PROSPECTUS

New Issue November 1, 2010

GATORZ INC.
(to be renamed No Fear Holdings Inc.)

Up to C$8,000,000
10,000,000 Common Shares
C$0.80 per Common Share
(On a Post-Consolidation Basis)

This prospectus ("Prospectus") qualifies the distribution to the public (the "Offering") of up to 10,000,000 common shares ("Offered Shares") of Gatorz Inc. ("Gatorz") on a post-Consolidation (as defined herein) basis at a price of C$0.80 per Offered Share (the "Issue Price"). Immediately prior, and as a condition precedent, to the closing of the Offering (the "Closing"), Gatorz intends to acquire all of the remaining issued and outstanding shares of common stock of No Fear Retail Stores, Inc. ("No Fear"), a corporation incorporated under the laws of California, that it does not currently own, in exchange for 12,384,375 newly issued post-Consolidation common shares of Gatorz (the "Merger Common Shares") and 6,555,240 preferred shares of Gatorz issued in four separate series convertible into common shares of Gatorz on the terms described herein (the "Merger Preferred Shares", and together with the Merger Common Shares, the "Merger Consideration Shares") pursuant to a definitive merger agreement dated April 26, 2010, as amended on July 30, 2010 (the "Merger Agreement") among Gatorz, NF Acquisition Corporation, No Fear and Simo Holdings, Inc. ("Simo Holdings"), the current majority shareholder of No Fear. The transactions contemplated by the Merger Agreement will constitute a reverse takeover of Gatorz by No Fear (the "RTO").

No Fear is a retailer of action sports and casual youth lifestyle apparel and accessories, targeting young adults and teens. Upon completion of the RTO and the Offering (assuming the maximum Offering size of C$8,000,000), (i) Simo Holdings will own approximately 47.1% of the outstanding Resulting Issuer Common Shares (as defined herein) and 100% of the outstanding Preferred Shares, comprising 57.0% of the outstanding voting shares of Gatorz (following the RTO, referred to as the "Resulting Issuer"); and (ii) the business of No Fear will constitute substantially all of the business of the Resulting Issuer on a consolidated basis. If less than the maximum Offering is completed, Simo Holdings will own a greater percentage of the Resulting Issuer Common Shares and a greater percentage of the outstanding voting securities.

Immediately prior to the closing of the RTO and the Offering, Gatorz proposes to: (i) consolidate the currently outstanding common shares of Gatorz (the "Common Shares") on the basis of one (1) "new" Resulting Issuer Common Share for every eight (8) "old" outstanding Common Shares (the "Consolidation") and (ii) change its name to “No Fear Holdings Inc.” The Consolidation and proposed name change were approved by Gatorz’ shareholders by special resolution on June 29, 2010.

The Issue Price of the Offered Shares was determined by negotiation between Gatorz, No Fear and Simo Holdings on the one hand and Octagon Capital Corporation (the “Agent”), on the other hand.

The Common Shares are listed for trading on the TSX Venture Exchange (the “Exchange”) under the symbol “GTZ”. In connection with the name change, the Resulting Issuer intends to change its trading symbol to “NFH”. Upon the announcement of the entering into of a binding letter of intent between No Fear and Gatorz in respect of the RTO on July 31, 2009, the Common Shares were halted from trading on the Exchange. On July 13, 2009, the last day that the Common Shares traded prior to the trading halt, the closing price of the Common Shares on the Exchange was C$0.04.

Gatorz has received conditional approval from the Exchange for the RTO, the Consolidation and the proposed name change. Additionally, Gatorz has received conditional listing approval to list the Offered Shares, the Resulting Issuer Common Shares issuable upon exercise of the Compensation Options (as defined herein), the Merger Common Shares and the Resulting Issuer Common Shares issuable (i) upon conversion of the Merger Preferred Shares; and (ii) pursuant to an indemnity claim under the Merger Agreement. Listing will be subject to Gatorz fulfilling all of the listing requirements of the Exchange, including raising a minimum of C$3,500,000 in gross proceeds. Closing of the RTO is subject to a number of conditions. See “*Summary of the Transaction – Merger Agreement – Conditions Precedent to the RTO*”. Gatorz’ shareholders have consented to the RTO in accordance with the rules of the Exchange.

An investment in the Offered Shares is highly speculative and is subject to a number of risks that should be carefully considered by prospective investors. See “*Risk Factors*”.

	Price: C$0.80 per Offered Share		
	Price to the Public	**Agent’s Fee(1)**	**Net Proceeds to Gatorz(1)(2)(3)**
Per Offered Share	C$0.80	C$0.056	C$0.744
Total Offering	C$8,000,000	C$560,000	C$7,440,000

Notes:

(1) In consideration of the services rendered by the Agent in connection with the Offering, Gatorz has agreed to pay a cash commission to the Agent equal to 7% of the gross proceeds of the Offering, except for (a) sales to certain investors in the United States identified and agreed to in writing by the parties (the “U.S. Investors”) in respect of which Gatorz shall pay a cash commission of 3.5% and (b) sales to certain investors outside Canada and the United States identified and agreed to in writing by the parties (the “Off-Shore Investors”) in respect of which Gatorz shall pay a cash commission of 1.75% (the “Agent’s Fee”). The Agent’s Fee disclosed in the table above and elsewhere in this Prospectus (unless otherwise noted) assumes payment of the full 7% cash commission on all sales of Offered Shares. This number will be reduced depending on the number of Offered Shares sold to U.S. Investors and Off-Shore Investors. As additional consideration for the services by the Agent, Gatorz has agreed to grant the Agent non-transferable compensation options (“Compensation Options”) entitling the Agent to subscribe for that number of Common Shares at the Issue Price as is equal to 10% of the total number of Offered Shares sold pursuant to the Offering, except for (x) Offered Shares subscribed for by the US Investors in respect of which the Agent will be granted Compensation Options entitling the Agent to subscribe for Common Shares at the Issue Price equal to 5% of such sales and (y) Offered Shares subscribed for by the Off-Shore Investors in respect of which the Agent will be granted Compensation Options entitling the Agent to subscribe for Common Shares at the Issue Price equal to 2.5% of such sales, for a period of twenty-four months following the Closing. This Prospectus qualifies the grant of the Compensation Options. See “*Plan of Distribution*”.

(2) Before deducting expenses of the Offering, estimated to be approximately C$800,000, which will be paid from the proceeds of the Offering.

(3) Gatorz has granted the Agent an option (the “Over-Allotment Option”), exercisable in whole or in part at any time and from time to time until the date which is 30 days after Closing, to purchase up to an additional number of Resulting Issuer Common Shares equal to the lesser of: (i) 15% of the Offered Shares sold under the Offering; and (ii) the Agent’s over-allocation position on Closing (the “Over-Allotment Shares”) at the Issue Price, solely to cover over-allotments, if any, and for market stabilization purposes. This Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of any Over-Allotment Shares issued upon the exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Shares forming part of the Agent’s over-allocation position acquires those Over-Allotment Shares under this Prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Unless the context otherwise requires, all references to “Offered Shares” in this Prospectus do not include the Over-Allotment Shares. See “*Plan of Distribution*”.

The following table sets forth the number of Resulting Issuer Common Shares issuable pursuant to the exercise of the Over-Allotment Option by the Agent and pursuant to the exercise of the Compensation Options issuable to the Agent:

Agent's Position	Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to sell up to 1,500,000 Over-Allotment Shares	30 days following the Closing	C$0.80 per Over-Allotment Share
Compensation Option[(1)(2)]	10% of the Offered Shares	24 months following the Closing	C$0.80 per Compensation Option

Notes:

(1) This Prospectus also qualifies the grant of Compensation Options. See "*Plan of Distribution*".

(2) Assuming the exercise of the Over-Allotment Option in full.

The Agent, on behalf of Gatorz, conditionally offers the Offered Shares on a "best efforts" basis, subject to prior sale, if, as and when issued and sold by Gatorz in accordance with the conditions contained in the Agency Agreement referred to under *"Plan of Distribution"* and subject to the approval of certain legal matters on behalf of Gatorz by Gowling Lafleur Henderson LLP, as Canadian counsel, and Hodgson Russ LLP, as United States counsel, on behalf of No Fear by Fasken Martineau DuMoulin LLP, as Canadian counsel, and on behalf of the Agent by Wildeboer Dellelce LLP.

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Subject to applicable laws, the Agent may over-allot or effect transactions that stabilize or maintain the price of the Offered Shares in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*". It is expected that the Closing will take place on or about November 17, 2010 or on such other date as Gatorz, No Fear and the Agent may agree (the "Closing Date"). The distribution of the Offered Shares will remain open no later than the Closing Date. It is expected that Gatorz will arrange for an instant deposit of the Offered Shares to or for the account of the Agent with CDS Clearing and Depositary Services Inc. on the Closing Date, against payment of the aggregate purchase price for the Offered Shares. A purchaser of Offered Shares will receive only a customer confirmation from the registered dealer through which the Offered Shares are purchased.

The Offering will not be completed unless C$3,500,000 of gross proceeds is raised. If subscriptions for a minimum of 4,375,000 Offered Shares have not been received within 90 days following issuance of a final receipt for the Prospectus, or such later date as permitted by Canadian securities laws, the Offering will not be completed. Until the Closing Date, all subscription funds received by the Agent will be held by the Agent pending closing of the Offering. If the Offering has not closed prior to the expiry of the 90 day period because C$3,500,000 in gross proceeds has not been raised, the Agent will promptly return the proceeds of the subscriptions to the subscribers without interest or deduction unless the subscribers have otherwise instructed the Agent. See "*Plan of Distribution*".

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GLOSSARY

In this Prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

"**Act**" means the *Securities Act* (Ontario), as amended.

"**affiliate**" has ascribed thereto in Section 1.2 of National Instrument 45-106 – *Prospectus and Registration Exemptions* promulgated under the Act.

"**Agent**" means Octagon Capital Corporation.

"**Agent's Fee**" has the meaning ascribed thereto on the face page of this Prospectus.

"**associate**" has the meaning set out in the Act.

"**CDS**" means CDS Clearing and Depositary Services Inc.

