEO, if any, the President, these Bylaws or as provided by law.

Section 4.8 Assistant Secretaries. An Assistant Secretary shall, at the request of the Secretary, or in the absence or disability of the Secretary, perform all the duties of the Secretary. Such Assistant Secretary shall perform such other duties as are assigned to him or her by the Board of Directors, the CEO, if any, the President, these Bylaws or as provided by law.

Section 4.9 Treasurer. The Treasurer, subject to the order of the Board of Directors, shall have the care and custody of, and be responsible for, all of the money, funds, securities, receipts and valuable papers, documents and instruments of the Corporation, and all books and records relating thereto. The Treasurer shall keep, or cause to be kept, full and accurate books of accounts of the Corporation's transactions, which shall be the property of the Corporation, and shall render financial reports and statements of condition of the Corporation when so requested by the Board of Directors, the Chair, if any, the CEO, if any, or the President. The Treasurer shall perform all other duties commonly incident to his or her office and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the CEO, if any, the President, these Bylaws or as provided by law. The Treasurer shall, if required by the Board of Directors, give bond to the Corporation in such sum and with such security as shall be approved by the Board of Directors for the faithful performance of all the duties of the treasurer and for restoration to the Corporation, in the event of the Treasurer's death, resignation, retirement or removal from office, of all books, records, papers, vouchers, money and other property in the Treasurer's custody or control and belonging to the Corporation. The expense of such bond shall be borne by the Corporation. If a chief financial officer of the Corporation has not been appointed, the Treasurer may be deemed the chief financial officer of the Corporation.

Section 4.10 Assistant Treasurers. An Assistant Treasurer shall, at the request of the Treasurer, or in the absence or disability of the Treasurer, perform all the duties of the Treasurer. He or she shall perform such other duties which are assigned to him or her by the Board of Directors, the CEO, if any, the President, the Treasurer, these Bylaws or as provided by law. The Board of Directors may require an Assistant Treasurer to give a bond to the Corporation in such sum and with such security as it may approve, for the faithful performance of the duties of the Assistant Treasurer, and for restoration to the Corporation, in the event of the Assistant Treasurer's death, resignation, retirement or removal from office, of all books, records, papers, vouchers, money and other property in the Assistant Treasurer's custody or control and belonging to the Corporation. The expense of such bond shall be borne by the Corporation.

Section 4.11 Execution of Negotiable Instruments, Deeds and Contracts. All (i) checks, drafts, notes, bonds, bills of exchange, and orders for the payment of money of the Corporation, (ii) deeds, mortgages, proxies, powers of attorney and other written contracts, documents, instruments and agreements to which the Corporation shall be a party and (iii) assignments or endorsements of stock certificates, registered bonds or other securities owned by the Corporation shall be signed in the name of the Corporation by such officers or other persons as the Board of Directors may from time to time designate. The Board of Directors may authorize the use of the facsimile signatures of any such persons. Any officer of the Corporation shall be authorized to attend, act and vote, or designate another officer or an agent of the Corporation to attend, act and vote, at any meeting of the owners of any entity in which the Corporation

may own an interest or to take action by written consent in lieu thereof. Such officer or agent, at any such meeting or by such written action, shall possess and may exercise on behalf of the Corporation any and all rights and powers incident to the ownership of such interest.

ARTICLE V
CAPITAL STOCK

Section 5.1 Issuance. Shares of the Corporation's authorized capital stock shall, subject to any provisions or limitations of the laws of the State of Nevada, the Articles of Incorporation or any contracts or agreements to which the Corporation may be a party, be issued in such manner, at such times, upon such conditions and for such consideration as shall be prescribed by the Board of Directors.

(a) The capital stock of the Corporation, after the fixed consideration therefore has been paid, shall not be subject to assessment, and the holder thereof is not individually liable for the debts and liabilities of the Corporation.

(b) Shares in the capital stock of the Corporation shall not be issued until the consideration for the shares is fully paid in money or in property or past services that are not less in value than the fair equivalent of the money that the Corporation would have received if the share had been issued for money. In determining whether property or past services are the fair equivalent of money consideration, the Board of Directors may take into account reasonable charges and expenses of organization and re-organization and payments for property and past services reasonably expected to benefit the Corporation. For purposes of this Section 5.1(b), "property" shall not include a promissory note, or a promise to pay, that is made by a person to whom a share is issued, or a person who does not deal at arm's length, within the meaning of that term in the Income Tax Act (Canada), with a person to whom a share is issued.

Section 5.2 Stock Certificates and Uncertificated Shares.

(a) Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by (i) the CEO, if any, the President, or an Executive Vice President, and (ii) the Secretary, an Assistant Secretary, the Treasurer or the chief financial officer, if any, of the Corporation (or any other two officers or agents so authorized by the Board of Directors), certifying the number of shares of stock owned by such holder in the Corporation; provided that the Board of Directors may authorize the issuance of uncertificated shares of some or all of any or all classes or series of the Corporation's stock. Any such issuance of uncertificated shares shall have no effect on existing certificates for shares until such certificates are surrendered to the Corporation, or on the respective rights and obligations of the stockholders. Whenever any such certificate is countersigned or otherwise authenticated by a transfer agent or a transfer clerk and by a registrar (other than the Corporation), then a facsimile of the signatures of any corporate officers or agents, the transfer agent, transfer clerk or the registrar of the Corporation may be printed or lithographed upon the certificate in lieu of the actual signatures. In the event that any officer or officers who have signed, or whose facsimile signatures have been used on any certificate or certificates for stock cease to be an officer or officers because of death, resignation or other reason, before the certificate or certificates for stock have been delivered by the Corporation, the certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed the certificate or certificates, or whose facsimile signature or signatures have been used thereon, had not ceased to be an officer or officers of the Corporation.

(b) Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written statement certifying the number and class (and the designation of the series, if any) of the shares owned by such stockholder in the Corporation and

any restrictions on the transfer or registration of such shares imposed by the Articles of Incorporation, these Bylaws, any agreement among stockholders or any agreement between the stockholders and the Corporation, and, at least annually thereafter, the Corporation shall provide to such stockholders of record holding uncertificated shares, a written statement confirming the information contained in such written statement previously sent. Except as otherwise expressly provided by the NRS, the rights and obligations of the stockholders of the Corporation shall be identical whether or not their shares of stock are represented by certificates.

(c) Each certificate representing shares shall state the following upon the face thereof: the name of the state of the Corporation's organization; the name of the person to whom issued; the number and class of shares and the designation of the series, if any, which such certificate represents; the par value of each share, if any, represented by such certificate or a statement that the shares are without par value. Certificates of stock shall be in such form consistent with law as shall be prescribed by the Board of Directors. No certificate shall be issued until the shares represented thereby are fully paid. In addition to the foregoing, all certificates evidencing shares of the Corporation's stock or other securities issued by the Corporation shall contain such legend or legends as may from time to time be required by the NRS or such other applicable federal, state, local or foreign laws or regulations then in effect.

Section 5.3 Surrendered; Lost or Destroyed Certificates. All certificates surrendered to the Corporation, except those representing shares of treasury stock, shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been canceled, except that in case of a lost, stolen, destroyed or mutilated certificate, a new one may be issued therefor. However, any stockholder applying for the issuance of a stock certificate in lieu of one alleged to have been lost, stolen, destroyed or mutilated shall, prior to the issuance of a replacement, provide the Corporation with his, her or its affidavit of the facts surrounding the loss, theft, destruction or mutilation and, if required by the Board of Directors, an indemnity bond in an amount determined by the Board of Directors of up to twice the current market value of the stock, and upon such terms as the Treasurer or the Board of Directors shall require which shall indemnify the Corporation against any loss, damage, cost or inconvenience arising as a consequence of the issuance of a replacement certificate.

Section 5.4 Replacement Certificate. When the Articles of Incorporation are amended in any way affecting the statements contained in the certificates for outstanding shares of capital stock of the Corporation or it becomes desirable for any reason, in the discretion of the Board of Directors, including, without limitation, the merger of the Corporation with another Corporation or the conversion or reorganization of the Corporation, to cancel any outstanding certificate for shares and issue a new certificate therefor conforming to the rights of the holder, the Board of Directors may order any holders of outstanding certificates for shares to surrender and exchange the same for new certificates within a reasonable time to be fixed by the Board of Directors. The order may provide that a holder of any certificate(s) ordered to be surrendered shall not be entitled to vote, receive distributions or exercise any other rights of stockholders of record until the holder has complied with the order, but the order operates to suspend such rights only after notice and until compliance.

Section 5.5 Transfer of Shares. No transfer of stock shall be valid as against the Corporation except on surrender and cancellation of any certificate(s) therefor accompanied by an assignment or transfer by the registered owner made either in person or under assignment. Whenever any transfer shall be expressly made for collateral security and not absolutely, the collateral nature of the transfer shall be reflected in the entry of transfer in the records of the Corporation.

Section 5.6 Transfer Agent; Registrars. The Board of Directors may appoint one or more transfer agents, transfer clerks and registrars of transfer and may require all certificates for shares of stock to bear the signature of such transfer agents, transfer clerks and/or registrars of transfer.

Section 5.7 Miscellaneous. The Board of Directors shall have the power and authority to make such rules and regulations not inconsistent herewith as it may deem expedient concerning the issue, transfer, and registration of certificates for shares of the Corporation's stock.

Section 5.8 Acquisition of Controlling Interest Provisions. The provisions of NRS §§ 78.378-78.3793, inclusive, shall not apply to the Corporation.

ARTICLE VI
DISTRIBUTIONS

Section 6.1 Distributions. Distributions may be declared, subject to the provisions of the laws of the State of Nevada and the Articles of Incorporation, by the Board of Directors and may be paid in money, shares of corporate stock, property or any other medium not prohibited under applicable law. The Board of Directors may fix in advance a record date, in accordance with and as provided in Section 2.5, prior to the distribution for the purpose of determining stockholders entitled to receive any distribution.

ARTICLE VII
RECORDS AND REPORTS; CORPORATE SEAL; FISCAL YEAR

Section 7.1 Records. All original records of the Corporation shall be kept at the principal office of the Corporation by or under the direction of the Secretary or at such other place or by such other person as may be prescribed by these Bylaws or the Board of Directors.

Section 7.2 Corporate Seal. The Board of Directors may, by resolution, authorize a seal, and the seal may be used by causing it, or a facsimile, to be impressed or affixed or reproduced or otherwise. Except when otherwise specifically provided herein, any officer of the Corporation shall have the authority to affix the seal to any document upon which it may be required.

Section 7.3 Fiscal Year-End. The fiscal year-end of the Corporation shall be such date as may be fixed from time to time by resolution of the Board of Directors.

ARTICLE VIII
INDEMNIFICATION

Section 8.1 Indemnification and Insurance.

(a) Indemnification of Directors and Officers.

(i) For purposes of this Article VIII, (A) "**Indemnitee** " shall mean each director or officer who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding (as hereinafter defined), by reason of the fact that he or she is or was a director, officer, employee or agent (including, without limitation, as a trustee, fiduciary, administrator or manager) of the Corporation or any predecessor organization or affiliate of such organization or is or was serving in any capacity at the request of the Corporation as a director, officer, employee or agent (including, without limitation, as a trustee, fiduciary administrator, partner, member or manager) of, or in any other capacity for, another corporation or any partnership, joint venture, limited liability company, trust, or other enterprise;

and (B) "**Proceeding** " shall mean any threatened, pending, or completed action, suit or proceeding (including, without limitation, an action, suit or proceeding by or in the right of the Corporation), whether civil, criminal, administrative, or investigative.

(ii) Each Indemnitee shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the laws of the State of Nevada and any other applicable law, against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding; provided that such Indemnitee either is not liable pursuant to NRS §78.138 or acted in good faith and in a manner such Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any Proceeding that is criminal in nature, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent, does not, of itself, create a presumption that the Indemnitee is liable pursuant to NRS §78.138 or did not act in good faith and in a manner in which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, or that, with respect to any criminal proceeding he or she had reasonable cause to believe that his or her conduct was unlawful. The Corporation shall not indemnify an Indemnitee for any claim, issue or matter as to which the Indemnitee has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation or for any amounts paid in settlement to the Corporation, unless and only to the extent that the court in which the Proceeding was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such amounts as the court deems proper. Except as so ordered by a court and for advancement of expenses pursuant to this Section 8.1, indemnification may not be made to or on behalf of an Indemnitee if a final adjudication establishes that his or her acts or omissions involved intentional misconduct, fraud or a knowing violation of law and was material to the cause of action. Notwithstanding anything to the contrary contained in these Bylaws, no director or officer may be indemnified for expenses incurred in defending any threatened, pending, or completed action, suit or proceeding (including without limitation, an action, suit or proceeding by or in the right of the Corporation), whether civil, criminal, administrative or investigative, that such director or officer incurred in his or her capacity as a stockholder.

(iii) Indemnification pursuant to this Section 8.1 shall continue as to an Indemnitee who has ceased to be a director or officer of the Corporation or any predecessor organization or affiliate of such organization or a director, officer, employee, agent, partner, member, manager or fiduciary of, or to serve in any other capacity for, another corporation or any partnership, joint venture, limited liability company, trust, or other enterprise and shall inure to the benefit of his or her heirs, executors and administrators.

(iv) The expenses of Indemnitees must be paid by the Corporation or through insurance purchased and maintained by the Corporation or through other financial arrangements made by the Corporation, as such expenses are incurred and in advance of the final disposition of the Proceeding, upon receipt of an undertaking by or on behalf of such Indemnitee to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the Corporation. To the extent that an Indemnitee is successful on the merits or otherwise in defense of any Proceeding, or in the defense of any claim, issue or matter therein, the Corporation shall indemnify such Indemnitee against expenses, including attorneys' fees, actually and reasonably incurred by such Indemnitee in connection with the defense.

(b) Indemnification of Employees and Other Persons. The Corporation may, by action of its Board of Directors and to the extent provided in such action, indemnify employees and other persons as though they were Indemnitees.

(c) Non-Exclusivity of Rights. The rights to indemnification provided in this Article VIII shall not be exclusive of any other rights that any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation or these Bylaws, agreement, vote of stockholders or directors, or otherwise.

(d) Insurance. The Corporation may purchase and maintain insurance or make other financial arrangements on behalf of any Indemnitee for any liability asserted against such Indemnitee and liability and expenses incurred by such Indemnitee such Indemnitee's capacity as a director, officer, employee or agent, or arising out of such Indemnitee's status as such, whether or not the Corporation has the authority to indemnify such Indemnitee against such liability and expenses.

(e) Other Financial Arrangements. The other financial arrangements which may be made by the Corporation may include the following (i) the creation of a trust fund; (ii) the establishment of a program of self-insurance; (iii) the securing of its obligation of indemnification by granting a security interest or other lien on any assets of the Corporation; and (iv) the establishment of a letter of credit, guarantee or surety. No financial arrangement made pursuant to this Section 8.1(e) may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud, or a knowing violation of law, except with respect to advancement of expenses or indemnification ordered by a court.

(f) Other Matters Relating to Insurance or Financial Arrangements. Any insurance or other financial arrangement made on behalf of a person pursuant to this Section 8.1 may be provided by the Corporation or any other person approved by the Board of Directors, even if all or part of the other person's stock or other securities is owned by the Corporation. In the absence of fraud, (i) the decision of the Board of Directors as to the propriety of the terms and conditions of any insurance or other financial arrangement made pursuant to this Section 8.1 and the choice of the person to provide the insurance or other financial arrangement is conclusive; and (ii) the insurance or other financial arrangement is not void or voidable and does not subject any director approving it to personal liability for his action; even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

Section 8.2 Amendment. Notwithstanding any other provision of these Bylaws relating to their amendment generally, any repeal or amendment of this Article VIII which is adverse to any director or officer shall apply to such director or officer only on a prospective basis, and shall not limit the rights of an Indemnitee to indemnification with respect to any action or failure to act occurring prior to the time of such repeal or amendment. Notwithstanding any other provision of these Bylaws (including, without limitation, Article X), no repeal or amendment of these Bylaws shall affect any or all of this Article VIII so as to limit or reduce the indemnification in any manner unless adopted by the unanimous vote of the directors of the Corporation then serving; provided that no such amendment shall have a retroactive effect inconsistent with the preceding sentence.

ARTICLE IX
GENERAL

Section 9.1 Changes in Law. References in these Bylaws to the (i) laws of the State of Nevada, (ii) the NRS, (iii) the laws of any foreign, national, state or local government or (iv) any other applicable

law, or to any provision thereof shall be to such law as it existed on the date these Bylaws were adopted or as such law thereafter may be changed; provided that (x) in the case of any change which expands the liability of directors or officers or limits the indemnification rights or the rights to advancement of expenses which the Corporation may provide in Article VIII, the rights to limited liability, to indemnification and to the advancement of expenses provided in the Articles of Incorporation and/or these Bylaws shall continue as theretofore to the extent permitted by law; and (y) if such change permits the Corporation, without the requirement of any further action by stockholders or directors, to limit further the liability of directors or limit the liability of officers or to provide broader indemnification rights or rights to the advancement of expenses than the Corporation was permitted to provide prior to such change, then liability thereupon shall be so limited and the rights to indemnification and the advancement of expenses shall be so broadened to the extent permitted by law.