"**Closing**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Closing Date**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Common Shares**" means the issued and outstanding common shares in the capital of Gatorz before giving effect to the Consolidation.

"**Compensation Options**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Consolidation**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Exchange**" means the TSX Venture Exchange.

"**GAAP**" means generally accepted accounting principles.

"**Gatorz**" means Gatorz Inc., a corporation incorporated under the laws of Canada.

"**Gatorz Board**" means the board of directors of Gatorz.

"**Gatorz Stockholder Voting Agreement**" means the voting agreements and irrevocable proxies executed by the Supporting Shareholders in favour of the RTO.

"**IFRS**" means International Financial Reporting Standards.

"**Independent**" has the meaning ascribed to such term in National Policy 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators.

"**Issue Price**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Management Services Agreement**" means the Management Services agreement dated September 1, 2006 between No Fear and Simo Holdings.

"**Merger Agreement**" means the Agreement and Plan of Merger and Reorganization dated April 26, 2010, as amended on July 30, 2010 by and among Gatorz, Merger Corp., No Fear and Simo Holdings in respect of the second stage of the Transaction.

"**Merger Common Shares**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Merger Consideration Shares**" means, together, the Merger Common Shares and the Merger Preferred Shares.

"**Merger Corp.**" means NF Acquisition Corporation, a corporation incorporated under the laws of California and a wholly-owned subsidiary of Gatorz.

"**Merger Preferred Shares**" has the meaning ascribed thereto on the face page of this Prospectus.

"**NI 52-109**" means National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* of the Canadian Securities Administrators.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

"**No Fear**" means No Fear Retail Stores, Inc., a corporation incorporated under the laws of California.

"**NSSA**" means the National Scholastic Surfing Association.

"**Offered Shares**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Offering**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Off-Shore Investors**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Over-Allotment Option**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Over-Allotment Shares**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Preferred Shares**" means the class of preferred shares in the capital of Gatorz, issuable in series, on such terms as may be determined by the Gatorz Board for each such series.

"**Redemption Event**" means the first occurrence of any one or more of the following events that occur after the closing of the RTO:

(A) The consummation of a merger or consolidation of Gatorz with or into another entity or any other corporate reorganization, if more than 75% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not shareholders of Gatorz immediately prior to such merger, consolidation or other reorganization;

(B) The sale, transfer or other disposition of all or substantially all of Gatorz' assets; and

(C) Any transaction as a result of which any person who is not a shareholders of Gatorz on July 30, 2010 becomes the "beneficial owner" (as defined in Rule 13d-3 under the United States Securities and Exchange Act of 1934, as amended), directly or indirectly, of securities of Gatorz representing at least 75% of the total voting power represented by Gatorz' then outstanding voting securities.

A transaction shall not constitute a Redemption Event if its sole purpose is to change the jurisdiction of Gatorz' incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held Gatorz' securities immediately before such transactions.

"**Reno Wilson**" means Reno Wilson, Inc., a corporation incorporated under the laws of California and a wholly-owned subsidiary of Gatorz.

“**Resulting Issuer**” means Gatorz and its subsidiaries (where the context requires) after giving effect to the Transaction.

“**Resulting Issuer Common Shares**” means the common shares in the capital of Gatorz subsequent to giving effect to the Consolidation, completion of the RTO and Closing.

“**RTO**” means the transactions contemplated by the Merger Agreement resulting in (A) the acquisition of all of the issued and outstanding shares of common stock in No Fear not already owned by Gatorz in exchange for (i) 12,384,375 Merger Common Shares and (ii) 6,555,240 Merger Preferred Shares and (B) the reverse triangular merger pursuant to which Merger Corp. and No Fear will merge with No Fear, as the Surviving Corporation, becoming a wholly-owned subsidiary of the Resulting Issuer.

“**SGMA**” means Sporting Goods Manufacturers Association.

“**Share Exchange Agreement**” means the amended and restated share exchange agreement dated December 3, 2009 among Gatorz, No Fear and Simo Holdings.

“**Shared Services Agreement**” means the Shared Services Agreement dated August 25, 2009 between Gatorz and No Fear.

“**Simo Holdings**” means Simo Holdings, Inc., a corporation incorporated under the laws of California.

“**subsidiary**” has the meaning ascribed thereto in the Act.

“**Supporting Shareholders**” means Barry Fefferman, Kerry Lynch, Michael DiAnna, in his individual capacity, Michael DiAnna, as trustee of the DiAnna Family Trust, Tammany Atkinson in her capacity as voting trustee under a voting trust agreement with the DiAnna Family Trust, Daniel Reja in his capacity as voting trustee under a voting trust agreement with Kerry Lynch, Scott Samuel, and the Investor Based Finance Group Inc., who collectively beneficially own 52.75% of the Common Shares eligible to vote on the RTO.

“**Surviving Corporation**” means No Fear, the corporation surviving the merger of Merger Corp. and No Fear.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder.

“**TFSA**” means a tax-free savings account.

“**Transaction**” means the two stage transaction, the terms of which were originally set out in a binding term sheet executed on July 20, 2009 consisting of: (1) the first stage giving effect to the transactions contemplated by the Share Exchange Agreement; and (2) the second stage consisting of the RTO.

“**Transfer Agent**” means Equity Transfer & Trust Company.

“**TSXV Shareholder Approval**” means the approval of the RTO by shareholders of Gatorz pursuant to Section 4.2 of Exchange Policy 5.2, which approval has been obtained by written consent of Gatorz shareholders holding over 50% of the issued and outstanding Common Shares.

“**U.S. Investors**” has the meaning ascribed thereto on the face page of this Prospectus.

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

GENERAL MATTERS

Unless otherwise noted, the information in this Prospectus does not give effect to the exercise of the Over-Allotment Option described under "*Plan of Distribution*". Unless otherwise noted, the information in this Prospectus (i) assumes the maximum Offering size of C$8,000,000 and (ii) gives effect to the Consolidation.

CURRENCY AND EXCHANGE RATE INFORMATION

The businesses of Gatorz and No Fear are conducted principally in the United States, and revenues and expenses are denominated, earned and incurred in United States dollars. In this Prospectus, unless otherwise indicated, all "dollar" amounts or references to "$" refer to United States dollars. References to "C$" are to Canadian dollars.

The following table sets forth, for each period as indicated, the high, low, average and end of period exchange rates for United States dollars expressed in Canadian dollars. These rates are based on the inverse noon nominal rate of exchange published by the Bank of Canada.

	C$ / $			
	High	**Low**	**Average**	**End of Period**
Nine months ended September 30				
2010	$1.0778	$0.9961	$1.0356	$1.0298
2009	$1.3000	$1.0613	$1.1701	$1.0722
2008	$1.0796	$0.9719	$1.0184	$1.0599
Years ended December 31				
2009	$1.3000	$1.0292	$1.1420	$1.0466
2008	$1.2969	$0.9719	$1.0660	$1.2246
2007	$1.1853	$0.9710	$1.0748	$0.9881

On November 1, 2010, based upon the inverse noon nominal rate of exchange published by the Bank of Canada, the exchange rate for one United States dollar expressed in Canadian dollars was $1.00 = C$1.0136.

INFORMATION PERTAINING TO NO FEAR

The information contained or referred to in this Prospectus with respect to No Fear and its affiliates and its related business has been provided by management of No Fear and is the responsibility of No Fear. Management and the directors of Gatorz have relied upon No Fear for the accuracy of the information provided by No Fear without independent verification.

RELIANCE

Prospective investors should rely only on information contained in this Prospectus. Neither Gatorz, No Fear nor the Agent has authorized any other person to provide prospective investors with information other than that contained in this Prospectus. If a prospective investor is provided with different or inconsistent information, the prospective investor should not rely on such information. The information contained on Gatorz' and No Fear's corporate websites is not included in or incorporated by reference into this Prospectus and prospective investors should not rely on such information when deciding whether or not to invest in the Offered Shares. Neither Gatorz nor the Agent are making an offer to sell in any jurisdiction where an offer or sale is not permitted.

FOREIGN JURISDICTIONS

No Fear is incorporated under the laws of California and all of the directors and officers of No Fear are resident in the United States of America. All of the assets of No Fear are situated outside of Canada. Although No Fear and the foregoing persons will appoint, prior to the filing of the Prospectus, FMD Service (Ontario) Inc., 333

Bay Street, Suite 2400, Bay Adelaide Centre, Box 20, Toronto, Ontario, M5H 2T6, as their agent for service of process in Canada, it may not be possible to bring an action in Canada against the directors or officers of No Fear who are not residents of Canada. It may also not be possible for an investor to enforce judgments granted by a court in Canada against the assets of No Fear or against the directors or officers of No Fear residing outside of Canada.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Prospectus contains "forward-looking information" within the meaning of applicable securities laws. All information other than information of historical fact contained in this Prospectus is forward-looking information. In some cases, investors can identify forward-looking information by terminology such as "may," "will," "should," "expects," "plans," "projects," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology. Such forward-looking information includes, but is not limited to, statements based on assumptions regarding, among other things: No Fear's anticipated target for store opening growth rate, the national unit potential of No Fear's retail concept, opportunities for increased margin and productivity from No Fear's retail stores, the Resulting Issuer's ability to effectively acquire or develop additional brands, No Fear's target markets, and the Resulting Issuer's market position and business plan. This information is based only on current predictions and assumptions, including having sufficient capital to fund growth, the development of appropriate infrastructure to support its growth, No Fear's ability to operate on a stand-alone basis from Simo Holdings, the performance of No Fear's retail stores, and is subject to known and unknown risks, uncertainties and other factors that may cause the Resulting Issuer's or its industry's actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking information. Some of these factors are described in greater detail in this Prospectus under the heading "*Risk Factors*" and elsewhere in this Prospectus and include risks associated with:

- the limited operating history of No Fear as a separate operating entity and a history of operating losses;
- the potential that actual operating results may vary significantly from estimated results;
- a failure by the Resulting Issuer to effectively execute its expansion strategy;
- opening and operating new stores each year straining resources and causing performance of existing stores to suffer;
- the termination of the licensing agreement with PepsiCo, Inc. with respect to the "No Fear" branded energy drink;
- risks and challenges associated with the Resulting Issuer's growth strategy and long-term goals;
- dependence on key personnel;
- dependence on trademarks and other proprietary rights;
- the competitive retail environment;
- a failure to maintain proper inventory levels;
- the ability to open new stores;
- a failure to attract qualified employees;
- seasonality;
- the ability to anticipate fashion trends;
- dependence on the success of the shopping malls in which No Fear stores are located;
- dependence on suppliers;
- No Fear being named in a lawsuit brought by a creditor of Simo Holdings;
- consumer acceptance of existing and new products;
- dependence on Simo Holdings for warehouse space;
- no dividends being paid in the foreseeable future;
- discretion of management over the use of proceeds;
- existing debt obligations and restrictions contained under a current credit agreement;
- incurring future indebtedness;
- restrictions contained in current credit facilities and past defaults under covenants;
- interest rate fluctuations;
- Gatorz being in forbearance in respect of secured indebtedness;
- past weaknesses in Gatorz' internal controls;

- Simo Holdings being a controlling shareholder of the Resulting Issuer;
- dilution;
- an active and liquid market for the Resulting Issuer Common Shares not developing;
- access to additional financing, if required;
- risks associated with the liquidity of the Offered Shares and market volatility; and
- certain of the representations and warranties in the Merger Agreement not surviving the closing of the RTO.