Section 9.2 Amendment or Repeal of Bylaws.

(a) In furtherance of and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to amend or repeal these Bylaws; provided, however, that for so long as the Corporation is listed on the TSX Venture Exchange or the Toronto Stock Exchange, any amendment or repeal of these Bylaws affecting the following stockholder protections shall be submitted for approval to the stockholders, who may, by ordinary resolution, as that term is defined in Section 2 of the Canada Business Corporation Act, confirm or reject such amendment or repeal:

(i) The requirement in Section 2.1 of these Bylaws that the Corporation must hold an annual stockholders meeting not later than fifteen (15) months after holding the last preceding annual meeting, and in any case, not later than six (6) months after the end of the Corporation's preceding financial year;

(ii) The requirements in Section 5.1(b) of these Bylaws that shares in the capital stock of the Corporation shall not be issued until the consideration for the shares is fully paid in money or in property or past services that are not less in value than the equivalent of the money that the Corporation would have received if the shares had been issued for money;

(iii) Any change to the these Bylaws or Articles of Incorporation that may provide for individual directors or classes of directors to have greater or lesser voting rights than those of any other individual directors or classes of directors; or

(iv) The requirement in Section 5.1(a), (b) of these Bylaws that the shares in the capital stock of the Corporation be fully paid and non-assessable.

(b) For so long as the Corporation is listed on any exchange that is part of the Toronto Stock Exchange Group (TMX Group), the Corporation will not amend its Articles of Incorporation or these Bylaws without the prior written approval of the applicable exchange.

Section 9.3 Forum for Adjudication of Disputes. To the fullest extent permitted by law, and unless the Corporation consents in writing to the selection of an alternative forum, the state and federal courts located in Bexar County, Texas, shall be the sole and exclusive forum for (a) any derivative action or proceeding brought in the name or right of the Corporation or on its behalf, (b) any action asserting a claim for breach of any fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (c) any action arising or asserting a claim arising pursuant to any provision of Chapters 78 or 92A of the NRS or any provision of the Articles of Incorporation or these Bylaws or (d) any action asserting a claim governed by the internal affairs doctrine, including, without

limitation, any action to interpret, apply, enforce or determine the validity of the Articles of Incorporation or these Bylaws. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the corporation shall be deemed to have notice of and consented to the provisions of this Section 9.4.

* * * *

XPEL

XPEL, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF NEVADA

NUMBER
CERT.9999

SHARES
9,000,000*******
9,000,000*****
****9,000,000*******
*****9,000,000******
******9,000,000*****

THIS CERTIFIES THAT

*** * SPECIMEN * ***

is the registered holder of

CUSIP: U98409102
ISIN: USU984091020

*** NINE MILLION AND 00/100 ***

FULLY PAID AND NON-ASSESSABLE COMMON SHARES IN THE CAPITAL STOCK OF

XPEL, INC.

transferable only on the books of the Corporation by the registered holder in person or by duly authorized Attorney on surrender of this Certificate properly endorsed.

This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar of the Corporation.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers.

DATED JANUARY 01, 2009

COUNTERSIGNED AND REGISTERED By
TSX Trust Company, Toronto, Ontario, Canada.
Transfer Agent and Registrar

By_____
AUTHORIZED OFFICER

Ryan L. Pape
Chief Executive Officer,
Director and Secretary

Barry R. Wood
Chief Financial Officer

The Shares represented by this Certificate are transferable at the offices of TSX Trust Company, Toronto, Ontario, Canada

SECURITY INSTRUCTIONS ON REVERSE VOIR LES INSTRUCTIONS DE SÉCURITÉ AU VERSO

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6147807

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL INSURANCE NUMBER OF TRANSFEREE

			-				-			

_____

(Name and address of transferee)

_____

_____Shares

registered in the name of the undersigned on the books of the Corporation named on the face of this certificate and represented hereby, and irrevocably constitutes and appoints

_____Attorney to transfer the said Stock on the Books of the within named Corporation with full power of substitution in the premises.

Dated_____

Signature:_____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A CHARTERED BANK OR AN ELIGIBLE GUARANTOR INSTITUTION WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM.

Signature Guaranteed by:

999999 TIR5405 CERT.9999

RESTRICTIONS

SECURITY INSTRUCTIONS - INSTRUCTIONS DE SÉCURITÉ

THIS IS WATERMARKED PAPER. DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.

PAPIER FILIGRANÉ. NE PAS ACCEPTER SANS VÉRIFIER LA PRESENCE DU FILIGRANE. POUR CE FAIRE, PLACER A LA LUMIÈRE.

BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$8,500,000.00	08-05-2017	08-05-2018	310036	4A / 013		RSG	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Borrower: XPEL Technologies Corp.
618 West Sunset Road
SAN ANTONIO, TX 78216

Lender: THE BANK OF SAN ANTONIO HEADQUARTERS
1900 NW LOOP 410
SAN ANTONIO, TX 78213

THIS BUSINESS LOAN AGREEMENT dated August 5, 2017, is made and executed between XPEL Technologies Corp. ("Borrower") and THE BANK OF SAN ANTONIO ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at ail times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of August 5, 2017, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until such time as the parties may agree in writing to terminate this Agreement.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements and all other documents perfecting Lender's Security Interests; (4) evidence of insurance as required below: (5) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents. In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS ANO WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

Organization. Borrower is a corporation for profit which is, and at ail times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Texas. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 618 West Sunset Road, SAN ANTONIO, TX 78216. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

Assumed Business Names. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: **None.**

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of (a) Borrower's articles of incorporation or organization, or bylaws, or (b) any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the dale of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any Instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except tor property tax liens for taxes not presently due and payable. Borrower owns and has good title to all or Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

Hazardous Substances. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of the Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from any of the Collateral. (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral: or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters. (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and Hazardous Substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Collateral. The provisions of this section of the Agreement, including the obligation to indemnify and defend, shall survive the payment of the Indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

Taxes. To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or Indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

Binding Effect. This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Annual Audited Statements. Annual CPA audited financial statements from XPEL Technologies, Corp. due no later than 120 days from fiscal year end.

Annual Tax Return. Annual Federal Income tax returns with all accompanying schedules including all related K-1s from XPEL Technologies, Corp. due no later than 30 days from filing.

Collateral Field Audit. Annual collateral field audit due within 30 days of the Bank's request.

Monthly Accounts Receivable Aging. Monthly accounts receivable aging due from XPEL Technologies, Corp. no later than 30 days from month-end. All aging reports will include sufficient data to identify any accounts receivable from companies not residing in the United States of America.

Monthly Inventory Listing. Monthly inventory listing report due from XPEL Technologies, Corp. no later than 30 days from month-end.

Quarterly Borrowing Base. Quarterly Borrowing Base due from XPEL Technologies, Corp. no later than 30 days from quarter-end. If the balance is greater than $1,000,000 then the Borrowing Base is required monthly. The Borrowing Base Calculation is as follows:

• 80% of eligible accounts receivable plus 50% of eligible inventory with an Inventory cap of $5,525,000.00.
• Insured foreign receivables not to exceed the maximum insured value. Insurance to be approved and acceptable to the Bank with evidence of insurance to be provided.
• Ineligible accounts receivable includes:
• Receivables greater than 90 days past due. Any account with a balance greater than 10% of total non-foreign accounts receivable. The portion of said account that exceeds the 10% concentration will be considered ineligible while the balance up to the 10% concentration will be considered eligible for the borrowing base.
• Government account receivables will be eligible for up to 120 days (versus 90 days) and government receivables will not be subject to the 10% receivables concentration limit.
• Intercompany receivables
• Any Receivable where more than 10% is over 90 days, the total of all Receivable is not eligible.
• Uninsured foreign receivables.

• **Ineligible inventory includes:**
Foreign inventory.
Work-in-Progress and/or Product-in-Transit.

Quarterly Compliance Certificate. Quarterly Compliance Certificate signed by a qualified officer of the company, certifying the Borrower is in compliance with all terms and conditions of the loan, including reporting and covenants. Compliance Certificate due from Borrower no later than 30 days from quarter end.

Quarterly Financial Statements. Quarterly internally prepared financial statements due from XPEL Technologies, Corp. no later than 45 days from quarter end.

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with such financial statements and other related information at such frequencies and in such detail as Lender may reasonably request.

Additional Information. Furnish such additional information and statements, as Lender may request from time to time.

Financial Covenants and Ratios. Comply with the following covenants and ratios:

Debt Service Coverage Ratio. Borrower to maintain a minimum debt service coverage ratio of 1.25X, tested quarterly on a rolling 4 quarter basis. Debt Service Coverage is defined as EBITDA divided by Current Maturities of Long Term Debt plus Interest Expense.

Debt to Worth. Borrower to maintain a maximum Debt to Tangible Net Worth Ratio of 4.0X, measured quarterly on year to date basis. Debt to Tangible Net Worth is defined as Net Worth less Intangible Assets divided by Total Liabilities.

Except as provided above, all computations made to determine compliance with the requirements contained in this paragraph shall be made in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by Borrower as being true and correct.

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, and coverages reasonably acceptable to Lender and by insurance companies authorized to transact business in Texas. **BORROWER MAY FURNISH THE INSURANCE REQUIRED BY THIS AGREEMENT WHETHER THROUGH EXISTING POLICIES OWNED OR CONTROLLED BY BORROWER OR THROUGH EQUIVALENT COVERAGE FROM ANY INSURANCE COMPANY AUTHORIZED TO TRANSACT BUSINESS IN TEXAS.** Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be canceled or diminished without at least fifteen (5) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks Insured; (3) the amount of the policy; (4) the properties insured; (5) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the dale on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (1) the legality of the same shall be contested in good faith by appropriate proceedings, and (2) Borrower shall have established on Borrower's books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with GAAP.

Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Environmental Studies. Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under applicable federal, state, or local law, rule, regulation, order or directive, at or affecting any property or any facility owned, leased or used by Borrower.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

Environmental Compliance and Reports. Borrower shall comply in all respects with any and all Environmental Laws: not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

Additional Assurances. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

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 any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures paid by Lender for such purposes will then bear interest at the Note rate from the date paid by Lender to the date of repayment by Borrower. To the extent permitted by applicable law, all such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (8) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (A) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (B) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (D) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender; or (E) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Loan.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Granter defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's or any Grantor's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan. This includes a garnishment of any of Borrower's accounts, Including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Change in Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired.

Insecurity. Lender in good faith believes itself insecure.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies 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 or of any Granter shall not affect Lender's right to declare a default and to exercise its rights and remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including Lender's reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Consent to Loan Participation. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any Information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that It may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest In the Loan. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Texas.

Choice of Venue. If there is a lawsuit, and if the transaction evidenced by this Agreement occurred In BEXAR County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of BEXAR County, State of Texas.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any of Borrower's or any Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice lo the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes. Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

Payment of Interest and Fees. Notwithstanding any other provision of this Agreement or any provision of any Related Document, Borrower does not agree or intend to pay, and Lender does not agree or intend to charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for the Loan which would in any way or event (inducting demand, prepayment, or acceleration) cause Lender to contract for, charge or collect more for the Loan than the maximum Lender would be permitted to charge or collect by any applicable federal or Texas stale law. Any such excess interest or unauthorized fee will, instead of anything stated to the contrary, be applied first to reduce the unpaid principal balance of the Loan, and when the principal has been paid in full, be refunded to Borrower.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Subsidiaries and Affiliates of Borrower. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any of Borrower's subsidiaries or affiliates.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender.

Survival of Representations and Warranties. Borrower understands and agrees that in extending Loan Advances, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the extension of Loan Advances and delivery to Lender of the Related Documents, shall be continuing in nature, shall be deemed made and redated by Borrower at the time each Loan Advance is made, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

Waive Jury. All parties to this Agreement hereby waive the right to any Jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from lime to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means XPEL Technologies Corp. and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust. conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response. Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"). the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"). the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, el seq., the Resource Conservation and Recovery Act. 42 U.S.C. Section 6901, et seq .• or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth In this Agreement in the default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Granter. The word "Granter" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

Lender. The word "Lender" means THE BANK OF SAN ANTONIO, its successors and assigns.

Loan. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Note. The word "Note" means the Note dated August 5, 2017 and executed by XPEL Technologies Corp. in the principal amount of $8,500,000.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

Security Agreement. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED AUGUST 5, 2017.

BORROWER:

XPEL TECHNOLOGIES CORP.

By: **/s/ Ryan L. Pape**
Ryan L. Pape, President, Director, CEO & Secretary of XPEL Technologies Corp.

LENDER:

THE BANK OF SAN ANTONIO

By: _____
ROBERT S GLENN, EXECUTIVE VICE PRESIDENT

CHANGE IN TERMS AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officers	Initials
$8,500,000.00	05-05-2018	05-05-2020	310036	4A / 13		RSG	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: XPEL TECHNOLOGIES CORP.
618 WEST SUNSET ROAD
SAN ANTONIO, TX, 78216

Lender: THE BANK OF SAN ANTONIO
HEADQUARTERS
1900 NW LOOP 410
SAN ANTONIO, TX 78213

Principal Amount: $8,500,000.00 **Date of Agreement: May 5, 2018**

DESCRIPTION OF EXISTING INDEBTEDNESS. Promissory Note executed by Borrower in the original principal amount of $150,000.00 dated March 28, 2011, as amended from time to time, including most recently by Promissory Note executed by Borrower and Lender dated August 5, 2017.

DESCRIPTION OF CHANGE IN TERMS. Borrower has requested that Lender renew and extend the maturity date. This Change in Terms Agreement extends and renews the Promissory Note and Business Loan Agreement and all other loan documents and agreements from August 5, 2018 to May 5, 2020.

AMENDMENT of REPORTING REQUIREMENTS and/or COVENANTS: The Loan Agreement is amended as follows with respect to these covenants:

Quarterly Compliance Certificate is modified as follows:
Quarterly Compliance Certificate signed by a qualified officer of the company. certifying the Borrower is in compliance with all terms and conditions of the loan, including reporting and covenants. Compliance Certificate due from Borrower no later than 45 days from quarter-end.

PROMISE TO PAY. XPEL TECHNOLOGIES CORP. ("Borrower") promises to pay to THE BANK OF SAN ANTONIO ("Lender"), or order, in lawful money of the United States of America, the principal amount of Eight Million Five Hundred Thousand & 00/100 Dollars ($8,500,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance or maturity, whichever occurs first.

CHOICE OF USURY CEILING AND INTEREST RATE. The interest rate on this Agreement has been implemented under the "Weekly Ceiling" as referred to in Sections 303.002 and 303.003 of the Texas Finance Code.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid Interest on May 5, 2020. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning June 5, 2018, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. Notwithstanding any other provision of this Agreement, Lender will not charge interest on any undisbursed loan proceeds. No scheduled payment, whether of principal or interest or both, will be due unless sufficient loan funds have been disbursed by the scheduled payment date to justify the payment.

VARIABLE INTEREST RATE. The interest rate on this loan is subject to change from time to time based on changes in an independent index which is the Wall Street Journal Prime Rate as published in the "Money Rates" table in the Wall Street Journal from time to time (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. Borrower understands that Lender may make loans based on other rates as well. **The Index currently is 4.750% per**

annum. Interest prior to maturity on the unpaid principal balance of this loan will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 0.750 percentage points over the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 5.500% per annum based on a year of 360 days. NOTICE: Under no circumstances will the interest rate on this loan be less than 4.250% per annum or more than (except for any higher default rate or Post Maturity Rate shown below) the lesser of 18.000% per annum or the maximum rate allowed by applicable law. For purposes of this Agreement, the "maximum rate allowed by applicable law" means the greater of (A) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Agreement, or (B) the "Weekly Ceiling" as referred to in Sections 303.002 and 303.003 of the Texas Finance Code.

INTEREST CALCULATION METHOD. Interest on this loan is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, unless such calculation would result in a usurious rate, in which case interest shall be calculated on a per diem basis of a year of 365 or 366 days, as the case may be. All interest payable under this loan is computed using this method.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Agreement or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender 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, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, 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 must be mailed or delivered to: THE BANK OF SAN ANTONIO, 1900 NW Loop 410 San Antonio, TX 78213.**

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged **5.000% of the unpaid portion of the regularly scheduled payment.**

POST MATURITY RATE. The Post Maturity Rate on this loan is the lesser of (A) the maximum rate allowed by law or (B) 18.000% per annum based on a year of 360 days. Borrower will pay interest on all sums due after final maturity, whether by acceleration or otherwise, at that rate.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Indebtedness.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or ability to perform Borrower's obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any

material respect, either now or at the time made or furnished or becomes false or misleading at any lime thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness evidenced by this Note.

Change in Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire indebtedness. including the unpaid principal balance under this Agreement, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Agreement or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire an attorney to help collect this Agreement if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument securing this Agreement; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Agreement, or premiums or identifiable charges received in connection with the sale of authorized insurance.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Texas.

CHOICE OF VENUE. If there is a lawsuit, and if the transaction evidenced by this Agreement occurred in BEXAR County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of BEXAR County, State of Texas.