Reference is made throughout this Prospectus to No Fear's anticipated growth in store openings, and in particular No Fear anticipating that the Resulting Issuer will open up to 15 to 20 stores per year for each of the next five calendar years, which is consistent with its targeted store growth rate of greater than 15% per year. See "*Business – No Fear – Growth Strategy*" and "*Use of Proceeds*". In developing this forward-looking information, No Fear has assumed, in addition to the material assumptions and associated risks identified above, that the Resulting Issuer will need to, among other things, raise the maximum C$8,000,000 in gross proceeds under the Offering; have access to sufficient capital to execute this growth strategy; identify a significant number of suitable real estate sites; meet or exceed the same level of historical store openings as No Fear realized from 2005 – 2007; negotiate acceptable lease terms; build new retail stores in a cost-effective manner; source and maintain sufficient levels of inventory at acceptable costs; attract, hire and retain qualified employees; successfully integrate new stores into existing operations; and identify and satisfy the merchandise preferences of new geographic regions. If the gross proceeds of the Offering are more than C$3,500,000 but less than C$8,000,000, the Resulting Issuer would allocate funds to store openings under leases that require minimal capital expense and the number of anticipated new store openings for the years subsequent to the 2011 and 2012 calendar years would be reduced. Absent an improvement in sales trends and profitability of the Resulting Issuer, the Resulting Issuer would need to raise additional capital and otherwise achieve its business plan to sustain its anticipated growth subsequent to the 2011 and 2012 calendar years

Readers should not place undue reliance on such forward-looking information. Gatorz and No Fear disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by law.

Although Gatorz and No Fear believe that the expectations reflected in the forward-looking statements are reasonable, neither Gatorz nor No Fear can guarantee future results, levels of activity, performance or achievements.

ACCOUNTING PRINCIPLES

All financial statements and related data in respect of No Fear have been prepared using GAAP in the United States, which is referred to as "United States GAAP", and have been updated to incorporate information required by GAAP in Canada, which is referred to as "Canadian GAAP". Note 12 to No Fear's audited financial statements provides certain information relating to a reconciliation of No Fear's financial information with Canadian GAAP. No Fear's financial year-end is August 31.

Gatorz prepares its financial statements using Canadian GAAP. Gatorz' financial year-end is December 31. Certain financial information concerning the Resulting Issuer in this Prospectus is prepared on a *pro forma* basis in accordance with Canadian GAAP. Note 1 to the Resulting Issuer's unaudited *pro forma* consolidated financial statements provides certain information relating to how the *pro forma* consolidated information was derived and how it is presented.

NON-GAAP MEASURES

References to "EBITDA" in this Prospectus are to earnings (loss) before interest, income taxes, depreciation and amortization. EBITDA has been presented in this Prospectus and is a supplemental measure of financial performance that is not a measure recognized by either United States or Canadian GAAP.

EBITDA does not have standardized meanings prescribed by United States or Canadian GAAP. Therefore, EBITDA is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. EBITDA is included in this Prospectus because it is a key metric used by management of No Fear to assess operating performance. EBITDA is not a measure of financial performance or liquidity under United States or Canadian GAAP and should not be considered as an alternative to net income (loss) as a measure of operating performance, cash flows from operating activities as a measure of liquidity, or any other performance measure derived in accordance with United States or Canadian GAAP. Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. EBITDA contains certain other limitations, including the failure to reflect cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. Management of No Fear compensates for these limitations by relying primarily on United States GAAP results and by using EBITDA only as a supplemental performance measure.

Additionally, "operating income" has been presented in this Prospectus and is a supplemental measure of financial performance that is not a measure recognized by either United States or Canadian GAAP. Operating income is a measure of a company's earning power from ongoing operations, equal to earnings before non-operating income, including royalty income, deduction of interest payments and income taxes. Operating income is included in this Prospectus because it is a key metric used by management of No Fear to assess operating performance of its retail business. Operating income is not a measure of financial performance or liquidity under United States or Canadian GAAP and should not be considered as an alternative to net income (loss) as a measure of operating performance, cash flows from operating activities as a measure of liquidity, or any other performance measure derived in accordance with United States or Canadian GAAP. Additionally, operating income is not intended to be a measure of cash flow from operations, as it does not consider non-cash changes in assets or liabilities including depreciation. Operating income contains certain other limitations, including the failure to reflect income from non-operating activities. Management of No Fear compensates for these limitations by relying primarily on United States GAAP results and by using operating income only as a supplemental performance measure.

ELIGIBILITY FOR INVESTMENT

In the opinion of Gowling Lafleur Henderson LLP, counsel to Gatorz, and Wildeboer Dellelce LLP, counsel to the Agent, based on the current provisions of the Tax Act, as of the date hereof, the Offered Shares will be qualified investments under the Tax Act on the date of issue for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act, provided that the Offered Shares are listed on a designated stock exchange (which includes tiers 1 and 2 of the Exchange) or Gatorz otherwise qualifies as a "public corporation" within the meaning of the Tax Act.

Notwithstanding that Offered Shares may be qualified investments for a trust governed by a TFSA, the holder of a TFSA will be subject to penalty taxes if the Offered Shares held in the TFSA are a "prohibited investment" for the TFSA or if an "advantage" (as defined in the Tax Act) in relation to the TFSA is extended to the holder or a person who does not deal at arm's length with the holder, and, based on the amendments to the Tax Act proposed by the Minister of Finance (Canada), other tax consequences may result. Offered Shares will generally not be a "prohibited investment" for a TFSA, provided that the holder deals at arm's length with the Resulting Issuer for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Resulting Issuer or a corporation, partnership or trust with which the Resulting Issuer does not deal at arm's length for purposes of the Tax Act. TFSA holders are advised to consult their own tax advisors in this regard.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

This Prospectus includes trademarks which are protected under applicable intellectual property laws and are the property of Gatorz, Simo Holdings, No Fear, or their affiliates, as applicable. Solely for convenience, the trademarks of Gatorz or No Fear referred to in this Prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that Gatorz, Simo Holdings, No Fear or their affiliates, as applicable, will not assert, to the fullest extent under applicable law, their respective rights or the right of the applicable licensor to these trademarks. Any other trademarks used in this Prospectus are the property of their respective owners.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Before deciding to invest in the Offered Shares, investors should read the entire Prospectus carefully, including but not limited to Gatorz' and No Fear's financial statements and the related notes, the pro forma financial information in respect of the Resulting Issuer, the information set forth under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors." All dollar amounts in this Prospectus are in United States dollars unless otherwise indicated.

Resulting Issuer

Immediately prior, and as a condition precedent, to the Closing, Gatorz intends to acquire all of the remaining issued and outstanding shares of common stock of No Fear that it does not currently own, in exchange for 12,384,375 Merger Common Shares and 6,555,240 Merger Preferred Shares pursuant to the Merger Agreement. The transactions contemplated by the Merger Agreement will constitute a reverse takeover of Gatorz by No Fear. Upon completion of the RTO, No Fear will be a wholly-owned subsidiary of Gatorz.

Immediately prior to the closing of the RTO and the Offering, Gatorz will change its name to "No Fear Holdings Inc." and complete the Consolidation. In connection with the name change, the Resulting Issuer intends to change its trading symbol to "NFH". Gatorz has received conditional approval from the Exchange for the RTO, the Consolidation and the proposed name change. Gatorz' shareholders approved by special resolution the name change and Consolidation on June 29, 2010. Additionally, Gatorz' shareholders have consented to the RTO in accordance with the rules of the Exchange.

After giving effect to the completion of the Consolidation, the RTO and the Offering (assuming the maximum Offering size of C$8,000,000): (i) there will be 28,291,154 Resulting Issuer Common Shares and 6,555,240 Preferred Shares outstanding; (ii) Simo Holdings will own approximately 47.1%% of the outstanding Resulting Issuer Common Shares and 100% of the outstanding Preferred Shares, comprising 57.0% of the outstanding voting shares of the Resulting Issuer; and (iii) it is expected that Gatorz' business will account for approximately 6% of the consolidated assets and 4% of the consolidated revenues, on an annualized basis, of the Resulting Issuer. If less than the maximum Offering is completed, Simo Holdings will own a greater percentage of the Resulting Issuer Common Shares and a greater percentage of the outstanding voting securities. See "*Corporate Structure*" and "*Risk Factors – Risks Related to the Resulting Issuer's Ownership Structure*".

See "*Summary of the Transaction*", "*Corporate Structure – Inter-Corporate Relationship*" and "*Description of Securities Distributed*".

Gatorz

Gatorz was incorporated under the *Canada Business Corporations Act* as "IBF 1 Corp." on September 1, 2005. The articles of incorporation of Gatorz were amended by way of articles of amendment dated April 21, 2006 to delete the share transfer restrictions contained therein. On January 23, 2007, Gatorz completed the acquisition of Reno Wilson (doing business as Gatorz Eyewear) that constituted Gatorz' qualifying transaction under the rules of the Exchange. On July 11, 2007, Gatorz filed articles of amendment to change its name to "Gatorz Inc." and its trading symbol on the Exchange was subsequently changed to "GTZ".