DISHONORED CHECK CHARGE. Borrower will pay a processing fee of $25.00 if any check given by Borrower to Lender as a payment on this loan is dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

COLLATERAL. Borrower acknowledges this Agreement is secured by Security Agreement dated March 28, 2011, May 7, 2014, June 28, 2016, September 28, 2016, June 12, 2017 and August 5, 2017 , which were properly executed and are valid and enforceable subject to no defenses of any kind.

LINE OF CREDIT. This Agreement evidences a revolving line of credit. Advances under this Agreement, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Agreement at any time may be evidenced by endorsements on this Agreement or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Agreement if: (A) Borrower or any guarantor is in default under the terms of this Agreement or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Agreement; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Agreement or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Agreement for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure. **This revolving line of credit shall not be subject to Ch. 346 of the Texas Finance Code.**

CONTINUING VALIDITY. Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligalion(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

RENEWAL AND EXTENSION. This agreement is given in renewal and extension and not in novation of the following described indebtedness: RENEWAL AND EXTENSION OF RLOC #310036.

SUCCESSORS AND ASSIGNS. Subject to any limitations stated in this Agreement on transfer of Borrower's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Borrower, Lender, without notice to Borrower. may deal with Borrower's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Borrower from the obligations of this Agreement or liability under the Indebtedness.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Please notify us if we report any inaccurate information about your account(s) to a consumer reporting agency. Your written notice describing the specific inaccuracy(ies) should be sent to us at the following address: THE BANK OF SAN ANTONIO 1900 NW Loop 410 San Antonio, TX 78213.

MISCELLANEOUS PROVISIONS. If any part of this Agreement cannot be enforced, this fact will not affect the rest of the Agreement. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Agreement does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan evidenced by this Agreement until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Agreement without losing them. Borrower and any other person who signs, guarantees or endorses this Agreement, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Agreement, and notice of acceleration of the maturity of this Agreement. Upon any change in the terms of this Agreement, and unless otherwise expressly stated in writing, no party who signs this Agreement, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Agreement are joint and several.

PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.

BORROWER:

XPEL TECHNOLOGIES CORP.

By: _____
RYAN L. PAPE, PRESIDENT, DIRECTOR, CEO & SECRETARY of XPEL TECHNOLOGIES CORP.

LENDER:

THE BANK OF SAN ANTONIO

X _____
ROBERT S GLENN, EXECUTIVE VICE PRESIDENT

September 11, 2018

XPEL Canada Corp.
1116 Levis Local 4,
Terrebonne, QC, J6W 5S6

Attention: Mr. Barry Wood and Chris Coffee

On the basis of the financial and other information, representations, warranties and documents provided by The **Borrower** (as defined below), HSBC Bank Canada (the "**Bank**") is pleased to offer the Following credit facilities (the "**Credit Facilities**") on the terms and conditions set out below. Additional terms and conditions are contained in the Schedule attached to this facility letter (this letter and all attached Schedules constituting collectively, the "**Facility Letter**"). All capitalized terms not otherwise defined in this Letter shall have the meanings ascribed to them in Schedule A.

BORROWER

XPEL Canada Corp. (the "**Borrowe**r").

GUARANTOR

XPEL, Inc. (the "**Guarantor**").

For purposes of this Facility Letter, the Borrower and the Guarantor are sometimes collectively referred to as the "**Credit Parties**".

CREDIT FACILITIES

The following credit facilities (collectively referred to as the "**Credit Facilities**") are authorized subject to the satisfaction of all terms and conditions in this Facility Letter.

1. Operating Loan Facility

1.1 Amount

Demand operating revolving loan facility ("**Operating Loan Facility**") available by way of any of the types of advances and other credit described in Section 1.3 (below) up to but not exceeding in aggregate (for all such types of advances and other credit) CAD 4,500,000, subject to the Maximum Limit.

1.2 Purpose

To assist in financing the day-to-day operating requirements of the Borrower.

1.3 Availability

Loan advances and other credit under the Operating Loan Facility ("**Operating Loans**") are available subject to the Maximum Limit as follows:

(a) CAD account overdraft up to an aggregate principal amount not exceeding CAD 4,500,000 ("**CAD Overdraft Loans**");

The Borrower shall ensure that the amounts advanced and outstanding under the Operating Loan Facility shall at no time exceed the amount of each of the available credit sub-limits set out above and that the aggregate of all such advances and credits outstanding at no time exceeds the Maximum Limit in the applicable currency.

1.4 Repayment

All amounts advanced and outstanding under the Operating Loan Facility shall be repaid on demand by the Bank.

1.5 Interest

Until demand for payment is made by the Bank, interest on the outstanding principal balance of all Loans and other credit advanced under the Operating Loan Facility shall, unless otherwise provided, be calculated and payable as follows:

(a) for CAD Overdraft Loan, the Bank's Prime Rate plus 0.25% per annum calculated monthly in arrears on the daily balance, payable on the last Business Day of each month;

1.6 Fees

The Borrower shall pay to the Bank:

(a) A setup fee of CAD 3,375 payable on acceptance of this Facility Letter: and

(b) Annual review fee of CAD 2,250.

2. Loan Documents

2.1 Loan Documents

The liability, indebtedness and obligations of the Borrower under all of the Credit Facilities shall be evidenced, governed and secured, as the case may be, by the following documents (which, together with any other loan or security documents required by this Facility Letter, are referred to collectively as the "**Loan Documents**") completed in a form and manner satisfactory to the Bank:

(a) Agreement for CAD Line of Credit by way of Current Account Overdraft, from the Borrower;

(b) Guarantee of indebtedness of the Borrower to the Bank, executed by XPEL, Inc. limited to CAD 4,500,000;

(c) all supporting officer's certificates, certificates of status (or good standing) and other certificates in connection with each Credit Party as the Bank may reasonably require which shall confirm, among other things, the constitutional documents for each Credit Party, incumbent officers with specimen signatures of authorized signatories, and the applicable authorizing resolutions for the Loan Documents, together with legal opinion of the solicitors acting for each Credit Party confirming power and capacity of each Credit Party, existence, due authorization, execution, delivery and enforceability of the Loan Documents to which each is a party and the priority of the security interests granted by each to the Bank;

(d) Such other Loan Documents as the Bank may reasonably request in order to register or otherwise perfect the security interests granted to the Bank.

2.2 Registration and Priority: Counsel Fees

Loan Documents (or notice thereof) will be registered in all jurisdictions and at all registries as the Bank may determine is necessary or beneficial to perfect or protect its security interests, mortgages and charges. The Bank's security interests shall rank in priority to all other mortgages, charges, liens, encumbrances and security interests, subject to Permitted Encumbrances. The Borrower shall pay all legal fees and disbursements incurred by Bank's counsel in connection with negotiation, implementation and enforcement of the Credit Facility, including any expenses incurred to perfect or register Loan Documents.

3. Conditions Precedent

In addition to the conditions precedent set out in the attached Schedule A, it shall be a condition precedent to the advance and the continued availability of the Credit Facilities that the Bank shall have received in form and content satisfactory to the Bank:

(a) The Loan Documents, duly authorized, executed and delivered, and, as relevant, duly registered;

(b) Copies of all Material Agreements (if any);

4. Reporting Requirements

The continued availability of the Credit Facilities is subject to the Borrower and Guarantor delivering to the Bank the following reports in a form and on a frequency acceptable to the Bank as advised by the Bank from time to time.

(a) Annually, within 90 days of the Borrower's fiscal year end:

(i) In-house financial statements;

(ii) In-house projections for the coming financial year end;

(b) Annually, within 90 days of each Guarantor's year end, on a consolidated basis audited financial statements for such Guarantor; and

(c) Such additional financial statements and information as and when requested by the Bank.

5. Counterparts and Electronic Communication

This Facility Letter and each Loan Document may be executed in one or more counterparts, each of which when so executed when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Facility Letter or Loan Document by facsimile or by Electronic Communication shall be as effective as physical delivery of an original counterpart signed manually.

This Facility Letter (and each Loan Document) may be signed by handwritten signature or electronically by using technology acceptable to the Bank. To evidence execution of this Facility Letter (or any Loan Document), the Borrower or Guarantor, as applicable, must deliver and return to the Bank an executed copy of each with the original handwritten signatures of the Borrower's (or Guarantor's, as applicable) duly authorized signatories (or Electronic Signatures of such signatories if so permitted by the Bank) by physical delivery, or if so permitted by the Bank, by facsimile, email or other electronic delivery or transmission and such transmission shall constitute delivery of an executed copy of the Facility Letter or relevant Loan Document. If the Borrower (or Guarantor) uses an electronic signature to indicate its agreement, it shall ensure that its electronic signature is attached to or associated with this Facility Letter (or such Loan Document).

6. Notices

Any notice, request or other communication which the Bank, the Borrower and Guarantor may be required or may desire to give to the other party for purposes of this Facility Letter shall be in writing and may be sent either by electronic transmission (facsimile or email), or hand delivery or first class registered mail postage prepaid to the addresses below. Any such notice, request or other communication shall be deemed to have been effectively given, made and received: (i) when transmitted with receipt confirmed in the case of electronic transmission if such transmission was made on or before 5:00 p.m. (Montreal time) on that Business Day, failing which it shall be deemed to have been effectively given, made and received on the next following Business Day, (ii) when received if sent by hand delivery on or before 5:00 p.m. (Montreal time) on a Business Day, failing which it shall be deemed to have been effectively given, made and received on the next following Business Day, or (iii) five (5) days after deposit in the mail if so mailed, but any notice, request or other communication to be given or made during a strike, lock-out or other labour disturbance at the post office or during an actual or threatened interruption in the mail service shall be hand delivered or sent by electronic transmission and not mailed. Any party hereto may change the address to which all notices, requests and other communications are to be sent to it by giving written notice of such address change to the other parties in conformity with this paragraph, but such change shall not be effective until notice of such change has been receive by the other parties. The addresses of the parties for the purposes hereof shall be:

XPEL Canada Corp.
1116 Levis Local 4,
Terrebonne, QC, J6W 5S6

If to the Bank, addressed as follows:

HSBC Bank Canada
2001 McGill College Avenue
Suite 300, Montreal, Qc, H3A 1G1

If to the Guarantor, addressed as follows:

XPEL, Inc.
618 W. Sunset Road,
San Antonio, Texas, 78216

7. Lapse and Cancellation

This Facility Letter shall, at the option of the Bank, expire, and be of no further force and effect if an initial advance of credit under the Credit Facility has not been made within sixty (60) days of the date of this Facility Letter.

Credit Facilities under this Facility Letter are uncommitted and, notwithstanding any other provision of this Facility Letter, the Bank may, at any time, in its sole discretion on notice to the Borrower: (i) terminate the Borrower's right to make requests for credit or advances under the Credit Facilities; (ii) even if the Bank has not terminated the Borrower's right to request credit or advances under the Credit Facilities, decline any request for credit or advances under the Credit Facilities and refuse to honour any cheques or other payment items; (iii) demand repayment of all outstanding indebtedness and liability of the Borrower at any time, all upon such notice and otherwise in accordance with applicable law as the Bank may determine.

8. Schedules

Each of the following Schedules and Appendices attached hereto comprise part of the Facility Letter:

Schedule A - Definitions and Additional Terms and Conditions

9. Language Choice

The parties hereto have requested that this Facility Letter and any document relating thereto be drafted in English.

10. Acceptance

The offer of credit upon the terms and conditions contained in this Facility Letter may be accepted by the Borrower and the Guarantor signing, dating and delivering a copy of this Facility Letter to the Bank by 5:00 p.m. local time on October 10, 2018. Failing such acceptance and delivery to the Bank, this offer shall be of no further force or effect.

Yours truly,

HSBC BANK CANADA

/s/ Lofti Bengalouze	/s/ Antoine Racine
Lofti Bengalouze	**Antoine Racine**
Assistant Vice-President	Corporate Banking Manager
International Subsidiaries	International Subsidiaries

The undersigned hereby acknowledge and agrees to the terms and conditions of this Facility Letter this 8th day of October, 2018.

BORROWER
XPEL Canada Corp.

Per: /s/ Barry R. Wood	Per: /s/ Christen L. Coffee
Authorized Signatory	Authorized Signatory
Title: CEO	Title: Controller
Name: Barry R. Wood	Name: Christen L. Coffee

GUARANTOR
XPEL, Inc.

Per: /s/ Barry R. Wood	Per: /s/ Christen L. Coffee
Authorized Signatory	Authorized Signatory
Title: CEO	Title: Controller
Name: Barry R. Wood	Name: Christen L. Coffee

SCHEDULE A

TO FACILITY LETTER
FROM HSBC BANK CANADA
TO XPEL Canada Corp.
DATED September 11, 2018

This Schedule shall form part of the Facility Letter and the availability of the Credit Facilities as described in this Facility Letter shall also be subject to the terms and conditions contained in this Schedule.

I. Definitions

For the purpose of this Facility Letter, the following terms shall have the meanings indicated below.

"**Bank Branch**" means the branch of the Bank first described in the Facility Letter or as otherwise advised by the Bank from time to time.

"**Bank's Prime Rate**" means the variable annual rate of interest per annum established and adjusted by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on commercial loans in Canada denominated in Canadian dollars based on the actual number of days in a year (whether 365 or 366 days) and which was 3.7% per annum on September 11, 2018 but in no event shall such interest rate be less than 0% per annum. A certificate of a manager or account manager of the Bank shall, absent manifest error, be conclusive evidence of the Bank's Prime Rate from time to time.

"**Business Day**" means a day, other than a Saturday, Sunday or statutory (or civic) holiday, upon which the Bank is open for business in the Bank Branch.

"**CAD" and "Canada Dollars**" means lawful currency of Canada in same day immediately available funds, or, if such funds are not available, the form of money of Canada that is customarily used in the settlement of international banking transactions on the day in question.

"**CAD Prime Rate Loan**" has the meaning ascribed to it in the Facility Letter.

"Compliance Action" has the meaning ascribed to it in Section XVII of this Schedule A.

"Credit Facilities" has the meaning ascribed to such term in the Facility Letter.

"**Credit Party**" means each Borrower and each Guarantor.

"**Draft**" means a bill of exchange within the meaning of the Bills of Exchange Act (Canada), in the form prescribed by the Bank, drawn by the Borrower on the Bank for acceptance as a Bankers' Acceptance and bearing such distinguishing letters and numbers as the Bank may determine, but which at such time has not been completed or accepted by the Bank.

"**Electronic Communication**" means any agreement, instruction, document, information, disclosure, notice or other form of communication that is sent or stored by means of any electronic or other digital transmission.

"**Electronic Signature**" means a signature that consists of one or more letters, characters, numbers or other symbols in digital form incorporated in, attached to or associated with an electronic communication and includes a secure electronic signature as may be prescribed by applicable law or otherwise required by us.

"**Facility Letter**" means the letter from the Bank to the Borrower to which this Schedule is attached, together with this Schedule, and includes all amendments and restatements thereof.

"**Guarantor**" means the party or parties described on the first page of this Facility Letter and any other party or parties who from time to time execute a guarantee or guarantees of the obligations of the Borrower under or in connection with this Facility Letter and the Loan Documents.

"**Interest Period**" means for each CAD Cost of Funds Loan a period of 30, 60, 90 days or such other period of time mutually agreed between the Bank and the Borrower.

"**Legal Requirement**" means any law, statute, code, ordinance, order, award, judgment, decree, injunction, rule, regulation, authorization, directive, guidance note, advisory, consent, approval, order, permit, franchise, licence, direction, deferred prosecution agreement or other requirement of any Governmental Authority.

"**Loan Documents**" means the Loan Documents described in the Facility Letter, any additional documents delivered in connection with the Credit Facilities by any Credit Party and any amendments or restatements of any of such documents from time to time.

"**Material Adverse Change**" means, with respect to any Credit Party any event, circumstance, act or omission which individually or in the aggregate has had or could reasonably be expected to have, a material adverse effect on: (i) the business, operations, prospects, properties, assets or condition, financial or otherwise, of such Credit Party; (ii) the ability of any Credit Party to perform its obligations and covenants in this Facility letter or any other loan Document to which it is a party; or (iii) to the rights and remedies of the Bank under this Facility Letter or any other Loan Document.

"**Material Agreements**" means agreements material to the conduct of the business of the Borrower including those related to intellectual property, leases, licences and other rights of use of property.

"**Maximum Limit**" means the lesser of (i) the maximum principal amount stipulated as being available respectively under each of (i) the Credit Facilities (and using the face amounts in the case of all outstanding BAs, DCs and LGs issued) and (ii) the permitted aggregate of all advances and credit issued and outstanding under each Credit Facility subject to the Margin Requirement, and to any other covenant restrictions. For the purposes hereof, any available credits in USO or any other currency shall be calculated using the Canadian Dollar Equivalent thereof.

"**Person**" shall mean and include an individual, a partnership, a corporation, a joint stock company, a trust, an unincorporated association, a joint-venture or other entity or a government or any agency or political subdivision of the above.

II. Representations and Warranties

Each Credit Party represents and warrants to the Bank, as of the date of the Facility Letter and as at the time of an advance or other utilization of any of the Credit Facilities from time to time that:

(a) if a corporation, it has been duly incorporated and organized (or if a partnership or other legal entity, has been duly formed, or settled as relevant) and organized and is properly constituted, is in good standing and subsisting and entitled to conduct its business in all jurisdictions in which it carries on business or has assets;

(b) the execution of this Facility Letter and the Loan Documents and the incurring of liability and indebtedness to the Bank does not and will not contravene:

  (i) any legal Requirement applicable to such Credit Party; or

  (ii) any provision contained in any other loan or credit agreement or borrowing instrument or contract to which it is a party;

(c) this Facility Letter and the Loan Documents to which it is a party have been duly authorized, executed and delivered by it, and constitute its valid and binding obligations and are enforceable in accordance with their respective terms;

(d) all necessary Legal Requirements have been met and all other authorizations, approvals, consents and orders have been obtained with respect to the execution and delivery of this Facility Letter and the Loan Documents; and

(e) all financial and other information provided to the Bank in connection with the Credit Facilities is true and accurate, and it acknowledges that the offer of credit by the Bank contained in this Facility Letter is made in reliance on the truth and accuracy of this information and the above representations and warranties.

(f) neither the Borrower nor any of its subsidiaries, directors, officers, employees, agents, or affiliates is an individual or entity (nor does the Borrower nor any such other entity or person operate, possess, own, charter, or use a vessel) that is, or is owned or controlled by any one or more individuals or entities ("**Persons**") that are: (i) the subject of any sanctions issued, administered or enforced by, or named on any list of specially designated or blocked Persons maintained by, the Office of Foreign Assets Control ("**OFAC**") of the US Department of the Treasury, the US Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury, the Hong Kong Monetary Authority, or the Department of Global Affairs (Canada), Foreign Affairs, Trade and Development Canada, Canada Border Services Agency, or Justice Canada, including any enabling legislation or executive order related thereto, and any similar sanctions laws as may be enacted from time to time in the future by the United States, Canada, the European Union (and any of its member states), the United Kingdom or the United Nations Security Council, or any other legislative body of the United Nations or other relevant Governmental Authority (collectively, "**Sanctions**"), or (ii) located, organised or resident in a country or territory that is, or whose government is, the subject of Sanctions;

(g) with respect to each LG or DC issued by the Bank pursuant to any of the Credit Facilities all required import or export licenses applicable to the transactions for which such LG or DC is issued have been obtained and the Borrower is in compliance in all material respects with foreign and domestic laws and regulations pertaining to each jurisdiction in which it operates and to each LG and/or DC and the subject matter of such LG and/or DC including, if applicable, the shipment and financing of the goods described in such LG and/or DC; and

(h) no shares in a Credit Party have been issued as, or are held as, or convertible to, bearer shares.

III. <u>Interest, Fees</u>

(a) Interest on the daily balance of the principal amount advanced under the Credit Facilities and remaining unpaid from time to time shall accrue and shall be payable by the Borrower as set out in this Facility Letter both before and after demand, default, maturity, or judgment and until indefeasible payment in full, except as otherwise expressly provided for.

(b) If the Borrower repays any portion of the Credit Facilities accruing interest at the Bank's CAD Fixed Rate or the Bank's USD Fixed Rate or based on LIBOR or CAD Cost of Funds Rate on a date other than the expiration of the selected interest period or LIBOR Period, as the case may be, whether as a result of a demand for repayment by the Bank or otherwise, it shall also concurrently pay to the Bank the greater of:

(i) three months' interest on the portion prepaid at the CAD Fixed Rate or CAD Cost of Funds Rate or the Bank's USD Fixed Rate or based on LIBOR plus the applicable margin (pursuant to Section 1.5(c) of the Facility Letter), as the case may be; and

(ii) the applicable Compensating Amount.

(c) The fees paid to and received by the Bank shall be its entitlement as consideration for the time, effort and expense incurred by the Bank in the review of financial statements and its review and administration of documents, and the Borrower acknowledges and agrees that the determination of these costs is not feasible and that the fees set out in this Facility Letter represent a reasonable estimate of such costs.

(d) In the event that interest is not received by the Bank on any date for payment provided for in this Facility Letter or in any other relevant document, interest on such overdue interest shall be compounded on the basis of interest calculated and payable on overdue interest in the same manner and at the same rate per annum as is applicable to such overdue interest until indefeasible payment in full. Any other amounts which become payable to the Bank under this Facility Letter or the Loan Documents and which are not paid when due shall accrue interest and be payable from the due date at the Bank's Prime Rate plus 3% per annum, calculated and payable monthly on the last day of each month, both before and after demand, default, maturity or judgment and until indefeasible payment in full (other than for overdrafts exceeding the permitted limit which shall accrue interest at the rate of 21% per annum both before and after demand, default and judgment until indefeasible payment in full).

(e) All payments by the Borrower to the Bank shall be made at the address of the Bank Branch or at such other place as the Bank may specify in writing from time to time. The Borrower shall make payment to the Bank in immediately available funds in the same currency as the currency in which the original Loan, BA Advance or other credit was advanced or made available by the Bank. Any payment delivered or made to the Bank by 1:00

p.m. local time at the place where such payment is to be made shall be credited as of that day, but if made after such time such payment shall be credited as of the next Business Day.

(f) Notwithstanding anything to the contrary contained in this Facility Letter, the Borrower acknowledges that: (i) the applicable rate of interest payable by the Borrower in connection with this Facility Letter shall not be less than zero, even if a reference rate used for the calculation of such interest, or the total of the reference rate and applicable interest spread, is less than zero; and (ii) the Bank may, in its discretion, and is hereby irrevocably authorized by the Borrower to, make an advance under the Credit Facilities (or debit or set-off any bank account of the Borrower with the Bank), to pay any unpaid interest, fees or other amounts which have become due under the terms of this Facility Letter.

(g) The Borrower acknowledges that the actual recording of the amount of any advance or repayment thereof under the Credit Facilities, and interest, fees and other amounts due in connection with the Credit Facilities, in an account of the Borrower maintained by the Bank shall constitute *prima facie* evidence of the Borrower's indebtedness and liability from time to time under the Credit Facilities; provided that the obligation of the Borrower to pay or repay any obligations in accordance with the terms and conditions of the Credit Facilities shall not be affected by the failure of the Bank to make such recording. The Borrower also acknowledges being indebted to the Bank for principal amounts shown as outstanding from time to time in the Bank's account records, and all accrued and unpaid interest in respect of such amounts, in accordance with the terms and conditions of this Facility Letter.

(h) The obligation of the Borrower to make all payments under this Facility Letter and the Loan Documents shall be absolute and unconditional and shall be made without any deduction or withholding of any nature and shall not be limited or affected by any circumstance, including, without limitation:

(i) any set-off, compensation, counterclaim, recoupment, defence or other right which the Borrower may have against the Bank or anyone else for any reason whatsoever; or

(ii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Borrower.

(i) In addition to and not in limitation of any rights now or hereafter available to the Bank under applicable law or arising under the Loan Documents, the Bank is hereby irrevocably authorized, at any time and from time to time, to set-off and appropriate and to apply any and all deposits (general and special) and any other indebtedness at any time held by or owing by the Bank to or for the credit of the Borrower against and on account of the obligations of the Borrower to the Bank under this Facility Letter, irrespective of currency. The Bank agrees to provide written notice to the Borrower of the exercise of any of the rights under this section promptly after the exercise of such rights.

(j) The Borrower shall pay to and indemnify and save harmless the Bank for the full amount of all out of pocket costs and expenses (including, but not limited to, any interest payable in order to maintain any Loan hereunder) which the Bank may sustain or incur as a consequence of the failure by the Borrower to pay when due any principal of or any interest on any Loan or any other amount due hereunder.

(k) All payments made on account of principal, interest or otherwise shall be made to the Bank, to the extent permitted by applicable Legal Requirements, free and clear of and exempt from, and without deduction for or on account of, any present or future Taxes or other charges of any nature imposed, levied, collected, withheld or assessed by any Governmental Authority. However, in the event that any payments made under this Facility Letter shall not be made free and clear of and exempt from, and without deduction or withholding for or on account of any Taxes, then the Borrower shall gross up the payments to the Bank so that the Bank receives such additional amounts as may be necessary in order that each such net payment to the Bank, after payment or deduction or withholding for and on account of any such Taxes, will not be less than the amount to be paid and received by the Bank in accordance with this Facility Letter. With respect to each such deduction or withholding, the Borrower shall promptly pay any such Taxes and (but in no event later than 90 days after payment) furnish to the Bank evidence of such payment, satisfactory to the Bank and also at the Bank's request provide such certificates, receipts and other documents required to establish any tax credit to which the Bank may be entitled.

(l) The agreements of the Borrower pursuant to the foregoing subparagraphs (1) and (m) shall survive the repayment of the Loans and the termination of this Facility Letter or the Credit Facilities (or both).

(m) The remedies, rights and powers of the Bank under this Facility Letter, the Loan Documents and at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Bank and no delay or omission in exercise of such remedy, right, or power shall exhaust such remedies, rights or powers or be construed as a waiver of any of them.

IV. Conditions Precedent

In addition to the Conditions Precedent previously set out in the Facility Letter, it shall also be a condition precedent to the initial advance and continued availability of any credit or advances under any of the Credit Facilities that the Bank shall have received and be satisfied with:

(a) completed Loan Documents registered where necessary in form and manner satisfactory to the Bank's solicitors;

(b) confirmation that the Borrower is in compliance with each of the terms and conditions of this Facility Letter;

(c) all identification, business activity, business structure and other "know your customer" documents and information as required by the Bank and any screening conducted in accordance with Sanctions and other applicable legal requirements; and

(d) such other conditions as the Bank may determine, in its discretion.

V. Borrower's Covenants and Conditions of Credit

In addition to the conditions previously set out, the following additional conditions shall apply until all indebtedness and liability under the Credit Facilities are indefeasibly repaid in full to the Bank and the Credit Facilities cancelled:

(a) The Borrower shall not, without the prior written consent of the Bank:

(i) grant or allow any lien, charge, security interest, right or other encumbrance, whether fixed or floating, to be registered against or exist on any of its property and in particular, without limiting the generality of the foregoing, shall not grant a trust deed or other instrument in favor of a trustee;

(ii) become a guarantor or an endorser or otherwise become liable upon any note or other obligation other than in the normal course of business of the Borrower;

(iii) declare or pay dividends on any class or kind of its shares or other securities, repurchase or redeem any of its shares or other securities, or reduce its capital in any way whatsoever or repay any shareholders' advances that would cause a breach of agreed covenants;

(iv) amalgamate with or permit all or substantially all of its assets to be acquired by any other person, firm or corporation or permit any reorganization or change in ownership or corporate structure of the Borrower, or the issuance of bearer shares;

(v) permit any property taxes to be past due at any time; or

(vi) enter into any agreement for the purchase or sale of any property outside the normal course of business; or

(vii) borrow money, obtain credit or incur additional funded indebtedness (other than pursuant to the Credit Facilities).

(b) The Borrower and the Guarantor agree to file all tax returns which it is required to file in accordance with any Legal Requirement from time to time; to pay or make provision for the payment of all taxes (including any interest and penalties); to pay any Potential Prior Ranking Claims when due; and to maintain adequate reserves for the payment of any tax which is being contested diligently in good faith.

(c) The Bank shall have the right to waive the delivery of any Loan Documents or the performance of any term or condition of this Facility Letter, and may advance all or any portion of the Loans prior to satisfaction of any of

the Conditions Precedent, but waiver by the Bank of any obligation or condition shall not constitute a waiver of performance of such obligation or condition for any future advance.

(d) All financial terms and covenants shall be determined in accordance with generally accepted accounting principles, applied consistently.

(e) If the amount outstanding under any Credit Facility in CAD plus the Canadian Dollar Equivalent of the amount outstanding under any of the Credit Facilities in a currency other than Canadian Dollars, at any time exceeds the Maximum Limit, the Bank may, from time to time, in its sole discretion:

(i) limit the further utilization of that Credit Facility;

(ii) convert all or part of the amount outstanding under that Credit Facility to Canadian Dollars in which event, interest shall accrue and be paid on such converted amounts at the rate set out in this Facility Letter for Canadian dollar advances accruing interest with reference to the Bank's Prime Rate. If no such rate is set out in this Facility Letter, interest shall accrue on the amount so converted at the Bank's Prime Rate plus 3% per annum, calculated monthly and payable on the last day of each month, both before and after demand, default, maturity or judgment and until indefeasible payment in full; or

(iii) require the Borrower to pay the excess.

(f) With respect to any monies payable by the Borrower hereunder, or any portion or portions thereof, which are payable in a currency other than CAD (the "**Foreign Currency Obligation**"), the following provisions shall apply:

(i) payment of the Foreign Currency Obligation made hereunder shall be made in immediately available funds in lawful money of the jurisdiction in the currency of which the Foreign Currency Obligation is payable (the "**Foreign currency**") in such form as shall be customary at the time of payment for settlement of international payments in Vancouver, British Columbia without set-off, compensation, or counterclaim and free and clear of and without deduction for any and all present and future taxes, levies, imposts, deductions, charges and withholdings with respect thereto.

(ii) if the Borrower makes payment to the Bank, or if an amount is applied by the Bank, in CAD in circumstances where the relevant indebtedness and liabilities constitute a Foreign Currency Obligation, such payment or amount shall satisfy the said liability of the Borrower hereunder only to the extent that the Bank is able, using the rate of exchange applied by the Bank in accordance with its normal banking procedures, to purchase the full amount of the relevant Foreign Currency owing with the amount of the CAD received by the Bank on the date of receipt, and the Borrower shall remain liable to and hereby agrees to indemnify the Bank for any deficiency (together with interest accruing thereon calculated and payable pursuant to the terms of the relevant underlying indebtedness and liabilities).

(iii) the Borrower shall indemnify and hold the Bank harmless from any loss incurred by the Bank arising from any change in the value of CAD in relation to the relevant Foreign Currency between the date the Foreign Currency Obligation becomes due and the date of full, final and indefeasible payment thereof to the Bank.

(iv) if for the purpose of commencing any proceeding against the Borrower to enforce payment of its indebtedness and liability under the Credit Facilities it is necessary to convert a sum due hereunder in a Foreign Currency into CAD, the rate of exchange used for purposes of commencing such proceeding shall be the rate of exchange at which in accordance with its normal banking procedures the Bank could purchase CAD with such Foreign Currency amount claimed to be due hereunder on the Business Day preceding that on which proceeding is commenced.

(v) The obligation of the Borrower in respect of any such sum due from it to the Bank hereunder shall, notwithstanding any judgment in CAD, be discharged only to the extent that on the Business Day following receipt by the Bank of any sum adjudged to be so due in CAD the Bank may in accordance with its normal banking procedures purchase the relevant Foreign Currency in the full amount owing to the Bank with the CAD; if the amount of such Foreign Currency so purchased is less than the sum actually due to the Bank in such Foreign Currency the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Bank against such loss and if the Foreign Currency

purchased exceeds the sum actually due to the Bank in the Foreign Currency, the Bank agrees to remit such excess to the Borrower as the Borrower may be entitled thereto.

(g) The Borrower confirms that it will (i) not use any amounts advanced or seek advances under the Credit Facilities for any illegal purpose or (a) to fund any activity or business with any person or in any country or territory that is the subject or target of Sanctions or (b) in any manner that would result in a violation of Sanctions by any person (including any lender, advisor, or otherwise) and (ii) not repay any amounts owing to the Bank using any funds derived directly or indirectly from any illegal or sanctionable activity, provided that this covenant shall be inapplicable only to the extent of any relevant violation of the *Foreign Extra-Territorial Measures Act* (Canada) or any similar applicable anti-boycott law or regulation.

VI. Environmental Matters

(a) To the best of the Borrower's knowledge after due and diligent inquiry, no regulated, hazardous or toxic substances are being stored on any of the Borrower's !ands, facilities or premises (the "**Premises**") or any adjacent property, nor have any such substances been stored or used on the Premises or in the Borrower's business or any adjacent property prior to the Borrower's ownership, possession or control of the Premises. The Borrower agrees to provide written notice to the Bank immediately upon the Borrower becoming aware that the Premises or any adjacent property are being or have been contaminated with regulated, hazardous or toxic substances. The Borrower shall not permit any activities on the Premises which directly or indirectly could result in the Premises or any other property being contaminated with regulated, hazardous or toxic substances. For the purposes of this Facility Letter, the term "regulated, hazardous or toxic substances" means any substance, defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term, by any Legal Requirement now or in the future in effect, or any substance or materials, the use or disposition of which is regulated by any such Legal Requirement.

(b) The Borrower shall promptly comply with all Legal Requirements relating to the use, collection, storage, treatment, control, removal or cleanup of regulated, hazardous or toxic substances in, on, or under the Premises or in, on or under any adjacent property that becomes contaminated with regulated, hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Premises, or incorporated in any improvements thereon. The Bank may, but shall not be obligated to, enter upon the Premises and take such actions and incur such costs and expenses to effect such compliance as it deems advisable and the Borrower shall reimburse the Bank on demand for the full amount of all costs and expenses incurred by the Bank in connection with such compliance activities.