On June 29, 2010, Gatorz' shareholders (a) approved an amendment to the articles of Gatorz to change the name of Gatorz to "No Fear Holdings Inc." or such other name as may be approved by the Gatorz Board and the applicable regulatory authorities, (b) authorized the implementation of the proposed Consolidation, and (c) approved an amendment to Gatorz' articles to create the Preferred Shares.

Gatorz is a branded designer, developer, manufacturer and distributor of premium sunglasses. Gatorz branded sunglasses are manufactured by way of a patented, proprietary twenty-two step method of industrial precision-machine manufacturing.

No Fear

Overview

No Fear was incorporated under the laws of California on July 25, 2006 and is a subsidiary of Simo Holdings, a California corporation. See "*Relationship Between Simo Holdings and the Resulting Issuer*". No Fear is a retailer of action sports and casual youth lifestyle apparel and accessories targeting young adults and teens. No Fear sells a broad range of apparel and accessories, primarily under the "No Fear" and "So Cal" brands, including t-shirts, jackets, sweatshirts, jeans, walkshorts, board shorts, eyewear, bags and watches complemented by a selection of video and music, auto and motocross accessories, home décor, bedding, toys and gifts. In addition to its own brands, No Fear sells apparel and accessories consistent with its lifestyle focus from leading third party vendors including "FMF", "SRH", "Spy Optic", "Metal Mulisha", "Oakley" and "Gatorz". No Fear's primary customers are historically young males, with the men's category accounting for 56% of sales while women's and youth make up 27% and 3% of sales, respectively. The remaining 14% of sales consists of optics in addition to other categories that are not age or gender specific, such as decals. As of September 30, 2010 No Fear operated 53 retail stores in seven states, primarily in the south-western United States.

No Fear's products primarily target young adults and teens seeking an action sports inspired lifestyle. Unlike a number of retailers and apparel brands that have a history targeting the major board sports (surfing, skateboarding and snowboarding), the "No Fear" brand was founded in motocross and freestyle motocross and has maintained an intimate and continuous involvement in these and other major motorsports. With this foundation, the "No Fear" brand has successfully expanded into surfing and other action sports that No Fear believes matter most to its target market. No Fear utilizes grass roots marketing, including teams of sponsored athletes, to support motocross, freestyle motocross and surfing. No Fear has also sponsored events such as the NSSA Championship and the House of Blues music tour. No Fear believes its brand is consistent with the values and aspirations of its customers and its sponsored athletes, sports and events.

Since the opening of the first No Fear branded retail store in 2000, No Fear has grown its store base from 3 stores in 2000 to 53 stores as of September 30, 2010, resulting in a compound annual growth rate of 33%. During that period, No Fear has expanded from no direct-to-consumer revenue to $39 million in fiscal 2009 while generating four years of positive comparable store sales from fiscal 2005 to fiscal 2008. In addition to store growth, No Fear has demonstrated the ability to leverage its intellectual property through licensing arrangements in relevant categories to expand and strengthen the "No Fear" brand presence. In particular, No Fear has a licensing agreement with Office Depot, Inc. to produce inspirational office products and No Fear had a licence agreement with PepsiCo, Inc. to licence a "No Fear" branded energy drink, which is currently in the process of being terminated. No Fear believes that these licensing arrangements evidence No Fear's ability to leverage the "No Fear" brand. See "*Business – No Fear – Marketing and Promotions*", "*Business – No Fear – Recent Developments*" and "*Risk Factors – Risks Relating to the Business*".

Company History

Brothers Mark and Brian Simo founded Simo Holdings in 1990 to address a perceived need in the action sports apparel market. The "No Fear" brand experienced substantial growth in the early 1990s through traditional wholesale distribution channels for casual apparel. During the late 1990s, management of Simo Holdings recognized the need to better control Simo Holdings' distribution channels and at the same time to re-establish the "No Fear" brand as core to the action sports community. Simo Holdings took several steps to address these needs, including the decision to scale back wholesale distribution, particularly in department stores, and in 2000 to launch a "No Fear" branded retail concept.

Competitive Strengths

Management of No Fear believes that No Fear has several qualities that provide it with a distinct competitive advantage.

- Established Brand. The "No Fear" brand has been in continuous use for over 20 years and has become synonymous with an attitude of irreverent and spirited engagement. From the brand's inception, substantial resources have been devoted to develop and nurture the brand consistent with this attitude. From sponsorships of leading action sports athletes, including Jeremy McGrath, Travis Pastrana and Rickey Carmichael, to the nationwide distribution and marketing of the "No Fear" energy drink, these efforts have created a brand that is recognized nationally in the United States, maintains high consumer awareness, and speaks to No Fear's target customer. No Fear believes the strength, durability and relevance of the "No Fear" brand will facilitate the expansion of its concept across the United States.

- Retail Concept Based on Intellectual Property. Unlike most of No Fear's retail competitors in the action sports market, which primarily sell third party brands, No Fear owns or controls a majority of the brands that it sells. "So Cal" and "No Fear" are the two leading brands in No Fear's stores, representing approximately 43% of No Fear's sales. See "*Relationship Between Simo Holdings and the Resulting Issuer*". No Fear believes its ownership of intellectual property provides a distinct competitive advantage over retailers that primarily sell third party brands.

- Differentiated Market Positioning and Product Offering. Unlike numerous familiar action sports retailers and apparel brands that have a history in surfing or skateboarding, the "No Fear" brand was founded in motorsports and has stayed true to its roots while expanding into other action sports. While numerous retailers address a board sports or beach lifestyle, No Fear believes it is the largest retailer to address the market from a motorsports perspective. Finally, No Fear offers a distinct selection of products under both its proprietary brands and third party labels. A large portion of No Fear's products are sold only by No Fear, differentiating No Fear from other retailers in a mall setting that carry products from major action sports brands. As a result of these factors, No Fear believes it offers a desirable and distinctive retail experience in a typical mall setting.

- Experienced, Entrepreneurial Management Team. No Fear is led by a management team with significant experience in the action sports and retailing industries. Mark Simo, Chief Executive Officer, is a pioneer in the action sports industry, having co-founded Simo Holdings in 1990 and Spy Optic in 1994. Before creating the "No Fear" brand, Mark was instrumental in the founding of the brands "Life's a Beach" and "Bad Boy Club". Eric Baker, No Fear's Vice President of Retail Store Operations, previously served as Chief Operating Officer at Simo Holdings from 1996 to 2001 and, prior to joining No Fear, was general manager of JT Action Sports, a division of Brass Eagle Inc. which was acquired by K2 Inc. The senior management team is complemented by a talented group of professionals that embody the "No Fear" brand and spirit. No Fear believes it has the personnel in place to support its planned rollout of stores. See "*Directors and Executive Officers*" and "*Risk Factors – Risks Related to the Business*".

Growth Strategy

No Fear plans to pursue the following strategies to continue its growth:

- Open Additional Stores. As of September 30, 2010, No Fear operated 53 retail stores primarily in the south-western United States. No Fear believes that there is long-term potential to operate a minimum of 400 retail locations in the United States. No Fear anticipates opening up to 15 to 20 stores per year for each of the next 5 calendar years. See "*Use of Proceeds*". In order to achieve its targeted growth, the Resulting Issuer will need, among other things, to identify a significant number of suitable real estate sites and build new retail stores in a cost effective manner. See "*Special Note Regarding Forward-Looking Information*". In that regard, No Fear believes the current economic environment has created significant availability of real estate locations, allowing No Fear to expand its retail footprint in a cost-efficient manner. No Fear plans to locate stores in malls throughout the United States, with an initial clustering of stores in the West (particularly California, Arizona and Nevada), the southeast (including the Carolinas, Florida and Georgia), and Texas. Achieving this objective is subject to certain risks as described under the heading "*Risk Factors*". Additionally, if the gross proceeds of the Offering are more than C$3,500,000 but less than C$8,000,000, the Resulting Issuer would allocate funds to store openings under leases that require minimal capital expense and the number of anticipated new store openings for the years subsequent to the 2011 and 2012 calendar years would be reduced. Absent an improvement in sales trends and profitability of the Resulting Issuer, the Resulting Issuer would need to raise additional capital and otherwise achieve its business plan to sustain its anticipated growth subsequent to the 2011 and 2012 calendar years.

- Increase Sales at Existing Stores. In the current retail environment, No Fear is focusing on a number of initiatives in addition to brand marketing to drive additional customers to its stores and increase its profitability. No Fear believes a key determinant of store performance is the quality of individual store managers and, accordingly, No Fear is refining its hiring practices and criteria to attract the best suitable management candidates. In addition, No Fear continues to invest in the training of store employees to better represent the "No Fear" brand and product line. From a merchandising perspective, No Fear is pursuing a select expansion of product categories to drive incremental purchases. No Fear is also improving replenishment in its stores to optimize product availability while limiting shipping expenses. No Fear believes these initiatives will increase its average unit retail volumes and profitability.

- Improve Profit Margins. No Fear believes it has the opportunity to increase its profit margins while at the same time improving the quality of its products. Historically, No Fear utilized a limited number of vendors to source and finance the delivery of its product. As a result of agreements for rotation on product, as described in "*Business – No Fear – Design and Manufacturing*", No Fear believes it loses several points of gross margin. No Fear plans to introduce new vendors across select categories which, within No Fear's existing inventory model, are expected to bring additional design expertise, better product quality and improved customer retention. In addition, No Fear believes it has established the infrastructure to support a minimum of 100 stores, so that as No Fear continues to grow, it will be able to benefit from scale efficiencies by leveraging No Fear's existing infrastructure, corporate overhead and fixed costs.