(c) The property of the Borrower which are now or in the future encumbered by any one or more of the Loan Documents are hereby further mortgaged and charged to the Bank, and the Bank shall have a security interest in such assets, as security for the repayment of such costs and expenses and interest thereon, as if such costs and expenses had originally formed part of the Credit Facilities.

VII. Increased Cost Indemnities.

If any change in the applicable Legal Requirements or in their interpretation or the administration of any of them by any Governmental Authority, or compliance by the Bank with any request (whether or not having the force of law) of any relevant central bank or other comparable agency or Governmental Authority, shall change the basis of taxation of payments to the Bank of the principal of or interest on the Loans or any other amounts payable under this Facility Letter (except for changes in the rate of tax on, or determined by reference to, the net income or profits of the Bank) or shall impose, modify or deem applicable any reserve, special deposits or similar requirement against assets of, deposits with or for the account of, or credit extended by the Bank or shall impose on the Bank or the London interbank market any other conditions directly affecting this Facility Letter or the Loans, and the result of any of the foregoing is to increase the cost to the Bank of making the Loans or maintaining the Loans or to reduce the amount of any sum received or receivable by the Bank under this Facility Letter by an amount deemed by the Bank to be material, then the Borrower shall, upon receiving notice from the Bank, reimburse to the Bank, on demand by the Bank, such amount or amounts as will compensate the Bank for such additional cost or reduction. A certificate of a manager or account manager of the Bank setting forth the additional amounts necessary to compensate the Bank as aforesaid, and the basis for its determination, shall be conclusive as to the determination of such amount in the absence of manifest error.

VIII. Bank Visits

Representatives of the Bank shall be entitled to attend at and inspect the Borrower's place of business and to view all financial records of the Borrower and meet with key officers or employees of the Borrower at any time, on reasonable notice.

IX. Legal and Other Expenses

The Borrower shall pay (i) all reasonable legal fees and disbursements (on a solicitor and own client basis) in respect of legal advice and services to or on behalf of the Bank in connection with the Credit Facilities including: the preparation, negotiation and settlement of the Facility Letter, the preparation, issue and registration of the Loan Documents together with any amendments or restatements thereto from time to time; the enforcement and preservation of the Bank's rights and remedies; searches from time to time, including in connection with any advance; and (ii) all reasonable fees and expenses relating to appraisals, insurance consultation, environmental investigation, credit reporting and other due diligence and to responding to demands of any Governmental Authority; whether or not the documentation is completed or any funds are advanced under the Credit Facilities.

X. Non-Merger; Records of Bank; Assignment

The terms and conditions of this Facility Letter shall not be merged by and shall survive the execution and delivery of the Loan Documents.

The taking of judgment on any covenant contained in this Facility Letter and/or the other Loan Documents shall not operate so as to create any merger or discharge of any indebtedness or liability of the Borrower under, nor of any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security of any form held or which may in the future be held by the Bank from the Borrower or from any other Person.

The benefits conferred by this Facility Letter and the other Loan Documents shall ensure to the benefit of the Bank and its successors and assigns and shall be binding on each Credit Party and their respective heirs, successors and permitted assigns.

The records of the Bank as to the making or rollover of Loans (and the amounts thereof) hereunder, payment of any money payable hereunder or any part thereof being in default or of any notice or demand for payment having been made shall be prima facie proof of such fact, absent manifest error.

No Credit Party shall assign all or any of its rights, benefits or obligations under this Facility Letter or the Loan Documents without the prior written consent of the Bank. The Bank shall be entitled, without the consent of the Credit Parties, to assign, syndicate, sell or transfer all or any portion of its rights, benefits and obligations under this Facility Letter and the Loan Documents.

XI. Waiver or Amendment

No term or condition of this Facility Letter or any of the other Loan Documents may be waived or varied verbally or deemed to be waived or varied by any cause or course of conduct of any officer, employee or agent of the Bank. All waivers must be in writing and signed by a duly authorized officer of the Bank.

Any amendment to this Facility Letter or the other Loan Documents must be in writing and signed by a duly authorized officer of the Bank. Without limiting the foregoing, the Bank may amend this Facility Letter if such amendment is required in connection with any change in applicable law or its interpretation or in connection with any Legal Requirement; the Bank shall provide 30 days prior written notice of any such amendment.

XII. Severability

Any provision of this Facility Letter or other Loan Document which is determined or adjudged to be illegal, invalid, prohibited or unenforceable under applicable law in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such illegality, invalidity, prohibition or unenforceability and shall be severed from the balance of this Facility Letter or such Loan Document, all without affecting the remaining provisions of this Facility Letter or such Loan Document or affecting the legality, validity or enforceability in any other jurisdiction.

XIII. Consent to Disclosure

(a) Each Credit Party consents to and acknowledges that it is aware that credit, financial and personal inquiries regarding each Credit Party and individuals connected to Credit Parties (including directors, officers, shareholders and individuals acting on behalf of a Credit Party) may be gathered, made, maintained and/or used at any time in connection with: (i) initial and ongoing credit assessment, (ii) any funding of the Credit Facilities by investors or participants or any assignment or sale of the Credit Facilities by the Bank, and (iii) the enforcement of any remedies that the Bank may have under the Credit Facilities, (iv) compliance and risk monitoring purposes and each Credit Party consents to the making of any such inquiries by or on behalf of the Bank and consents, without restriction and without further notice to or further consent of the such Credit Party, to disclosure of any such information to any prospective investor, participant, assignee or purchaser of all or any part of the Credit Facilities. Each Credit Party irrevocably waives, to the extent permitted under applicable law, any and all rights it may have to notice of or to prohibit such disclosure, including, without limitation, any right of privacy.

(b) The Bank may collect, use, transfer and disclose information for the following purposes and as follows:
- Providing information respecting other services;
- Taking any Compliance Action referred to in this Schedule A (including actions taken to comply with laws, international guidance, internal policies or procedures, requirements from judicial, administrative, law enforcement and regulatory authorities);
- Conducting financial crime risk management activity, including verifying the identification of the Credit Party and related individuals, screening, monitoring and investigation activity, and sharing information within HSBC Group, including in other jurisdictions, for these purposes;
- Judicial, administrative, public or regulatory bodies, as well as governments, tax, revenue and monetary authorities, examiners, monitors, securities or futures exchanges, courts, central banks or law enforcement bodies with jurisdiction over any HSBC Group member.

(c) The Bank may collect, transfer and disclose information for these purposes from and to members of the HSBC Group, sub-contractors, agents and service providers within Canada and in other jurisdictions.

(d) Before providing the Bank with personal information respecting any connected individual, the Credit Party will ensure that it has provided all necessary disclosures to, and obtained any necessary consents from, such individuals in connection with the collection, use and disclosure of such information by the Bank.

XIV. Time of Essence

Time shall be of the essence of this Facility Letter.

XV. Indemnity

The Borrower agrees to keep the Bank and its officers, directors, employees, solicitors, agents and affiliates (collectively, the "**Bank Group**") indemnified against any claim for any damages, losses, costs on expenses (including, without limitation, legal costs on a solicitor and his own client basis) incurred or suffered by any member of the Bank Group in relation to this Facility Letter or as a consequence (direct or indirect) of any breach by the Borrower of this Facility Letter, or as a result of an assessment made by any tax authority in respect of any payment made by the Bank to any third party including, without limitation, to the beneficiary of any LG, unless such damage, loss, cost or expense was incurred solely as a direct result of the Bank's gross negligence or wilful misconduct.

XVI. Governing Law

This Facility Letter and, unless otherwise specified therein, all Loan Documents or instruments delivered in accordance with this Facility Letter shall be governed by and interpreted in accordance with the laws of the Province of Quebec (the "**Governing Jurisdiction**") and the federal laws of Canada applicable therein. Each Credit Party irrevocably submits to the non-exclusive jurisdiction of the courts in the Governing Jurisdiction and waives, to the fullest extent permitted by applicable law any defence based on convenient forum.

XVII. Financial Crimes and Sanctions Laws Acknowledgements and Indemnification

Each Credit Party acknowledges and agrees that:

(a) the Bank, HSBC Holdings plc, its affiliates and subsidiaries (together "**HSBC Group**"), and HSBC Group's service providers are required to act in accordance with the laws and regulations of various jurisdictions, including those which relate to Sanctions and the prevention of money laundering, terrorist financing, bribery, corruption and tax evasion;

(b) the Bank may take, and may instruct other members of the HSBC Group to take, to the extent it or such member is legally permitted to do so under the laws of its jurisdiction, any action (a "**Compliance Action**") that the Bank or any such other member, in its sole discretion, considers appropriate to act in accordance with Sanctions or domestic and foreign laws and regulations. Such Compliance Action may include but is not limited to the interception and investigation of any payment, communication or instruction or other information; the making of further enquiries as to whether a Person or entity is subject to any Sanctions; and the refusal to issue, pay, renew, extend or transfer any DC or LG or to process any transaction or instruction that, in the Bank's discretion, may not conform with Sanctions. The Bank will use reasonable commercial efforts to notify the Borrower of the existence of such circumstances as soon as is reasonably practicable, to the extent permitted by law;

(c) neither the Bank nor any member of HSBC Group will be liable for any loss, cost, damage, claim, action, suit, liabilities, suffered or incurred by the Borrowers, any Guarantor or other Person, or for any delay or any failure of the Bank to perform its duties under this Facility Letter arising out of or relating to any Compliance Action taken by or on behalf of the Bank, its service providers, or any HSBC Group member in its sole discretion;

(d) the Bank may, in its sole discretion, refuse to issue, pay, renew, extend or transfer any DC or LG in connection with or relating to any countries, governments, entities *or* other Persons that are subject to Sanctions or limitations imposed by domestic or foreign laws, or by the Bank or any member of the HSBC Group, and that the Bank has the right, without prior notice to any Credit Party, to reject, refuse to pay, any demand, or not process any transaction or instruction that does not conform with any such Sanctions, or limitations; and

(e) The Borrower will indemnify the Bank for all losses, costs, damages, claims, actions, suits, demands and liabilities suffered or incurred by or brought against the Bank arising out of or relating to any Compliance Action, unless such losses, costs, damages, claims, actions, suits, demands and liabilities are determined by a final, non-appealable decision of a court of competent jurisdiction to have been caused solely and directly by the gross negligence or wilful misconduct of the Bank.

XVIII. Electronic Communications and Electronic Signatures

(a) The Borrower hereby authorizes the Bank to accept electronic communications and electronic signatures from the Borrower in relation to this Facility Letter and the Loan Documents and hereby consents to receiving commercial electronic messages from or on behalf of the Bank and any agreement, instruction, document, information, disclosure, notice or other form of communication from the Bank by electronic communication.

(b) The Borrower agrees that any electronic communication, including any electronic signature associated with such electronic communication, which the Bank receives from the Borrower or in the Borrower's name, or which appears to be from the Borrower or in its name, will be considered to be duly authorized and binding upon the Borrower (whether or not that electronic communication was actually from or authorized by the Borrower) and the Bank will be authorized to rely and act upon any such electronic communication, including any electronic signature associated with the electronic communication, even if it differs in any way from any previous electronic communication sent to the Bank.

(c) The Borrower acknowledges that: (i) the form, format and delivery of each electronic communication will permit it to retain, store and subsequently access and retrieve such electronic communication without the requirement of any specialized or proprietary equipment or software from the Bank; and (ii) it is the Borrower's responsibility to acquire and maintain the necessary computer equipment and software to deliver, receive, store, retain and subsequently access each electronic communication.

(d) The Borrower acknowledges and agrees that the Bank's methods of storing, maintaining and retrieving any electronic communication, including any electronic signatures associated with such electronic communication,

and the Bank's data systems, maintain the integrity of the electronic communication. If, for any reason, an electronic communication stored in the Bank's data systems differ from the Borrower's, the Borrower acknowledges and agrees that the version stored on the Bank's data systems shall prevail over any inconsistency. In this regard, the Borrower acknowledges and agrees that electronic communications maintained by the Bank will be admissible in any legal or other proceedings as conclusive evidence as to the contents of those electronic communications in the same manner as an original paper document, and that further proof of our records system integrity is not required (the integrity of the Bank's records system is hereby acknowledged and agreed by the Borrower) and the Borrower hereby waives any right to object to the introduction of any such electronic communications into evidence. To the fullest extent permitted by applicable law, the Borrower waives any defence, or waiver of liability, based on the absence of a written document in paper format, signed manually. The Borrower will keep its own records of all electronic communications for a period of 7 years (unless otherwise stipulated by local regulation) and will produce them to the Bank upon request.

(e) At the Bank's discretion, it may require: (i) electronic communications be delivered using technology acceptable to the Bank including the use of a secure electronic signature, and (ii) any agreement, instruction, document, information, disclosure, notice or other form of communication from the Borrower to be manually signed and/or delivered to the Bank in paper format. If the Bank requires that the Borrower acknowledge its agreement to this Facility Letter or any Loan Document by clicking the appropriate button, the Borrower will follow any instructions that the Bank provides to indicate the Borrower's agreement (which may include typing the Borrower's name and/or clicking "I Agree" or similar button).

(f) When the Borrower's handwritten or electronic signature is delivered by facsimile, email or other electronic or digital transmission, such transmission shall constitute delivery of an executed copy of this Facility Letter or relevant Loan Document. If the Borrower uses an electronic signature to indicate its agreement, the Borrower shall ensure that its electronic signature is attached to or associated with the relevant electronic communication.

XIX. Further Assurances

Each Credit Party shall, at its cost and expense, upon request of the Bank, duly execute and deliver, or cause to be duly executed and delivered, to the Bank all such further agreements, instruments, documents and other assurances and do and cause to be done all such further acts and things as may be necessary or desirable in the reasonable opinion of the Bank to carry out more effectually the provisions and purposes of this Facility Letter or any of the other Loan Documents. Without limitation, in connection with any new tenancy of the Lands, the Bank may require that the tenant enter into an attornment agreement with the Bank in form satisfactory to the Bank.

XX. Conflict

In the event of any conflict between the terms of this Schedule and the corresponding terms of the facility letter to which this Schedule is attached, the terms of such facility letter shall prevail to the extent necessary to resolve such conflict. In the event of a conflict between the terms of this Facility Letter and the corresponding terms of any of the other Loan Documents, the terms of this Facility Letter shall prevail to the extent of such conflict.

XXI. Confidentiality

Each Credit Party acknowledges that the contents of this Facility Letter are confidential and shall not be disclosed by such Credit Party other than to its solicitors (or any other person bound by a duty of confidentiality) except with the prior written consent of the Bank.

HSBC

HSBC Bank Canada

AGREEMENT FOR LINE OF CREDIT BY WAY OF CURRENT ACCOUNT OVERDRAFT (CDN$ or US$)

Borrower's Name XPEL Canada Corp.	Date 04/09/2018
Borrower's Address 1116 Levis Local 4, Terrebonne, QC, J6W 556	
Bank Branch Address 2001 Mc Gill College Avenue, Montreal, QC, H3A 1G1	

US Dollar Current Account Number **N/A**	Loan Limit* **N/A**	Rate of Interest on Loan* **U.S. Base Rate plus N/A %**	Monthly Fee* **N/A**
Canadian Dollar Current Account Number	Loan Limit* **4,500,000**	Rate of Interest on Loan* **Prime Rate plus 0.25 %**	Monthly Fee* **N/A**

**Or such other limit, rate or monthly fee as advised by the Bank from time to time or as agreed in writing by the Borrower and the Bank.*

In consideration of HSBC Bank Canada (the "Bank") providing the above-noted account(s) (each, an "Account") for the undersigned (the "Borrower"), the Borrower agrees with the Bank as follows:

1. For the purposes of this Agreement:

   (a) "Business Day" means any day, other than a Saturday, Sunday or statutory (or civic) holiday, on which the Bank is open for business at the above Bank Branch;

   (b) "Loan" means at any time the amount by which: (i) the aggregate amount debited to the Account whether with respect to cheques, withdrawals, preauthorized payments, and other authorized debit entries, electronic transfers and any other orders or instructions for the payment of money or transfer of funds (collectively referred to as "Payment Items") together with (ii) interest, service charges and fees imposed by the Bank, and debited to the Account exceeds the aggregate at such time of all amounts credited to that Account;

   (c) "Prime Rate" means the variable annual rate of interest established and adjusted by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on commercial loans in Canada denominated in Canadian dollars, but in no event shall such rate be less than zero for the purposes of this Agreement;

   (d) "CAD" means Canadian dollars;

   (e) "CAD Spot Rate of Exchange" means the rate of exchange quoted by the Bank for the purchase of CAD with either USD or the relevant other non-Canadian currency at the time in question, including all premiums and costs;

   (f) "USD" means United States dollars;

   (g) "U.S. Base Rate" means the variable annual rate of interest established and recorded by the Bank from time to time as a reference rate for the purposes of determining rates of interest it will charge on loans in Canada denominated in USD, based on a 360 day year, but in no event shall such rate be less than zero for the purposes of this Agreement;

   (h) "USD Spot Rate of Exchange" means the rate of exchange quoted by the Bank for the purchase of USD currency with the relevant non USD currency at the time in question, including all premiums and costs;

(i) all Loan advances by the Bank and all payments to be made by the Borrower under this Agreement shall, unless otherwise expressly stated herein, be made in the currency of the relevant Account, as designated above, being either USD or CAD, and all references to "Account" shall refer to the account in the currency of the Loan unless otherwise stated; and

(j) all words denoting the singular shall be pluralized throughout this Agreement as the context requires and all words denoting gender shall be construed as the context requires and will include a body corporate where the context requires.