- Support and Leverage the "No Fear" Brand. No Fear believes that the "No Fear" brand is well-recognized and well-regarded throughout the United States given its history and the nationwide distribution and the marketing of the "No Fear" branded energy drink. No Fear plans to continue to grow the brand through athlete and event sponsorships and other creative marketing vehicles. No Fear's goal is to continue to secure "No Fear" as a core brand in the action sports market, maintaining credibility with customers who live and aspire to the lifestyle No Fear promotes while stimulating traffic in its stores. As part of this strategy, No Fear will continue to seek licensing arrangements in appropriate categories to broaden the reach of the brand and strengthen the brand perception while generating additional sources of revenue. In particular, No Fear believes the opportunity exists to develop a new license in the beverage category for the continuation of a "No Fear" branded energy drink, the market for such product having been successfully developed by PepsiCo, Inc. No Fear is in the process of terminating its license agreement with PepsiCo, Inc. See "*Business – No Fear – Marketing and Promotions*".

- Integrate the Gatorz Business. Following the completion of the Transaction, Gatorz' current business will account for approximately 6% of the consolidated assets and 4% of the consolidated revenues, on an annualized basis, of the Resulting Issuer. Senior members of No Fear's management, having founded the "Spy Optic" brand, have years of experience in the action sports optical market and plan to leverage that expertise to develop Gatorz' business. Initial areas of focus will be product development and expanding Gatorz' distribution. New styles incorporating new materials, including plastic, will be developed to expand the reach of the brand. Gatorz, having been successfully introduced into No Fear stores, will be expanded to additional channels as appropriate. No Fear plans to introduce lower cost plastic styles and improve the sourcing of existing products which is expected to increase the Resulting Issuer's gross margin.

- Acquire or Develop Additional Brands. No Fear believes that the addition of Gatorz to the brands offered in its stores, particularly with new Gatorz styles and materials will enhance No Fear's competitive advantage and strengthen its business. No Fear believes that an opportunity exists to acquire or develop additional brands in select categories to similarly leverage the No Fear retail distribution network.

Summary of Transaction

Following the completion of a publicly announced strategic alternative process undertaken by an independent special committee of the Gatorz Board, on July 20, 2009, Gatorz and No Fear executed a binding term sheet setting out the proposed framework and financial terms of the Transaction.

Management of Gatorz and No Fear believe the Transaction has a number of potential benefits for the Resulting Issuer. Distribution of Gatorz product serves to further differentiate No Fear's retail concept, while leveraging the expenses of the Resulting Issuer across a larger revenue base. No Fear plans to introduce plastic sunglass frames in addition to the aluminium currently sold by Gatorz. Plastic sunglass frames carry a higher gross margin and reduce the cost of sourcing existing products in order to increase the Resulting Issuer's gross margin. Furthermore, No Fear and its management team, in particular Mark Simo, have significant experience in the optical market that they believe will benefit the operations of Gatorz. The Offering will provide funding for the Resulting Issuer to attempt to achieve its growth objectives.

First Stage

The initial stage of the Transaction consisted of a share exchange between Gatorz and Simo Holdings and an agreement to appoint a No Fear representative to the Gatorz Board.

On December 3, 2009, Gatorz, No Fear and Simo Holdings entered into the Share Exchange Agreement pursuant to which Gatorz issued to Simo Holdings 7,500,000 Common Shares (or 937,500 Resulting Issuer Common Shares) in exchange for the transfer by Simo Holdings of 900,000 shares of common stock of No Fear. The closing of the transactions contemplated by the Share Exchange Agreement occurred on March 4, 2010. To date, No Fear has not exercised its right to appoint a member to the Gatorz Board.

Also as part of the initial stage of the Transaction, Gatorz and No Fear entered into the Shared Services Agreement under which No Fear agreed to share its Carlsbad, California office and warehouse facilities with Gatorz and provide Gatorz with certain utilities and business services. On September 8, 2009, Gatorz completed the physical integration of its operations with No Fear as contemplated by the Shared Services Agreement.

Second Stage

On April 26, 2010, Gatorz, Merger Corp., No Fear and Simo Holdings entered into the Merger Agreement in respect of the second stage of the Transaction. The Merger Agreement was subsequently amended on July 30, 2010 to, among other things, amend a portion of the consideration to be the Merger Preferred Shares (as opposed to restricted Common Shares) and extend the outside closing date for the RTO. Pursuant to the Merger Agreement, and subject to the terms thereof at the closing Gatorz will issue to Simo Holdings (i) 12,384,375 Merger Common Shares and (ii) an additional 6,555,240 Merger Preferred Shares, in exchange for all of the issued and outstanding shares of common stock of No Fear not already owned by Gatorz.

The Merger Preferred Shares will be issued in four separate series, all having identical terms except with respect to the time at which they may be converted for no additional consideration into Resulting Issuer Common Shares. In that regard: (i) the 2,220,312 Merger Preferred Shares, Series I-A, shall be freely convertible into 2,220,312 Resulting Issuer Common Shares when the Resulting Issuer has a total of 104 stores open, inclusive of any stores in existence on April 26, 2010; (ii) the 1,149,176 Merger Preferred Shares, Series I-B, shall be freely convertible into 1,149,176 Resulting Issuer Common Shares when the Resulting Issuer has a total of 154 stores open, inclusive of any stores in existence on April 26, 2010; (iii) the 2,220,312 Merger Preferred Shares, Series I-C, shall be freely convertible into 2,220,312 Resulting Issuer Common Shares when the Resulting Issuer Common

Shares trade on the Exchange or other stock exchange at a price of C$6.00 or more for 20 consecutive trading days; and (iv) the 965,440 Merger Preferred Shares, Series I-D, shall be freely convertible into 965,440 Resulting Issuer Common Shares when the Resulting Issuer Common Shares trade on the Exchange or other stock exchange at a price of C$8.00 or more for 20 consecutive trading days. All Merger Preferred Shares shall (A) have full voting rights on a fully converted basis, carrying one vote per share, on all matters that the Resulting Issuer Common Shares have the right to vote upon and otherwise as required by any legal requirement, (B) be redeemable by the Resulting Issuer for the sole consideration of payment of any accrued but unpaid dividends, if any, on the date which is 10 years from the date of issuance, or immediately prior to a Redemption Event, (C) be freely convertible at the request of the holder and without the payment of additional consideration on a one-for-one basis into Resulting Issuer Common Shares upon a liquidation, winding up, dissolution or similar event of the Resulting Issuer (but not a Redemption Event), (D) be entitled to receive any amounts on an equal per share basis paid to Resulting Issuer Common Shares upon a liquidation, winding up, dissolution, or similar event of the Resulting Issuer (but not a Redemption Event) on an as-converted basis, (E) participate equally on an as-converted basis in all dividends declared upon or paid to Resulting Issuer Common Shares, (F) be subject to customary anti-dilution adjustments for stock splits, stock dividends, dilutive share issuances, share consolidations, recapitalizations, and other events to be reasonably agreed upon between No Fear and Gatorz, and (G) be in form and substance reasonably agreeable to No Fear and Gatorz in all other respects.

At closing of the RTO, Simo Holdings shall enter into an agreement with Gatorz on terms mutually satisfactory to Simo Holdings and Gatorz, acting reasonably, and in a form approved by the Exchange, pursuant to which Simo Holdings shall covenant not to sell, transfer, or otherwise dispose of the Merger Preferred Shares only to the extent required by the Exchange, subject to customary exclusions including transfers to affiliates.

Concurrent with the closing of the RTO, No Fear and Simo Holdings will undertake the following actions:

- Simo Holdings will transfer all of the intellectual property that it owns in the "So Cal," "No Cal" and "Fearless" trademarks to No Fear;
- No Fear will no longer purchase either proprietary branded product or third party product from Simo Holdings but will instead purchase all such product directly from third party vendors;
- No Fear will enter into employment agreements with each of Mark Simo, Chief Executive Officer, Michael Pratt, Chief Financial Officer and Corporate Secretary, and Eric Baker, VP Retail Store Operations, and, where appropriate, individuals in support functions including accounting and information technology;
- Simo Holdings and No Fear will terminate the Management Services Agreement; and
- No Fear will enter into a sublease with Simo Holdings to occupy 20% of its office and warehouse facility in Carlsbad, California for the remainder of the term of the lease (June 2012) and any extension of the term.

See "*Summary of Transaction – Merger Agreement*", "*Directors and Executive Officers"* and "*Relationships between Simo Holdings and the Resulting Issuer*".

The Offering

Issuer:	Gatorz Inc.
Offering:	Up to 10,000,000 Offered Shares (11,500,000 Offered Shares, if the Over-Allotment Option is exercised in full)
Offering Price:	C$0.80 per Offered Share
Offering Size:	Up to C$8,000,000 (C$9,200,000 if the Over-Allotment Option is exercised in full)
Over-Allotment Option:	Gatorz has granted the Agent an Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the date of the Closing, to purchase up to that number of Resulting Issuer Common Shares as is equal to the lesser of: (i) 15% of the aggregate number of Offered Shares sold pursuant to the Offering; and (ii) the Agent's over-allocation position on Closing at a price of C$0.80 per Over-Allotment Share. See "*Plan of Distribution*".
Shares Outstanding:	Prior to the giving effect to the Consolidation, the completion of the RTO and the Offering: 47,254,232 Common Shares (or 5,906,779 Resulting Issuer Common Shares). After giving effect to the Consolidation, the completion of the RTO and the Offering: 28,291,154 Resulting Issuer Common Shares.
Use of Proceeds:	The net proceeds of the Offering (assuming the maximum Offering size of C$8,000,000) to be received by Gatorz, after deducting the Agent's Fee and the expenses of the Offering (which expenses are estimated to be C$800,000), would be C$6,640,000. The Resulting Issuer intends to use the net proceeds of the Offering as follows: • approximately C$5,000,000 to fund capital expenditures for new store openings, including leasehold improvements and the purchase of furniture, fixtures, equipment and other capital expenditures; • approximately C$650,000 for the payment of outstanding payables and the repayment of indebtedness of No Fear and Gatorz; • approximately C$210,000 to pay the expenses of the Transaction; • approximately C$80,000 to pay unpaid but accrued wages to Michael DiAnna, President, Chief Operating Officer and Director of Gatorz; and • the balance of approximately $700,000 for working capital, including the purchase of additional inventory and general corporate purposes, and in unallocated funds. The net proceeds will be re-allocated should the gross proceeds be less than C$8,000,000. See "*Use of Proceeds*".
Risk Factors:	An investment in the Offered Shares is speculative and involves a high degree of risk. Prospective purchasers should carefully consider the information set out under "*Risk Factors*" and the other information in this Prospectus before purchasing Offered Shares.

Approvals: Gatorz has received conditional approval from the Exchange for the RTO, the Consolidation and the proposed name change. Additionally, Gatorz has received conditional listing approval to list the Offered Shares, the Resulting Issuer Common Shares issuable upon exercise of the Compensation Options, the Merger Common Shares and the Resulting Issuer Common Shares issuable (i) upon conversion of the Merger Preferred Shares; and (ii) pursuant to an indemnity claim under the Merger Agreement. Listing will be subject to Gatorz fulfilling all of the listing requirements of the Exchange. Closing of the RTO is subject to a number of conditions, including raising a minimum of C$3,500,000 in gross proceeds. See "*Summary of the Transaction – Merger Agreement – Conditions Precedent to the RTO*". Gatorz' shareholders have consented to the RTO in accordance with the rules of the Exchange.

Summary Financial Data for Gatorz

The following tables are unaudited summaries of the key components of Gatorz' results of operations for the period indicated, both in United States dollars and as a percentage of net sales. Gatorz reports financial information in United States dollars using Canadian GAAP. The summary statements of operations data for the years ended December 31, 2007, 2008 and 2009 have been derived from Gatorz' audited consolidated financial statements as at and for the years ended December 31, 2007, 2008 and 2009, which are contained in Appendix B to this Prospectus. The summary statements of operations data for the six months ended June 30, 2009 and 2010 are derived from Gatorz' unaudited interim consolidated financial statements as at and for the periods ended June 30, 2009 and 2010 contained in Appendix B to this Prospectus. The unaudited financial statements have been prepared on the same basis as Gatorz' audited financial statements and include, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of the financial information set forth in those statements. The interim results for the six months ended June 30, 2009 and 2010 are not necessarily indicative of the operating results for 2008 and 2009. Historical results are not necessarily indicative of the results to be expected in future periods. Investors should read the following financial information together with the information under "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Gatorz*" and Gatorz' financial statements and the related notes to the financial statements appearing at Appendix B to this Prospectus.

Summary of Results of Operations

	Twelve Months Ended December 31,			Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2009	2009	2010	2009	2010
		(audited)			(unaudited)		
	(in thousands except per share data)						
Revenue	$1,785	$1,988	$1,666	$508	$569	$842	$913
Gross profit	864	771	697	260	294	429	481
Operating expenses	1,702	1,616	1,223	336	244	607	439
Earnings (loss) from operations	(838)	(845)	(526)	(76)	49	(178)	43
Earnings (loss)	(989)	(969)	(694)	(111)	16	(245)	(28)
Weighted average number of shares	27,545,486	32,719,246	36,268,196	35,525,000	47,254,232	35,525,000	44,754,232
Loss per share	($0.04)	($0.03)	($0.02)	($0.00)	($0.00)	($0.01)	($0.00)

Summary of Results of Operations as Percentage of Net Sales

	Twelve Months Ended December 31,			Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2009	2009	2010	2009	2010
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	48.4	38.8	41.8	51.2	51.7	51.0	52.7
Operating expenses	95.4	81.3	73.4	66.1	42.9	72.1	48.1
Earnings (loss) from operations	(47.0)	(42.5)	(31.6)	(15.0)	8.6	(21.1)	4.7
Earnings (loss)	(55.4)	(48.7)	(41.7)	(21.9)	2.8	(29.1)	(3.1)

Summary Financial Data for No Fear

The following tables are unaudited summaries of the key components of No Fear's results of operations for the period indicated, both in United States dollars and as a percentage of net sales. No Fear reports financial information in United States dollars using United States GAAP. The summary statements of operations data for the years ended August 31, 2007, 2008 and 2009 have been derived from No Fear's audited financial statements as at and for the years ended August 31, 2007, 2008 and 2009, which are contained in Appendix B to this Prospectus. The summary statements of operations data for the nine months ended May 31, 2009 and 2010 are derived from No Fear's unaudited interim financial statements as at and for the periods ended May 31, 2009 and 2010 contained in Appendix B to this Prospectus. The unaudited financial statements have been prepared on the same basis as No Fear's audited financial statements and include, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of the financial information set forth in those statements. The interim results for the nine months ended May 31, 2009 and 2010 are not necessarily indicative of the operating results for 2009 and 2010. Historical results are not necessarily indicative of the results to be expected in future periods. Investors should read the following financial information together with the information under "*Management's Discussion and Analysis of Financial Condition and Results of Operations – No Fear*" and No Fear's financial statements and the related notes to the financial statements appearing at Appendix B to this Prospectus.

Summary of Results of Operations

	Fiscal Years Ended August 31,			Nine Months Ended May 31,	
	2007	2008	2009	2009	2010
		(audited)		(unaudited)	
		(in thousands except operating data)			
Sales, net	$37,081	$40,229	$39,308	$28,885	$27,734
Cost of goods sold	20,193	22,035	21,278	15,896	15,126
Gross profit	16,888	18,194	18,030	12,989	12,608
Selling	5,730	6,241	6,480	4,842	5,172
General and administrative	9,780	11,422	11,846	9,041	9,208
Impairment loss	-	305	111	-	-
Operating income (loss)(2)	1,378	226	(407)	(894)	(1,772)
Royalty income	-	-	1,466	1,079	987
Interest expense	(111)	(188)	(178)	(141)	(192)
Income from operations before income taxes	1,267	38	881	44	(977)
Income tax expense (benefit)	523	60	378	(12)	(269)
Net income (loss)	$744	($22)	$503	$56	($708)
Operating data (unaudited):					
Stores open at end of period	39	48	54	55	54
Comparable store sales change(1)	17.7%	0.3%	(19.4)%	(20.0)%	(10.2)%
EBITDA(2)	$2,617	$1,563	$2,430	$1,240	($23)

Summary of Results of Operations as Percentage of Net Sales

	Fiscal Years Ended August 31,			Nine Months Ended May 31,	
	2007	2008	2009	2009	2010
		(audited)		(unaudited)	
Sales, net	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	54.5	54.8	54.1	55.0	54.5
Gross profit	45.5	45.2	45.9	45.0	45.5
Selling	15.4	15.5	16.5	16.8	18.6
General and administrative	26.4	28.4	30.1	31.3	33.2
Impairment loss	-	0.7	0.3	-	-
Operating income (loss)(2)	3.7	0.6	(1.0)	(3.1)	(6.4)
Royalty income	-	-	3.7	3.7	3.6
Interest expense	(0.3)	(0.5)	(0.4)	(0.5)	(0.7)
Income (loss) from operations before income taxes	3.4	0.1	2.3	0.2	(3.5)
Income tax expense (benefit)	1.4	0.2	1.0	(0.0)	(1.0)
Net income (loss)	2.0%	(0.1)%	1.3%	0.2%	(2.6)%

Notes:

(1) Comparable store sales change calculated based on calendar monthly comparable data.

(2) EBITDA and operating income have been presented in this Prospectus and are supplemental measures of financial performance that are not a measure recognized by either United States or Canadian GAAP. See "*Non-GAAP Measures*".

The following table presents a reconciliation of EBITDA to net income (loss), the most directly comparable U.S. GAAP measure, for each of the periods indicated:

	Fiscal Years Ended August 31,			Nine Months Ended May 31,	
	2007	2008	2009	2009	2010
		(audited)		(unaudited)	
			(in thousands)		
EBITDA(1)	$2,617	$1,563	$2,430	$1,240	($23)
Depreciation and amortization	1,239	1,337	1,371	1,055	762
Federal income tax expense (benefit)	376	(15)	289	(21)	(276)
State income tax expense	147	75	89	9	7
Interest expense	111	188	178	141	192
Net income (loss)	$744	($22)	$503	$56	($708)

Notes:

(1) EBITDA and operating income have been presented in this Prospectus and are supplemental measures of financial performance that are not a measure recognized by either United States or Canadian GAAP. See "*Non-GAAP Measures*".

Recent Developments

As a result of the challenging economic environment in the United States that continued into 2010, sales declined approximately 20% in No Fear's fourth fiscal quarter compared to the fourth quarter of 2009 and same store sales were down approximately 12.0% in fiscal 2010. See "*Business – No Fear – Recent Developments*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – No Fear*".

Summary Pro Forma Financial Data for the Resulting Issuer

The following table is the unaudited pro forma summary of the key components of Gatorz' results of operations for the period indicated. The unaudited pro forma consolidated financial statements are derived from (i) the audited consolidated financial statements of Gatorz for the year ended December 31, 2009 and the unaudited interim financial statements for the six months ended June 30, 2010, and (ii) the unaudited interim financial statements for the nine months ended May 31, 2009 and 2010 and the audited financial statements for the year ended August 31, 2009 of No Fear, together with other information available to the companies. The unaudited pro forma consolidated financial statements give effect to the proposed transactions and assumptions as if they had occurred as at June 30, 2010 for the balance sheet and at July 1, 2009 for the income statement. In preparing these unaudited pro forma financial statements, no adjustments have been made to reflect operating synergies and general and administrative cost savings that may result from combining the operations. The unaudited pro forma consolidated income statement for the twelve month period was prepared from (i) the income statement of Gatorz for the twelve months ended December 31, 2009 and the unaudited interim income statements for the periods ended June 30, 2009 and 2010, and (ii) the income statement of No Fear for the year ended August 31, 2009 and the unaudited interim income statements for the periods ended May 31, 2009 and 2010. Accounting policies used in the unaudited consolidated pro forma financial statements are consistent with the policies used by Gatorz and No Fear in their financial statements. In the opinion of Gatorz' management, the unaudited pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the transactions described herein. The unaudited pro forma financial information is presented for informational purposes only and is not intended to represent or to be indicative of the combined results of operations or financial position that Gatorz would have reported had the transaction been completed as of the dates described, and should not be taken as representative of the Gatorz' future results of operations or financial position. Investors should read the following financial information together with Gatorz' pro forma consolidated financial statements and the related notes to the financial statements appearing at Appendix B to this Prospectus.