2. The Bank is hereby authorized, but is not obligated, to make Loans available in sufficient funds to cover the debit balance in Account(s) from time to time.

3. Interest shall accrue and the Borrower shall pay interest to the Bank, on the daily closing balance of the Loan: (i) if in CAD at a floating rate per annum equal to the Prime Rate plus the percentage noted above, (ii) if in USD at a floating rate per annum equal to the US Base Rate plus the percentage noted above, (or at such other rate as may be amended from time to time in writing between the Bank and the Borrower) in both instances accruing daily and calculated and payable monthly, on the last day of each and every month in arrears, both before and after demand for repayment, termination of the Account or judgment, and until final indefeasible payment of the Loan in full. A certificate of a vice-president of the Bank shall be conclusive evidence of the Prime Rate or U.S. Base Rate at any particular time. For the purpose of the *Interest Act* (Canada), the annual rate of interest to which interest calculated on the basis of a year of 360 days is equivalent, is such rate of interest multiplied by the actual number of days in such year divided by 360.

4. The Borrower shall pay to the Bank on the last day of each and every month from the date of this Agreement until this Agreement is terminated, a monthly fee in the amount set out above. It is understood by the Borrower that the monthly fee is in addition to all other charges payable by the Borrower under any other agreement or agreements entered into with the Bank.

5. The Bank may debit the Account monthly with the amount of all interest (including compound interest) payable by the Borrower to the Bank pursuant to this Agreement as well as the monthly fee described above and other charges payable by the Borrower, and, when incurred, the amount of all legal fees and costs (if any) incurred by or on behalf of the Bank with respect to the Borrower, and the Borrower hereby irrevocably authorizes and directs the Bank to do so. Without limiting any rights of the Bank arising by law, the Bank shall also be entitled to set off all or any portion of a Loan outstanding from time to time against credit balances in any account of the Borrower at the Bank or against any other money which may from time to time be owing to the Borrower from the Bank, irrespective of currency, and the Borrower hereby irrevocably authorizes and directs the Bank to do so.

6. The Borrower shall not permit the aggregate outstanding balance of the Loan at any time to exceed the Loan Limit applicable to the Account, as set out above, nor any margin requirements which may be imposed by the Bank in relation to outstanding indebtedness and liability of the Borrower to the Bank pursuant to any credit agreement, facility letter or other agreement between them (the "Margin Requirement"). The Bank may refuse to honour any Payment Item and may refuse to permit any withdrawal or transfer from the Account if the aggregate outstanding balance of the Loan, together with the amount of issued letters of credit or letters of guarantee and all other liabilities or contingent liabilities incurred by the Bank on behalf of the Borrower, plus the risk component identified in each foreign exchange forward contract issued by the Bank on behalf of the Borrower exceeds, or would exceed (as a result of any such Payment Item, withdrawal or transfer) the Loan Limit or the Margin Requirement. This Agreement shall continue to apply to the Loan and to the Borrower notwithstanding any Loan in excess of the Loan Limit or Margin Requirement.
For greater certainty, the Bank may charge its standard fees for each Payment Item that exceeds the Loan Limit and/or Margin Requirement, and interest on any such excess, in an amount and at the rate set out in the Bank's Commercial Services Charge Brochure or other similar publication.

7. The Borrower shall use the Account and incur each Loan solely for business purposes. The Borrower shall not use the proceeds from any Loan for any illegal purpose and shall not repay the Loan or make deposits to the Account that are derived from any illegal activity.

8. The Borrower shall deliver to the Bank from time to time, promptly on request by the Bank and in form and substance satisfactory to the Bank, a demand promissory note or other acknowledgement of debt evidencing the amount of all indebtedness and liability then owing by the Borrower to the Bank pursuant to or in respect of this Agreement. In the event that any such promissory note or any other acknowledgement of debt, security or other document is requested by the Bank, the Bank shall not be obligated to honour any Payment Item or permit any withdrawal or other debit to the Account nor make any Loan until such promissory note, other acknowledgement of debt, security or other document is delivered to the Bank.

9. The Borrower shall comply with all present and future agreements between the Borrower and the Bank including any operation of account agreement between the Borrower and the Bank; provided that in the event there exists any conflict between any provision of such operation of account agreement (or other agreement) and the corresponding provision hereof, the applicable provisions of this Agreement shall govern.

10. The Bank shall have the right at any time in its discretion for any reason to reduce the Loan Limit or cancel availability of Loans under this Agreement (and return unpaid any Payment Item presented for payment and decline any request for withdrawal or transfer of funds from an Account for which sufficient funds or credit is not available) or demand immediate payment of the aggregate outstanding amount of a Loan, or any part thereof, together with interest, fees, charges and costs outstanding hereunder and the Borrower shall forthwith comply with any such demand. In addition, and without diminishing the Bank's right to reduce the Loan Limit or demand repayment at any time for any reason, the Loan and all other amounts payable by the Borrower to the Bank pursuant to this Agreement shall at the Bank's option forthwith become due and payable without notice or demand if:

    (a) the Borrower fails to pay when due any amount owing by the Borrower to the Bank pursuant to this Agreement or if the Borrower defaults pursuant to any other provisions of this Agreement;

    (b) any representation by the Borrower to the Bank made in connection with this Agreement or any other agreement is false or materially inaccurate;

    (c) the Borrower becomes insolvent or bankrupt or if a bankruptcy petition is filed against the Borrower;

    (d) any attachment, execution or levy is made against the Borrower or any of the Borrower's assets;

    (e) the Borrower is in default of any other indebtedness owing by the Borrower to the Bank or the Borrower fails to comply with any other written undertaking or agreement by the Borrower to or with the Bank; or

    (f) any indebtedness owing by the Borrower to any other creditor of the Borrower is in default.

    In addition, the Bank may at any time terminate this Agreement in the Bank's sole discretion three days after notice of such termination is delivered to the Borrower pursuant to this Agreement, in which event all Loans then outstanding and other amounts payable by the Borrower to the Bank pursuant to this Agreement shall (if not due and payable prior to such time) in the Bank's discretion forthwith become due and payable.

11 Notwithstanding any termination of this Agreement, such termination shall not relieve the Borrower of any obligations and liabilities which it has incurred to the Bank pursuant to this Agreement whether before or after such termination.

12. Upon receipt from or electronic posting by the Bank each month of a statement of the Account and any Payment Items (or copies or images thereof), the Borrower shall check the credit and debit entries on the statement and review the Payment Items. The Borrower shall promptly notify the Bank in writing of any errors, irregularities or omissions. Thirty days following delivery or posting of the statement, it shall be conclusively settled as between the Bank and the Borrower that the statement and the amount of the balance shown thereon is correct (except as to any errors, irregularities or omissions of which the Customer has notified the Bank) and the said Payment Items and other debits are genuine and properly charged against the Account and that the Borrower was not entitled to be credited with any amount not credited. For greater certainty, the Bank shall not, in any legal action to which the Bank is a party, be required to prove the existence of any transaction which is disclosed by any such statement or the accuracy of any such statement.

13. If more than one Borrower signs this Agreement:

    (a) the obligations of each Borrower pursuant to this Agreement are joint and several;

    (b) the Bank is hereby authorized to honour any Payment Item drawn on the Account or pay any withdrawal from the Account to create or increase the Loan (subject to the Loan Limit for the Account and any Margin Requirement) if any such Payment Item is signed by any one of the Borrowers; and

    (c) all words denoting the singular shall be pluralized throughout this Agreement as the context requires and all words denoting gender shall be construed as the context requires.

14. If this Agreement is signed by a partnership:

    (a) the obligation of the partners of the partnership to the Bank are joint and several; and

    (b) the Bank is hereby authorized to honour any Payment Item drawn on the Account or permit any withdrawal or transfer from the Account to create or increase the Loan (or otherwise) if any such cheque or withdrawal request is signed by one of the partners (subject to the Loan Limit and any Margin Requirement).

15. If the Borrower is a corporation, the rights and remedies of the Bank under this Agreement will not be prejudiced, diminished or otherwise adversely affected by any change whatsoever in its objects, capital structure, constitution and notwithstanding amalgamation, merger or reorganization with any other corporation, and in this Agreement the word "Borrower" shall include every firm and corporation which results from the aforesaid events or which is otherwise the successor or assignee of the Borrower at law.

16. If the Account and the Loan(s) are denominated in USD, the obligation of the Borrower in respect of any such sum due from it to the Bank hereunder shall, notwithstanding any judgment or order in CAD, be discharged only to the extent that on the business day following receipt by the Bank of any sum adjudged to be so due in CAD the Bank may in accordance with its normal banking procedures purchase USD with the CAD at the USD Spot Rate of Exchange for the full amount of USO owing hereunder; if the amount of the USD so purchased is less than the sum actually due to the Bank in USO the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Bank against such loss and if the USD purchased exceeds the sum actually due to the Bank in USD, the Bank agrees to remit such excess to the Borrower as the Borrower may be entitled thereto.

    The foregoing indemnity shall constitute a separate and independent obligation of the Borrower and shall apply irrespective of any indulgence granted to the Borrower from time to time and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid.

17. Any notice or statement referred to herein, or otherwise to be given for the purposes of this Agreement: (1) may be delivered or may be mailed by prepaid ordinary mail to the Borrower at its address set out above and the Borrower shall be deemed to have received such notice or statement on the date of delivery, if delivered, and three days after mailing, if mailed; or (2) by electronic means to the Borrower if so agreed by the parties, and the Borrower shall be deemed to have received such notice or statement on the Business Day following the day of transmission or posting.

18. This Agreement shall be governed by and construed in accordance with the laws of the province in which the Branch of the Bank is located, as set forth above and shall enure to the benefit of the Bank, its successors and assigns and shall be binding on the Borrower, and the Borrower's successors, assigns, heirs, executors and administrators.

19. This Agreement shall be in addition to any other debt instrument, security or agreement between the Bank and the Borrower and shall enure to the benefit of the Bank, its successors and assigns and shall be binding on the Borrower and the Borrower's heirs, executors, administrators, successors and assigns. The Borrower shall not be entitled to assign its rights and obligations under this Agreement without the Bank's prior written consent (to be given or withheld in the Bank's sole discretion). The Bank may assign its rights and obligations under this Agreement upon notice to the Borrower, given not later than 10 days after any such assignment.

20. All reasonable legal costs incurred by the Bank in the preparation or enforcement of this Agreement or any security required hereunder shall be for the account of the Borrower.

21. If any paragraph, or part thereof, of this Agreement is found to be invalid or unenforceable such invalidity or unenforceability shall not affect the validity or enforceability of the balance of this Agreement or, as relevant, the balance of such paragraph, and any waiver by the Bank of any term of this Agreement (which must be in writing signed by the Bank, to be binding upon the Bank) shall not constitute a waiver of any subsequent breach.

22. Any security for the Loan held by the Bank shall not be released, discharged, redeemed or extinguished by reason of the Loan being repaid or the Account ceasing to have a debit balance at any time or from time to time, or the Borrower ceasing to be indebted to the Bank, and shall subsist and secure future amounts debited to the Account and the future balance of the Loan until such security is returned or released and discharged in writing by the Bank.

23. This Agreement may be signed by handwritten signature or electronically by using technology acceptable to the panics.

24. The parties hereto have expressly required that this Agreement and all deeds, documents and notices relating thereto be drafted in the English language. Les parties aux presentes ont expressément exigé que la présente convention, et tous autres actes, documents ou avis s'y rattachant soient redigés en langue anglaise.

For a Corporation:

XPEL Canada Corp.

Full Legal Name of Corporate Customer

(Corporate Seal)

By: /s/ Barry R. Wood

Authorized Signatory

Name: Barry R. Wood

Title: CEO

By: /s/ Christen L. Coffee

Authorized Signatory

Name: Christen L. Coffee

Title: Controller

For a Partnership:

Signed, Sealed and Delivered in the presence of:

_____
Full Legal Name of Partnership Customer

_____
Witness

_____
Name

_____
Address

By: _____
Authorized Signatory
Name:
Title: Partner

_____
Witness

_____
Name

_____
Address

By: _____
Authorized Signatory
Name:
Title: Partner

_____
Witness

_____
Name

_____
Address

By: _____
Authorized Signatory
Name:
Title: Partner

(All partners should sign under seal and the signature of each partner should be witnessed individually.)

For Individuals:

Signed, Sealed and Delivered by)
)
)
_____)
in the presence of:)
)
)
_____)
Witness)
)
_____)
)
)
)

_____ (Seal)
Customer:
Name:

_____ (Seal)
Customer
Name:

Distribution Agreement

THIS AGREEMENT is made as of_____ _____, 20__, (the "Effective Date"), by and between:

XPEL TECHNOLOGIES CORP., a corporation incorporated under the laws of Nevada with its principal place of business at 618 W. Sunset Road, San Antonio, Texas 78216, U.S.A.

(the "Corporation")

- and -

[DISTRIBUTOR NAME], a [entity type] incorporated under the laws of [jurisdiction] with its principal place of business at _____ _____.

(the "Distributor").

WHEREAS:

(A) The Corporation produces and sells paint protection films, headlamp protection films, window films, installation aids and other XPEL branded products and non-XPEL branded products, and licenses Design Access Program Software (the "Software"). The XPEL branded products and Software bear the trademarks listed on Exhibit A hereto, as it may be unilaterally amended from time to time by the Corporation in its sole discretion (collectively, the "Trademarks");

(B) The Distributor desires the right to promote, distribute and sell certain products and to license the Software in the Territory (as hereinafter defined) pursuant to the terms and conditions of this Agreement;

(C) The Distributor has assured the Corporation that it possesses the necessary technical and commercial competence and the ability to easily structure the organization necessary to ensure efficient performance of its contractual obligations hereunder; and

(D) The Corporation is willing to sell certain products and license the Software to the Distributor under the terms and conditions of this Agreement.

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

Article 1
Appointment of Distributor

1.1 **Appointment**.

(a) **Products**. Subject to the terms and conditions of this Agreement, the Corporation grants to Distributor, in the Territory, the (i) exclusive right to promote, market, distribute and sell the products listed on Exhibit B, which may be amended by the parties from time to time (the "Exclusive Products"), and (ii) non-exclusive right to promote, market, distribute and sell the products listed on Exhibit C, which may be amended by the parties from time to time (the "Non-Exclusive Products" and together with the Exclusive Products, the "Products"). Subject to the terms and conditions of this Agreement, the Corporation also grants to Distributor, in the Territory, the right to install the Products, as applicable, for end-customers in the Territory. The Distributor hereby accepts such appointment and agrees to use its best efforts to develop and promote the sale of the Products in the Territory, in accordance with the terms and conditions of this Agreement. Distributor agrees to not promote, market, distribute or sell the Products to anyone outside the Territory. Notwithstanding anything in this Section 1.1(a), Distributor acknowledges and agrees that the Corporation may continue to promote, market, distribute and sell the Products directly to any of its global accounts that are located within the Territory, and that the Corporation may also promote, market, distribute and sell other products not listed on Exhibits B or C in the Territory, including private- or non-labeled versions of the Products, with or without Distributor's assistance in servicing such accounts.

(b) **Software License**. Subject to the terms and conditions of this Agreement, the Corporation grants to Distributor the non-exclusive right to use the Software in the Territory, for Distributor's internal use in connection with the applicable Products only, pursuant to the Corporations End User License Agreement, as amended by the Corporation from time-to-time in its sole discretion ("EULA"), and the Distributor hereby accepts such right to use the Software. Subject to the terms and conditions of this Agreement, the Corporation also grants to Distributor the [non-]exclusive right to sell the right to use the Software, as listed on Exhibit B, which may be amended by the parties from time to time, in the Territory in connection with customers' purchase of applicable Products, in accordance with the terms and conditions of this Agreement, and each such customer's entering into a EULA with the Corporation. The Distributor will not sublicense or otherwise provide the Software to any third party. Moreover, the Distributor acknowledges that the end customers will be required to directly accept a license with the Corporation for use of the Software. The Corporation reserves the right to determine whether any customer of Distributor may license the Software pursuant to the EULA between such end-customer and the Corporation. Notwithstanding anything in this Section 1.1(b), Distributor acknowledges and agrees that the Corporation may continue to license the software directly to any of its global accounts and any end-

customer of Distributor located within the Territory, and that the Corporation may also promote, market, distribute, license and sublicense other Software not listed on Exhibit B in the Territory, with or without Distributor's assistance in servicing such accounts.

(c) **Exclusive Distributor**. The Distributor agrees that it, its principals, officers, owners, directors, parents, subsidiaries and other affiliates will not distribute any products or promote and market any Software that compete with the Exclusive Products or the Software in the Territory.

1.2 **Discontinuations**. Nothing in this Agreement precludes the Corporation from at any time discontinuing the sale of any Product which the Corporation concludes in its sole discretion is no longer profitable or otherwise feasible for the Corporation to sell.