Summary of Results of Operations

	Gatorz Inc. Twelve Months ended June 30, 2010	**No Fear Retail Stores, Inc. Twelve Months ended May 31, 2010**	**Unaudited Pro Forma Adjustments**	**Gatorz Inc. Unaudited Pro Forma Consolidated Twelve Months ended June 30, 2010**
		(unaudited) (in thousands)		
Sales, net	$1,737	$38,157	($222)	$39,672
Cost of goods sold	988	20,508	(150)	21,346
Gross profit	749	17,649	(72)	18,326
Selling	716	6,810	-	7,526
General and administrative	404	12,013	95	12,512
Impairment loss	-	111	-	111
Operating income (loss)[(1)]	(371)	(1,285)	(167)	(1,823)
Royalty income	-	1,372	-	1,372
Interest expense	(106)	(228)	-	(334)
Income (loss) from operations before income taxes	(477)	(141)	(167)	(785)
Income tax expense (benefit)	0	120	-	120
Net income (loss)	($477)	($261)	($167)	($905)
Basic and fully dilute income (loss) per share	($0.09)			($0.05)

Note:

(1) Operating income has been presented in this Prospectus and is a supplemental measure of financial performance that is not a measure recognized by either United States or Canadian GAAP. See "*Non-GAAP Measures*".

CORPORATE STRUCTURE

Resulting Issuer

Immediately prior, and as a condition precedent, to the Closing, Gatorz intends to acquire all of the remaining issued and outstanding shares of common stock of No Fear that it does not currently own, in exchange for 12,384,375 Merger Common Shares and 6,555,240 Merger Preferred Shares pursuant to the Merger Agreement. The transactions contemplated by the Merger Agreement will constitute a reverse takeover of Gatorz by No Fear.

Immediately prior to the closing of the RTO and the Offering, Gatorz will change its name to "No Fear Holdings Inc." and complete the Consolidation. In connection with the name change, the Resulting Issuer intends to change its trading symbol to "NFH". Gatorz has received conditional approval from the Exchange for the RTO, the Consolidation and the proposed name change. Gatorz' shareholders approved by special resolution the name change and Consolidation on June 29, 2010. Additionally, Gatorz' shareholders have consented to the RTO in accordance with the rules of the Exchange.

After giving effect to the completion of the Consolidation, the RTO and the Offering (assuming the maximum Offering size of C$8,000,000): (i) there will be 28,291,154 Resulting Issuer Common Shares and 6,555,240 Preferred Shares outstanding; (ii) Simo Holdings will own approximately 47.1%% of the outstanding Resulting Issuer Common Shares and 100% of the outstanding Preferred Shares, comprising 57% of the outstanding voting shares of the Resulting Issuer; and (iii) it is expected that Gatorz' business will account for approximately 6% of the consolidated assets and 4% of the consolidated revenues, on an annualized basis, of the Resulting Issuer. If less than the maximum Offering is completed, Simo Holdings will own a greater percentage of the Resulting Issuer Common Shares and a greater percentage of the outstanding voting securities. See "*Corporate Structure*" and "*Risk Factors – Risks Related to the Resulting Issuer's Ownership Structure*".

Gatorz

Gatorz was incorporated under the *Canada Business Corporations Act* as "IBF 1 Corp." on September 1, 2005. The articles of incorporation of Gatorz were amended by way of articles of amendment dated April 21, 2006 to delete the share transfer restrictions contained therein. On January 23, 2007, Gatorz completed the acquisition of Reno Wilson (doing business as Gatorz Eyewear) that constituted Gatorz' qualifying transaction under the rules of the Exchange. On July 11, 2007, Gatorz filed articles of amendment to change its name to "Gatorz Inc." and its trading symbol on the Exchange was subsequently changed to "GTZ".

On June 29, 2010, Gatorz' shareholders (a) approved an amendment to the articles of Gatorz to change the name of Gatorz to "No Fear Holdings Inc." or such other name as may be approved by the Gatorz Board and the applicable regulatory authorities, (b) authorized the implementation of the proposed Consolidation, and (c) approved an amendment to Gatorz' articles to create the Preferred Shares.

The registered and head office of Gatorz is located at 710 Dorval Drive, Suite 520, Oakville, Ontario, L6K 3V7.

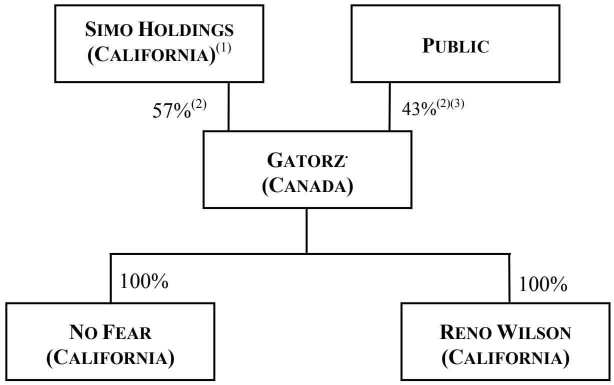
No Fear

No Fear was incorporated under the laws of the State of California, United States, as "No Fear Retail Stores, Inc." on July 25, 2006. The registered and head office of No Fear is located at 1812 Aston Avenue, Carlsbad, California 92008.

Inter-Corporate Relationship

Prior to completion of the RTO, Gatorz had one wholly-owned subsidiary, Reno Wilson. Upon completion of the RTO, No Fear will also be a wholly-owned subsidiary of Gatorz. The completion of the Transaction will constitute a reverse takeover of Gatorz.

The relationship between the Resulting Issuer, its controlling shareholder, all other shareholders and its subsidiaries immediately following the completion of the Offering (assuming the maximum Offering size of C$8,000,000) will be as follows:



Notes:

(1) Simo Holdings will receive 12,384,375 Merger Common Shares and 6,555,240 Merger Preferred Shares in exchange for all of the issued and outstanding shares of common stock of No Fear not currently owned by Gatorz prior to the RTO. Simo Holdings is a holding company held as to 38.20% by Mark Simo, as to 37.15% by Brian Simo and as to the remaining 24.65% by twenty-five other shareholders, the largest of whom holds less than 7%.

(2) Percentages include the Merger Common Shares and Merger Preferred Shares to be issued to Simo Holdings at the closing of the RTO. If less than the maximum Offering of C$8,000,000 is achieved, Simo Holdings will own a higher percentage of the outstanding voting shares. For example, if C$6,000,000 is raised under the Offering, Simo Holdings will own approximately 61.5% of the outstanding voting shares and if C$3,500,000 is raised under the Offering Simo Holdings will own approximately 68% of the outstanding voting shares of Gatorz.

(3) See also "*Principal Shareholders*".

SUMMARY OF THE TRANSACTION

Following the completion of a publicly announced strategic alternative process undertaken by an independent special committee of the Gatorz Board, on July 20, 2009, Gatorz and No Fear executed a binding term sheet setting out the proposed framework and financial terms of the Transaction.

Management of Gatorz and No Fear believe the Transaction has a number of potential benefits for the Resulting Issuer. Distribution of Gatorz product serves to further differentiate No Fear's retail concept, while leveraging the expenses of the Resulting Issuer across a larger revenue base. No Fear plans to introduce plastic sunglass frames in addition to the aluminium currently sold by Gatorz. Plastic sunglass frames carry a higher gross margin and reduce the cost of sourcing existing products in order to increase the Resulting Issuer's gross margin. Furthermore, No Fear and its management team, in particular Mark Simo, have significant experience in the optical market that they believe will benefit the operations of Gatorz. The Offering will provide funding for the Resulting Issuer to attempt to achieve its growth objectives.

First Stage

The initial stage of the Transaction consisted of a share exchange between Gatorz and Simo Holdings and an agreement to appoint a No Fear representative to the Gatorz Board.

On December 3, 2009, Gatorz, No Fear and Simo Holdings entered into the Share Exchange Agreement pursuant to which Gatorz issued to Simo Holdings 7,500,000 Common Shares (or 937,500 Resulting Issuer Common Shares) in exchange for the transfer by Simo Holdings of 900,000 shares of common stock of No Fear. The closing of the transactions contemplated by the Share Exchange Agreement occurred on March 4, 2010. To date, No Fear has not exercised its right to appoint a member to the Gatorz Board.

Also as part of the initial stage of the Transaction, Gatorz and No Fear entered into the Shared Services Agreement under which No Fear agreed to share its Carlsbad, California office and warehouse facilities with Gatorz and provide Gatorz with certain utilities and business services. On September 8, 2009, Gatorz completed the physical integration of its operations with No Fear as contemplated by the Shared Services Agreement.

Second Stage

On April 26, 2010, Gatorz, Merger Corp., No Fear and Simo Holdings entered into the Merger Agreement in respect of the second stage of the Transaction. The Merger Agreement was subsequently amended on July 30, 2010 to, among other things, amend a portion of the consideration to be the Merger Preferred Shares (as opposed to restricted Common Shares) and extend the outside closing date for the RTO. Pursuant to the Merger Agreement, and subject to the terms thereof at the closing Gatorz will issue to Simo Holdings (i) 12,384,375 Merger Common Shares and (ii) an additional 6,555,240 Merger Preferred Shares, in exchange for all of the issued and outstanding shares of common stock of No Fear not already owned by Gatorz.