1.3 **Limitations**. The Distributor shall buy and sell the Products in its own name and for its own account. The Distributor is an independent contractor, and not an employee, agent, joint venturer or partner of the Corporation. The Distributor and employees of the Distributor shall identify themselves as such, and shall make clear the limitations of their authority to any potential or actual customers of the Products. The Distributor may not, in any manner, accept any obligation, incur any liability, promise any performance or pledge any credit on behalf of, or for the account of, the Corporation except as expressly permitted under this Agreement. Each party shall pay any and all expenses and charges relating to the performance of its contractual obligations hereunder.

Article 2
Territory

2.1 **Territory**. The territory covered by this Agreement is _____ (the "Territory"). Distributor is prohibited from selling outside the Territory. Separate distribution agreement(s) for the area(s) outside of the Territory would be required in order for the Distributor to sell Products outside of the Territory set forth in this Agreement.

Article 3
Prices and Payment Terms

3.1 As of the Effective Date, the selling price to the Distributor for the Products is set forth on Exhibit D. The Distributor shall submit purchase orders for the Products to the Corporation in writing via e-mail or facsimile, which purchase orders shall set forth, at a minimum: identification of the Products ordered, quantity and requested delivery dates.

3.2 Unless otherwise agreed to in writing by the parties, prices, shipments and risk of loss are Ex Works the Corporation's facilities; title and risk of loss pass to Distributor in accordance with the definition of Ex Works in Incoterms 2010.

3.3 The Corporation's price list, evidenced on Exhibit D, (including, without limitation, the pricing for the Software) is subject to change on 30 days' prior written notice to the Distributor, and any such price changes shall take effect only on orders placed after such 30-day period.

3.4 Payment shall be in U.S. Dollars by method acceptable to the Corporation. Unless otherwise agreed to in writing by the parties, all orders must be prepaid by Distributor prior to shipment by the Corporation.

3.5 In the event of any delay in payment of any amounts due to the Corporation hereunder, the Corporation shall have the right to suspend deliveries and may, at its option, terminate the order, as well as any and all other orders and contracts with the Distributor. In the event that the Corporation does not receive any payment when due, the Distributor shall pay to the Corporation as a late charge and not as a penalty, interest on the unpaid balance from the due date until payment is actually received by the Corporation, at the rate per annum (to be determined as of the due date) equal to the rate of interest most recently published by *The Wall Street Journal* as the "prime rate" at large United States money center banks. The Corporation's right to such interest shall be in addition to and not in lieu of all other rights and remedies arising by reason of such non-payment. Any payment received by the Corporation may be applied by the Corporation first to any outstanding interest due and then to any outstanding balance owed by the Distributor to the Corporation, as the Corporation in its sole discretion shall determine. The Distributor shall make all payments in accordance with the terms of this Agreement notwithstanding any claim for any alleged fault, defect or irregularity in the Products, and in the event of any delay in payment, the Corporation may, at its option, terminate the order and hold the Distributor liable for damages.

Article 4
Duties of Distributor

4.1 The Distributor, at its own cost and expense, shall use all reasonable commercial efforts to develop and exploit the maximum sales for the entire line of the Products in the Territory. This covenant to use all reasonable commercial efforts shall include without limitation the following obligations:

(a) **Sales Organization**. Distributor shall establish and maintain a sales organization of personnel who are fully trained and knowledgeable about the Products, including at least one dedicated full-time sales representative.

(b) **Inventory**. The Distributor shall maintain an adequate selection and stock of the Products as is necessary to fulfill customers' demands and to guarantee requests for replacement under warranty, as set forth in Article 7 of this Agreement, as determined by the Distributor based upon its prior business operations and experience and upon the fixed delivery times.

(c) **Advertising and Promotion**. The Distributor agrees to conduct, at its own expense, advertising and public relations campaigns and to attend trade shows for the purpose of promoting and marketing the Products in the Territory. All marketing and advertising campaigns, and all uses of the Trademarks in connection therewith must be approved by the Corporation in writing prior to their use by Distributor.

(d) **Website.** The Distributor agrees to display the Products and the Corporation's logo on Distributor's website in a manner acceptable to the Corporation.

(e) **Equal Representation.** In the event the Distributor is involved in the marketing or distribution of products that are similar to or compete with the Products, the Distributor agrees to promote the Products alongside any such similar or competing products without giving such similar or competing products any priority or preference in sales collateral, commission plans or any other areas that will drive the success of the Products.

(f) **Training**. The Distributor agrees to maintain a complete Paint Protection Film Installation Training Center, following design and curriculum guidelines as determined by the Corporation, as may be revised from time to time. The Distributor shall offer training classes of various lengths and for various skill levels at least monthly to purchasers or prospective purchasers of the Products at a reasonable cost to Distributor.

(g) **Refusal to Distribute**. The Distributor may not unilaterally refuse to distribute the Products to any purchaser or prospective purchaser pursuant to commercially reasonable terms and conditions. If Distributor refuses to distribute in violation of this Agreement, the Corporation will have the right to sell directly to such purchaser or prospective purchaser.

(h) **Submission of Quarterly Report**. Distributor agrees to submit to the Corporation no later than 30 days after the close of each calendar quarter, a fiscal quarter report, the form of which is attached hereto as Exhibit and is subject to revision in the Corporation's sole discretion.

(i) **Distributor Training**. Distributor will be responsible for training its employees, contractors and sub-distributors with respect to the Products. The Corporation will have the right to review and approve any training curriculum and materials used by Distributor. The Corporation may also, at its expense, attend, audit and review Distributor's training sessions. The Corporation will also make its training sessions in the United States available for Distributor personnel, pending space availability at such sessions, free of charge; provided, however, that Distributor will be responsible for travel, food, accommodations and related expenses for any personnel participating in such training sessions.

(j) **Licenses and Permits**. The Distributor agrees that it shall obtain any and all licenses and permits which may be required under all applicable Federal, State or local laws or regulations in order to perform the duties and obligations hereunder.

4.2 The Distributor undertakes to comply with the rules of fair competition and all other applicable Federal, State or local laws and regulations.

4.3 Except as expressly provided by this Agreement, any and all expenses and /or charges connected with the fulfillment of the Distributor's obligations and activity pertaining to this Agreement shall be exclusively borne by the Distributor.

4.4 The Corporation's representatives may, upon prior written notification, visit the Distributor's offices and visit with the Distributor's management and personnel at any reasonable time during normal business hours, in order to assist in the improvement of the sales and marketing of the Products.

4.5 The Distributor agrees to provide the Corporation with regular information as is necessary to keep the Corporation up to date regarding sales of the Products, market trends, and the products and advertising of competitors. Upon the Corporation's request and at the Corporation's expense, the Distributor shall furnish the Corporation with brochures, advertising, illustrations and samples of competitors' products.

4.6 The Distributor agrees that during the Term of this Agreement, it will not create, develop, manufacture, invest in, finance or acquire any technologies or products that directly compete with the Corporation.

4.7 The Distributor will have the right to appoint sub-distributors within the Territory, subject to the Corporation's approval and the execution of a sub-distributor agreement between the Corporation and each such sub-distributor in a form acceptable to the Corporation, in its sole discretion.

Article 5
Minimum Purchases

5.1 At a minimum, Distributor will submit binding orders to the Corporation for Products, as set forth on the attached Exhibits B and C.

Article 6
Warranty

6.1 THE CORPORATION WARRANTS TO THE DISTRIBUTOR EACH PRODUCT SOLD BY IT TO BE FREE FROM DEFECTS IN MATERIAL AND WORKMANSHIP UPON DELIVERY.

6.2 PRODUCTS WHICH DO NOT CONFORM TO THEIR DESCRIPTION OR WHICH ARE DEFECTIVE IN MATERIAL OR WORKMANSHIP WILL, BY THE

CORPORATION'S DECISION, BE REPLACED OR REPAIRED, OR, AT THE CORPORATION'S OPTION, CREDIT FOR THE ORIGINAL PURCHASE PRICE MAY BE ALLOWED PROVIDED THAT DISTRIBUTOR NOTIFIES THE CORPORATION IN WRITING OF SUCH DEFECT WITHIN 30 DAYS OF DISCOVERY AND DISTRIBUTOR RETURNS SUCH PRODUCTS IN ACCORDANCE WITH THE CORPORATION'S INSTRUCTIONS. THIS WARRANTY WILL NOT APPLY AFTER THREE YEARS FROM THE DATE OF DELIVERY OF THE PRODUCTS. NO PRODUCTS MAY BE RETURNED BY THE DISTRIBUTOR WITHOUT THE CORPORATION'S PRIOR WRITTEN AUTHORIZATION.

6.3 THIS WARRANTY DOES NOT APPLY TO ANY PRODUCT WHICH HAS BEEN SUBJECTED TO MISUSE, ABUSE, NEGLIGENCE OR ACCIDENT BY THE DISTRIBUTOR OR THIRD PARTIES.

6.4 THE CORPORATION MAKES NO OTHER WARRANTY OR REPRESENTATION OF ANY KIND WITH RESPECT TO THE PRODUCTS, EITHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THAT OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE. FAILURE TO MAKE ANY CLAIM IN WRITING, OR WITHIN THE 30-DAY PERIOD SET FORTH ABOVE, SHALL CONSTITUTE AN IRREVOCABLE ACCEPTANCE OF THE PRODUCTS AND AN ADMISSION BY THE DISTRIBUTOR THAT THE PRODUCTS FULLY COMPLY WITH ALL TERMS, CONDITIONS AND SPECIFICATIONS OF DISTRIBUTOR'S PURCHASE ORDER. THE CORPORATION SHALL NOT BE LIABLE FOR DIRECT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, UNDER ANY CIRCUMSTANCES, INCLUDING, BUT NOT LIMITED TO, DAMAGE OR LOSS RESULTING FROM INABILITY TO USE THE PRODUCTS, INCREASED OPERATING COSTS OR LOSS OF SALES, OR ANY OTHER DAMAGES. TO MAKE A CLAIM UNDER THIS WARRANTY, DISTRIBUTOR MUST NOTIFY THE CORPORATION IN WRITING WITHIN THE WARRANTY PERIOD.

6.5 THE FOREGOING CONSTITUTES THE DISTRIBUTOR'S SOLE AND EXCLUSIVE REMEDY AND THE CORPORATION'S SOLE OBLIGATION WITH RESPECT TO PRODUCTS FURNISHED HEREUNDER.

Article 7
Indemnification

7.1 **Right to Indemnification**. Distributor will indemnify, defend and hold the Corporation and any of its officers, directors, affiliates, employees, agents, successors and permitted assigns (each, an "Indemnified Party") harmless from and against any and all third party claims, causes of action, and liabilities for any loss, liability, cost, damage, expense (including costs of investigation and defense and reasonable attorneys' fees and expenses), or judgment arising out of or resulting from any Distributor breach of a representation, warranty, covenant or obligation in this Agreement.

7.2 **Procedure**. If an Indemnified Party receives service of process or the receipt of actual notice of a claim with regard to which such party desires to seek indemnification hereunder, the Indemnified Party shall promptly notify Distributor of the receipt of such notice or service of process for which such indemnification is sought. Distributor shall promptly assume full responsibility for the defense of any such suit, claim or proceedings. The Indemnified Party shall cooperate in such defense at the expense of Distributor. Failure to give timely notice of any claims which may give rise to an indemnification claim under this Agreement shall not affect the rights of the Indemnified Party to collect indemnification from Distributor so long as such failure does not materially and substantially adversely affect the Indemnifying Party's ability to defend such claim against a third party.

Article 8
Term and Termination

8.1 Unless otherwise terminated in accordance with the terms of this Agreement, the duration of this Agreement is for so long as Distributor has the right to promote, market, distribute and sell any Product, pursuant to Exhibits B and C (the "Term").

8.2 Notwithstanding Section 8.1 above, this Agreement may also be terminated at any time by the Corporation immediately upon written notice to the Distributor in the event that Distributor materially breaches any term or condition of this Agreement, including, without limitation, (a) failing to comply with the applicable federal, State and local laws and regulations, pursuant to Section 4.2 above; (b) failing to achieve any minimum purchase requirements set forth in this Agreement; and (c) failing to comply with the price and payment term provisions set forth in Article 3 hereof. Furthermore, the Corporation may also unilaterally terminate the Distributor's (i) right to promote, market, distribute and sell any Product for which Distributor fails to provide the necessary training or fails to achieve any minimum purchase requirements, each as set forth in this Agreement, and (ii) license to use the Software, including any sublicense of the Software, with respect to such Product for which such rights have been terminated.

8.3 Notwithstanding anything in Sections 8.1 or 8.2, this Agreement may also be terminated at any time by either party immediately upon written notice to the other party (the "Subject Party") in the event that after the date hereof:

(a) The Subject Party shall suspend or discontinue its business, or shall make an assignment for the benefit of, or composition with, creditors, or shall become insolvent or be unable or generally fail to pay its debts when due, or becomes in any jurisdiction a party or subject to (voluntarily or involuntarily) any liquidation or dissolution action or proceeding with respect to itself, or any bankruptcy, reorganization, insolvency or other proceeding for the relief of financially distressed debtors is commenced with respect to it, or a receiver, liquidator, custodian or trustee shall be appointed for it or a substantial part of its assets (and with respect to any involuntary action or proceeding, an order entered in the proceeding is not dismissed

within 30 days) or it shall take any action to effect or which indicates its acquiescence in any of the foregoing; or

(b) The Subject Party materially breaches any provision of this Agreement and fails to cure such default within 30 days of receipt of written notice thereof, with the exception of the reasons for default set forth in Section 8.2 above, the occurrence of which give the Corporation the right of immediate termination.

8.4 **Procedure Upon Termination**. Upon termination of this Agreement, the Corporation is entitled to restrict or cease deliveries of the Products to the Distributor, including deliveries on orders already received at the time of the notice of termination. Distributor must cease any and all use of the Software upon termination. Also upon termination of this Agreement, the Distributor shall cease to have any rights, liabilities or obligations hereunder, with the exception of the Distributor's obligations under Sections 3.4 and 3.5 and Articles 4 through 12, which obligations shall survive termination. Notwithstanding the foregoing, except in the event of termination by the Corporation pursuant to Section 8.3, the Corporation is required to make the Products available to the Distributor in such quantities so as to enable the Distributor to maintain the Distributor's own delivery commitments existing before the effective date of termination, subject to proof being given by the Distributor to the Corporation that it was under unconditional contractual obligations at the time it received notice of termination to make deliveries which it cannot fulfill from its inventory; provided, however, that Distributor's liabilities and obligations hereunder with regard to any Products made available by the Corporation in accordance with this sentence shall survive termination of this Agreement. After any notice of termination is given, the Corporation may modify the terms of payment for any subsequent shipment.

Article 9
Confidentiality

9.1 **Confidential Information**. During the Term hereof and thereafter, the Distributor agrees to keep secret all Confidential Information and will take all steps and institute any internal secrecy procedures which may be necessary to maintain the secrecy of the Confidential Information and further agrees that it shall not use the Confidential Information except as required in connection with the performance of its obligations under this Agreement. Distributor shall cause its directors, officers, employees, affiliates, partners, members, managers, advisors, agents and representatives to comply with the terms of this Article 9 to the same extent as if they were parties hereto, and the Distributor shall be responsible for any breach of such terms by any such persons. Upon termination of this Agreement, Distributor shall immediately cease to use the Confidential Information and shall promptly return to the Corporation all documents, copies and other materials in its possession or control which in any way embody or evidence the Confidential Information. As used herein, the term "Confidential Information" shall mean all information, including technical information, know-how and other proprietary data and information, disclosed to the Distributor or otherwise acquired by the Distributor in connection with its performance of its obligations under this Agreement, concerning or relating in any way to the markets,

customers, products, intellectual property, procedures, plans, operating experience, marketing strategies, organization, employees, financial conditions or plans or business of the Corporation, its subsidiaries or affiliates, except for such knowledge or information which: (i) is or later becomes publicly known under circumstances involving no breach of this Agreement by the Distributor; (ii) was already known to the Distributor at the time it received the information or knowledge; (iii) is made available to the Distributor by a third party without secrecy obligation and without breach of its obligations to the Corporation; or (iv) the Distributor is required by law to divulge, provided that Distributor has given the Corporation prior written notice of such requirement and a reasonable opportunity to seek, at its sole cost and expense, an appropriate protective order or other remedy, after which the Distributor shall be permitted to disclose only such portion of such information which is still required to be disclosed.

9.2 The Corporation and Distributor agree not to disclose the terms of this Agreement directly or indirectly to any referral, customer, vendor or any person without the prior written consent of the other party to this Agreement.

Article 10
Trademarks

10.1 **Trademark**. During the Term of this Agreement, the Distributor shall have the limited, non-exclusive, royalty-free right and license to use the Trademarks, for the sole purpose of promoting and selling the XPEL branded Products in the Territory, which Distributor has the right to promote and sell pursuant to Exhibits B and C, and for no other purpose; provided however that the Distributor must obtain the Corporation's prior written consent to use the Trademarks in catalogues, promotional materials, and advertising materials.

10.2 Use of the Trademarks shall conform to the following requirements:

(a) The Distributor shall not use the Trademarks in any manner other than as set forth in Section 10.1 above without the prior written approval of the Corporation;

(b) The Distributor shall not put or retain the Trademarks in the Distributor's own name or any business name;

(c) The Distributor shall not use the Trademarks in any manner which suggests an affiliation with the Corporation other than that of distributor of the XPEL branded Products;

(d) The Distributor shall not use the Trademarks for any other purpose, including on any other designs or products that are not provided for in this Agreement, including products which are derived from the Products;

(e) The Distributor shall not add to, or use with, the Trademarks any other trade name, trademark, symbol or device without the prior written approval of the Corporation;

(f) The Distributor shall employ any symbol or notice with the Trademarks which the Corporation advises is necessary, from time to time, to identify and protect the interest of the Corporation in the Trademarks;

(g) The Distributor shall apply no other trade name or trademark, nor any labels, signs or markings of any kind, to the XPEL branded Products without the prior written consent of the Corporation; and

(h) The Distributor shall not use any Trademark, service mark, trade name, insignia or logo that is confusingly similar to any of the Trademarks other than as conferred by this Agreement.

10.3 The Distributor hereby acknowledges that the Corporation (or licensors of the Corporation) is the sole owner of the Trademarks and the goodwill pertaining thereto and that nothing contained herein shall constitute an assignment of the Trademarks or grant to Distributor any right, title or interest therein, except the right to use it as set forth in this Article 10. The Distributor agrees that it will not contest, challenge, or impair the Corporation's (or the Corporation's licensors') right, title, or interest in the Trademarks, or represent that it has any ownership in or rights with respect to the Trademarks, either during or after the Term. All use of the Trademarks by Distributor shall inure to the benefit of and be on behalf of Corporation.

10.4 The Distributor shall notify the Corporation in writing of any infringement of the Trademarks in the Territory, of any applications or registrations for the Trademarks or marks similar to the Trademarks within the Territory, or of any suit or proceeding or action of unfair competition involving the Trademarks in the Territory, in each case promptly after it has notice thereof. The Corporation has the sole and exclusive right to pursue any claim of infringement of the Trademarks in the Territory reported under this Section, and will bear any costs associated with its action. The Distributor will cooperate with the Corporation to maintain the Corporation's rights in the Trademarks.

10.5 Upon termination or expiration of this Agreement, all of the Distributor's rights with respect to the Trademarks shall immediately cease, provided, however, that the Distributor may utilize the Trademarks to sell any XPEL branded Products remaining in inventory or otherwise delivered after such expiration or termination for a period of 12 months from the date of termination.

10.6 Distributor shall not at any time, either during or subsequent to the term of this Agreement, register with any administrative entity or governmental body any trade name, trademark, trade dress, label, or design that is the same as, includes, or incorporates any of the Trademarks or any trade name, trade dress, label or design confusingly similar thereto. Additionally, Distributor shall not register any domain name that incorporates in whole or in part any of the Trademarks or any word that is confusingly similar to or a colorable imitation of any of the Trademarks. If the Distributor acquires any rights to the Trademarks or any domain name as described above for any reason, it will undertake to promptly return such rights to the Corporation immediately and without expense to the Corporation.

Likewise, Distributor shall immediately assign and transfer any domain name owned or acquired by the Distributor containing the Trademarks to the Corporation.

10.7 The Corporation represents and warrants to the Distributor that (i) it is the registered owner of the Trademarks and/or is the sole authorized licensee of such Trademarks in the Territory, pursuant to valid license agreements and (ii) it has the right, power and authority to enter into this Agreement and to grant to the Distributor the rights granted hereby.

Article 11
Force Majeure

11.1 Neither party hereto shall be liable to the other for delay in any performance or for the failure to render any performance under this Agreement when such delay or failure is a direct result of any present or future statute, law, ordinance, regulation, order, failure to deliver on the part of its suppliers, judgment or decree, act of God, earthquake, epidemic, explosion, lockout, boycott, strike, labor unrest, riot, war, or similar catastrophic occurrence (each, a "Force Majeure Event").

11.2 In the event of any such delay or failure, the affected party shall send written notice of the delay or failure and the reason thereof to the other party within 14 calendar days from the time the affected party knew or should have known of the Force Majeure Event in question.

11.3 The provisions of this Article shall not be applicable to any obligation involving the payment of money.

Article 12
General Provisions

12.1 **Governing Law**. This Agreement and all sales and commission transactions pursuant hereto shall be governed by the laws of the State of Texas, USA but without reference to the choice of law provisions thereof. THE PARTIES AGREE THAT THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS SHALL NOT APPLY TO THIS AGREEMENT.

12.2 **Jury Waiver and Submission to Jurisdiction**. Each party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby. The parties further agree that any legal suit, action or proceeding arising out of or related to this Agreement will be instituted in the state district courts of Bexar County, Texas, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

12.3 **Notices**. Any notice, request, demand, waiver, consent, approval or other communication required to be given pursuant to this Agreement (each, a "Notice") shall be in writing and shall be deemed given: (i) upon delivery, if by hand; (ii) after two business days, if sent by

express mail or air courier; or (iii) upon transmission, if sent by facsimile (provided that a confirmation copy is sent in the manner provided in clause (ii) of this Section 12.3 within 36 hours after such transmission), except that if notice is received by facsimile after 5:00 p.m. on a business day at the place of receipt, it shall be effective as of the following business day. All Notices are to be given or made to the parties at the addresses appearing on the first page hereof, or to such other address as any party may designate by a Notice given in accordance with the provisions of this Section 12.3.

12.4 **Entire Agreement; Amendment**. This Agreement, together with Exhibits hereto, contains the entire agreement and understanding of the parties hereto with respect to the matters herein set forth, and all prior negotiations and understandings relating to the subject matter of this Agreement are merged herein and are superseded and canceled by this Agreement. This Agreement may not be modified except in writing, signed by both of the parties hereto.

12.5 **Waiver**. The failure by the Corporation to require the performance of any term of this Agreement or the waiver by the Corporation of any breach under this Agreement shall not operate or be construed as a waiver of any subsequent breach by the Distributor hereto.

12.6 **Assignment**. Neither party shall assign its rights nor delegate the performance of its duties or other obligations under this Agreement, including any claims arising out of or connected with this Agreement, without the prior written consent of the other party. Any merger, consolidation or reorganization of the Corporation or Distributor will not be deemed an assignment requiring approval of the other party.

12.7 **Severability**. In case any one or more provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and other applications thereof shall not in any way be affected or impaired thereby.

12.8 **Counterparts**. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

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

XPEL TECHNOLOGIES CORP.

By: _____
Name: Ryan Pape
Title: Chief Executive Officer

[_____]

By: _____
Name:
Title:

STOCK OPTION PLAN

XPEL INC.

1. PURPOSE: The purpose of this stock option plan (the "**Plan**") of XPEL Inc. ("**XPEL**" or the "**Company**") is to encourage common stock ownership in the Company by directors, officers, employees and consultants of the Company or any Affiliate (as that term is defined in the *Securities Act* (Ontario)) (hereinafter referred to as "**Optionees**") who are primarily responsible for the management and profitable growth of its business and to advance the interests of the Company by providing additional incentive for superior performance by such persons and to enable the Company to attract and retain valued directors, officers, employees and consultants by granting options (the "**Options**" or "**Option**") to purchase common shares of the Company ("**Common Shares**") on the terms and conditions set forth in this Plan and any stock option agreements entered into between the Company and the Optionees ("**Option Agreements**") in accordance with the Plan.

2. ADMINISTRATION: The Plan shall be administered by the Board of Directors of the Company, or by a special committee of the directors appointed from time to time by the Board of Directors of XPEL (such committee or, if no such committee is appointed, the Board of Directors of XPEL, is the "**Board**"). No Member of the Board shall, by virtue of such appointment, be disentitled or ineligible to receive Options under this Plan. Subject to the provisions of the Plan, the Board shall have full authority to interpret the Plan and all Option Agreements entered into thereunder, and to make or rescind such rules and regulations and establish such procedures as it deems appropriate for the administration of the Plan. All determinations and interpretations of the Board shall be binding and conclusive. Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement in writing, signed on behalf of XPEL and by the Optionee, in such form as the Board shall approve. Each such Option Agreement shall recite that it is subject to the provisions of this Plan.

3. STOCK EXCHANGE RULES: All Options granted pursuant to this Plan shall be subject to the rules and policies of any stock exchange(s) or exchange(s) upon which the Common Shares are then listed and any other regulatory body having jurisdiction (collectively, the "**Exchange**").

4. SHARES SUBJECT TO OPTIONS: Subject to adjustment in accordance with the provisions of this Plan, the securities to be offered under this Plan shall consist of Common Shares. The Board will make available that number of Common Shares for the purpose of the Plan that it considers appropriate except that the number of Common Shares that may be issued pursuant to the exercise of all Options under the Plan and under any other stock options of the Company shall not exceed 10% of the Common Shares issued and outstanding (on a non-diluted basis) at any time and from time to time. In the event that Options granted under the Plan, and under any other stock options of the Company which may be in effect at a particular time, are surrendered, terminate or expire without being exercised in whole or in part, the Common Shares subject thereto shall again be available for the purpose of this Plan.

5. MAINTENANCE OF SUFFICIENT CAPITAL: XPEL shall at all times during the term of the Plan reserve and keep available such numbers of Common Shares as will be sufficient to satisfy the requirements of the Plan.

6. PARTICIPATION: Directors, officers, consultants, and employees of XPEL or its Affiliates, and employees of a person or company which provides management services to XPEL or its Affiliates ("**Management Company Employees**") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "**Participants**"). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold Options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom Options shall be granted, the terms and provisions of the respective Option Agreements, the time or times at which such Options shall be granted and vested, and the number of Common Shares to be subject to each Option. In the case of employees or consultants of XPEL or its Affiliates, or Management Company Employees, the Option Agreements to which they are party must contain a representation of Mart that such employee, consultant or Management Company Employee, as the case may be, is a *bona fide* employee, consultant or Management Company Employee of XPEL or its Affiliate.A Participant who

has been granted an Option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional Option or Options if the Board shall so determine.

7. TERMS AND CONDITIONS OF OPTIONS: The terms and conditions of each Option granted under the Plan shall be set forth in written Option Agreements between the Company and the Optionee. Such terms and conditions shall include the following as well as other such provisions, not inconsistent with the Plan, as may be deemed advisable by the Board:

(a) Number of Shares subject to Option to any one Optionee: The number of shares subject to an Option shall be determined from time to time by the Board, but no one Participant shall be granted an Option which exceeds the maximum number permitted by the Exchange. No single Participant shall be granted Options to purchase a number of Common Shares equaling more than 5% of the issued and outstanding Common Shares of the Company (on a non-diluted basis) in any 12-month period, unless the Corporation has obtained disinterested shareholders' approval in respect of such grant and meets applicable Exchange requirements. The aggregate number of Options granted to any one Consultant in any 12-month period shall not exceed 2% of the issued and outstanding Common Shares of the Company (on a non-diluted basis). The aggregate number of Options granted to all persons retained to provide investor relations activities in any 12- month period shall not exceed 2% of the issued and outstanding Common Shares of the Company (on a non- diluted basis) and such Options shall vest in stages over a period of not less than 12 months with no more than 1/4 of the Options vesting in any 3 month period.

(b) Exercise Price: The exercise price of any Common Shares in respect of which an Option may be granted under the Plan shall be determined by the Board, subject to Exchange approval at the time the Option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange. The exercise price of Options held by insiders of the Corporation may not be reduced, unless the Corporation has obtained disinterested shareholders' approval in respect of the same and meets applicable Exchange requirements.

(c) Payment: The full purchase price of the Common Shares purchased under the Option shall be paid in cash upon the exercise thereof. A holder of an Option shall have none of the rights of a stockholder until the Common Shares are issued to him. All Common Shares issued pursuant to the exercise of Options granted or deemed to be granted under the Plan, will be so issued as fully paid and non-assessable Common Shares. No Optionee or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Common Shares subject to an Option under this Plan, unless and until certificates for such Common Shares are issued to him or them under the terms of the Plan.

(d) Term of Options: Each Option and all rights thereunder shall be expressed to expire on the date set out in the Option Agreement and shall be subject to earlier termination as provided in subparagraph (f) provided that the maximum term of any Option may not exceed 10 years.

(e) Exercise of Options: The exercise of any Option will be contingent upon receipt by the Company at its head office of a written notice of exercise, specifying the number of Common Shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is exercised. An Option may be exercised in full or in part during any year of the term of the Option as provided in the written Option Agreement; provided however that except as expressly provided herein or as provided in any valid Option Agreement approved by the Board, no Option may be exercised unless that Optionee is then a director, officer, consultant or employee of the Company or its Affiliates, or a Management Company Employee of the Company or its Affiliates. This Plan shall not confer upon the Optionee any right with respect to continuance as a Director, officer, employee, consultant or Management Company Employee of the Company or any Affiliate.

(f) **Termination of Options**: Any Option granted pursuant hereto, to the extent not validly exercised, and save as expressly otherwise provided herein, will terminate on the earlier of the following dates:

(i) The date of expiration specified in the Option Agreement, being not more than ten (10)

years after the date the Option was granted;

(ii) Three (3) months after the date the Optionee shall cease to be a director, officer, consultant or employee of the Corporation or its Affiliates, or ceases to be Management Company Employee, for any reason (other than death), and only to the extent the Optionee was entitled to exercise it at the date of such cessation, unless such Optionee was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Optionee's services to the Company or its Affiliate; or

(iii) One (1) year after the date of the Optionee's death during which period the Option may be exercised only by the Optionee's legal representative or the person or persons to whom the deceased Optionee's rights under the Option shall pass by will or the applicable laws of descent and distribution, and only to the extent the Optionee would have been entitled to exercise it at the time of his death if the employment of the Optionee had been terminated by the Company on such date;

Notwithstanding the foregoing, in the event that the expiry date of an option occurs during a blackout period that is self-imposed by XPEL pursuant to its policies ("**Blackout Period**"), the expiry date of such Option shall be automatically extended for a period of 10 business days following the end of the Blackout Period.

(g) **Non-transferability of Options**: No Option shall be transferable or assignable by the Optionee other than by the laws of descent and distribution and shall be exercisable during his lifetime only by him.

(h) **Applicable Laws or Regulations**: The Company's obligation to sell and deliver stock under each Option is subject to such compliance by the Company and any Optionee as the Company deems necessary or advisable with all laws, rules and regulations of Canada and the United States of America and any Provinces and/or States thereof applying to the authorization, issuance, listing or sale of securities and is also subject to the acceptance for listing of the Common Shares which may be issued in exercise thereof by each stock exchange upon which the shares of the Company are listed for trading.

8. ADJUSTMENT IN EVENT OF CHANGE IN STOCK: Each Option shall contain uniform provisions in such form as may be approved by the Board to appropriately adjust the number and kind of securities covered by the Option and the exercise price of Common Shares subject to the Option in the event of a declaration of stock dividends, or stock subdivisions or consolidations or reconstruction or reorganization or recapitalization of the Company or other relevant changes in the Company's capitalization (other than issuance of additional shares) to prevent substantial dilution or enlargement of the rights granted to the Optionee by such Option, and the Option Price thereof shall be adjusted appropriately by the Board and such adjustment shall be effective and binding for all purposes of the Plan.

9. AMALGAMATION, CONSOLIDATION OR MERGER: If the Company amalgamates, consolidates or merges with or into another corporation, which it reserves the right to do, any Common Shares receivable on the exercise of an Option granted under the Plan shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, consolidation or merger if the Optionee had exercised his Option immediately prior to the record date applicable to such amalgamation, consolidation or merger, and the Option Price shall be adjusted appropriately by the Board and such adjustment shall be binding for all purposes of the Plan.

10. APPROVALS: The obligation of the Company to issue and deliver the Common Shares in accordance with the Plan is subject to any approvals which may be required from the shareholders of the Company and any regulatory authority or stock exchange having jurisdiction over the securities of the Company. If any Common Shares cannot be issued to any Optionee for whatever reason, the obligation of the Company to issue such Common Shares shall terminate and any Option exercise price paid to the Company will be returned to the Optionee.

11. AMENDMENT AND DISCONTINUANCE OF PLAN: Subject to regulatory approval, including approval of the Exchange, the Board may from time to time amend or revise the terms of the Plan or may discontinue

the Plan at any time provided however that no such right may, without the consent of the Optionee, in any manner adversely affect his rights under any Option theretofore granted under the Plan.

EFFECTIVE DATE AND DURATION OF PLAN: The Plan shall remain in full force and effect from the date of shareholder approval hereof and from year to year thereafter until amended or terminated in accordance with Paragraph 11 hereof and for so long thereafter as Options remain outstanding in favour of any Optionee

Exhibit 21.1

List of Subsidiaries

Entity	Jurisdiction of Organization	Ownership
XPEL Inc.	Nevada, USA	Parent
XPEL Ltd.	U.K.	85%
ArmourfendCAD, LLC.	Nevada, USA	100%
XPEL Canada Corp.	Canada	100%
XPEL B.V.	Netherlands	100%
XPEL de Mexico S. de R.L. de C.V.	Mexico	100%
XPEL Acquisition Corp.	Canada	100%
Protex Canada Inc.	Canada	100%
Apogee Corp.	Taiwan	100%