The Merger Preferred Shares will be issued in four separate series, all having identical terms except with respect to the time at which they may be converted for no additional consideration into Resulting Issuer Common Shares. In that regard: (i) the 2,220,312 Merger Preferred Shares, Series I-A, shall be freely convertible into 2,220,312 Resulting Issuer Common Shares when the Resulting Issuer has a total of 104 stores open, inclusive of any stores in existence on April 26, 2010; (ii) the 1,149,176 Merger Preferred Shares, Series I-B, shall be freely convertible into 1,149,176 Resulting Issuer Common Shares when the Resulting Issuer has a total of 154 stores open, inclusive of any stores in existence on April 26, 2010; (iii) the 2,220,312 Merger Preferred Shares, Series I-C, shall be freely convertible into 2,220,312 Resulting Issuer Common Shares when the Resulting Issuer Common Shares trade on the Exchange or other stock exchange at a price of C$6.00 or more for 20 consecutive trading days; and (iv) the 965,440 Merger Preferred Shares, Series I-D, shall be freely convertible into 965,440 Resulting Issuer Common Shares when the Resulting Issuer Common Shares trade on the Exchange or other stock exchange at a price of C$8.00 or more for 20 consecutive trading days. All Merger Preferred Shares shall (A) have full voting rights on a fully converted basis, carrying one vote per share, on all matters that the Resulting Issuer Common Shares have the right to vote upon and otherwise as required by any legal requirement, (B) be redeemable by the Resulting Issuer for the sole consideration of payment of any accrued but unpaid dividends, if any, on the date which is 10 years from the date of issuance, or immediately prior to a Redemption Event, (C) be freely convertible at the request of the holder and without the payment of additional consideration on a one-for-one basis into Resulting Issuer Common Shares upon a liquidation, winding up, dissolution or similar event of the Resulting Issuer (but not a Redemption Event), (D) be entitled to receive any amounts on an equal per share basis paid to Resulting Issuer Common Shares upon a liquidation, winding up, dissolution, or similar event of the Resulting Issuer (but not a Redemption Event) on an as-converted basis, (E) participate equally on an as-converted basis in all dividends declared upon or paid to Resulting Issuer Common Shares, (F) be subject to customary anti-dilution adjustments for stock splits, stock dividends, dilutive share issuances, share consolidations, recapitalizations, and other events to be reasonably agreed upon between No Fear and Gatorz, and (G) be in form and substance reasonably agreeable to No Fear and Gatorz in all other respects.

At closing of the RTO, Simo Holdings shall enter into an agreement with Gatorz on terms mutually satisfactory to Simo Holdings and Gatorz, acting reasonably, and in a form approved by the Exchange, pursuant to which Simo Holdings shall covenant not to sell, transfer, or otherwise dispose of the Merger Preferred Shares only to the extent required by the Exchange, subject to customary exclusions including transfers to affiliates.

Concurrent with the closing of the RTO, No Fear and Simo Holdings will undertake the following actions:

- Simo Holdings will transfer all of the intellectual property that it owns in the "So Cal," "No Cal" and "Fearless" trademarks to No Fear;
- No Fear will no longer purchase either proprietary branded product or third party product from Simo Holdings but will instead purchase all such product directly from third party vendors;
- No Fear will enter into employment agreements with each of Mark Simo, Chief Executive Officer, Michael Pratt, Chief Financial Officer and Corporate Secretary, and Eric Baker, VP Retail Store Operations, and, where appropriate, individuals in support functions including accounting and information technology. See "*Proposed Executive and Director Compensation of the Resulting Issuer – Proposed Executive Compensation*";
- Simo Holdings and No Fear will terminate the Management Services Agreement; and

- No Fear will enter into a sublease with Simo Holdings to occupy 20% of its office and warehouse facility in Carlsbad, California for the remainder of the term of the lease (June 2012) and any extension of the term.

See *"Directors and Executive Officers*" and *"Relationships between Simo Holdings and the Resulting Issuer".*

Closing of the RTO is subject to a number of conditions. See "*Summary of the Transaction – Merger Agreement – Conditions Precedent to the RTO*".

Merger Agreement

The following is a summary of the material provisions of the Merger Agreement. This description is not a complete description of the provisions of the Merger Agreement and is qualified in its entirety by the Merger Agreement which is available for review under Gatorz' SEDAR profile at www.sedar.com.

General

In connection with the RTO, the 39,100,000 shares of common stock of No Fear held by Simo Holdings will be transferred to Gatorz by Simo Holdings in exchange for the issuance by Gatorz to Simo Holdings of 12,384,375 Merger Common Shares and 6,555,240 Merger Preferred Shares.

Representations, Warranties and Covenants

Pursuant to the Merger Agreement, No Fear and Simo Holdings make certain representations and warranties to Gatorz and Merger Corp. These include, among others, representations and warranties about No Fear's organization as a California corporation, its authorization of the Merger Agreement, its capital stock, its financial statements, its assets and liabilities, its intellectual property, certain tax and environmental matters, its employees and employee benefits, its regulatory compliance and compliance with applicable laws.

Pursuant to the Merger Agreement, Gatorz and Merger Corp. also make certain representations and warranties to No Fear and Simo Holdings. These include, among others, representations and warranties regarding their respective corporate organization, capitalization, financial statements, assets and liabilities, intellectual property and their authorization of the Merger Agreement.

Certain of the representations and warranties of each of the parties to the Merger Agreement will only survive closing of the RTO for a period of one year. However, representations with respect to tax matters will survive the minimum period required by statute plus sixty (60) days. See "*Risk Factors – Risks Related to the Offering and the Transaction*".

The parties to the Merger Agreement also covenant and agree to promptly seek all requisite approvals to the RTO and exercise all commercially reasonable efforts to obtain any necessary or appropriate consent, approval or authorization of any governmental entity or third party in connection with the Merger Agreement and the transactions contemplated thereby, including the proposed RTO.

Conditions Precedent to the RTO

The obligations of the parties to consummate the RTO are subject to conditions that must be satisfied or waived (in accordance with the terms of the Merger Agreement) by the applicable party prior to the consummation of the RTO. There can be no assurance that the relevant conditions will be satisfied or that such conditions will be waived by the applicable party or parties to the extent the conditions could be waived.

Mutual Conditions

Among the mutual conditions, each of the parties to the Merger Agreement has agreed that no order preventing the consummation of the transactions contemplated by the Merger Agreement shall have been issued, that any waiting period applicable to the consummation of the RTO under any material applicable antitrust requirements shall have expired or been terminated, that any material governmental authorization or other material consent required under any applicable antitrust or competition law shall have been obtained and shall remain in full force and effect, and that there shall not be any legal proceeding pending, or overtly threatened by an official of a governmental body with respect to the RTO.

Conditions to Obligations of Gatorz and Merger Corp.

In addition to the mutual conditions set out above, the obligations of Gatorz and Merger Corp. to effect the RTO are subject to the following conditions: the accuracy of the representations and warranties of No Fear and Simo Holdings contained in the Merger Agreement except as would not cause a material adverse effect relating to No Fear, the performance of the covenants and obligations of No Fear and Simo Holdings, the lack of the occurrence of a material adverse effect relating to No Fear, the receipt of all required consents, the receipt of certain documents and agreements set out in the Merger Agreement, the transfer of certain of Simo Holdings' intellectual property, the termination of the Management Services Agreement, the execution of employment agreements with each of Mark Simo, Michael Pratt and Eric Baker, the execution of a sublease agreement between Simo Holdings and No Fear in relation to No Fear's office and warehouse location, the assignment by Simo Holdings to No Fear of all rights, title and obligations in and to certain material supply agreement and the execution of an agreement by Simo Holdings on terms mutually satisfactory to Simo Holdings and Gatorz, acting reasonably, pursuant to which Simo Holdings shall covenant not to sell, transfer, or otherwise dispose of the Merger Preferred Shares only to the extent required by the Exchange, subject to customary exclusions including transfers to affiliates. See "*Proposed Executive and Director Compensation of the Resulting Issuer*" and "*Relationship between Simo Holdings and the Resulting Issuer*".

Conditions to Obligations of No Fear and Simo Holdings

In addition to the mutual conditions set out above, the obligation of No Fear and Simo Holdings to effect the RTO is subject to the following conditions: the accuracy of the representations and warranties of Gatorz and Merger Corp. contained in the Merger Agreement except as would not cause a material adverse effect relating to Gatorz, the performance of the covenants and obligations of Gatorz and Merger Corp., the lack of the occurrence of a material adverse effect relating to Gatorz, the receipt of all required consents, the receipt of certain documents and agreements set out in the Merger Agreement, the appointment of the board of directors and officers of Gatorz as set out in the Merger Agreement, the approval of the Exchange of the RTO, the completion of the Offering, the receipt of legal opinions, the amendment of certain employment agreements with Kerry Lynch and the payment, concurrent with the Closing, of certain unpaid but accrued wages and severance amounts to Michael DiAnna in connection with his resignation from Gatorz and the repayment of a promissory note held by James DiAnna. See "*Use of Proceeds*" and "*Executive Compensation - Gatorz*".

Termination of the Merger Agreement

The Merger Agreement may be terminated, and the RTO abandoned, at any time prior to the effective time of the RTO:

(a) by mutual written consent duly authorized by the boards of directors of Gatorz and No Fear;

(b) by either Gatorz or No Fear if the RTO has not been completed by November 12, 2010;

(c) by either Gatorz or No Fear if a court or other governmental body has issued a non-appealable final order, decree or ruling or taken any other non-appealable final action, which permanently affects the RTO;

(d) by No Fear, upon a material breach of any representation, warranty, covenant or agreement on the part of Gatorz or Merger Corp., or if any representation or warranty of Gatorz or Merger Corp. has become inaccurate in a manner which causes certain closing conditions to fail (subject to the cure periods set out in the Merger Agreement);

(e) by Gatorz, upon a material breach of any representation, warranty, covenant or agreement on the part of No Fear or Simo Holdings, or if any representation or warranty of No Fear or Simo Holdings has become inaccurate in a manner which causes certain closing conditions to fail (subject to the cure periods set out in the Merger Agreement); or

(f) by No Fear upon a material breach of any representation, warranty, covenant or agreement on the part of any Supporting Shareholder set forth in any Gatorz Stockholder Voting Agreement.

In the event of the termination of the Merger Agreement, all fees and expenses incurred in connection with the RTO will be paid by the party incurring the expenses, whether or not the RTO is consummated. Upon termination, Gatorz will assign and transfer to No Fear 450,000 shares of common stock of No Fear and No Fear will assign and transfer to Gatorz 3,750,000 Common Shares (or 468,750 Resulting Issuer Common Shares). Additionally, Gatorz will promptly assign and transfer to No Fear 450,000 additional shares of common stock of No Fear in the event that the Merger Agreement is terminated by No Fear pursuant to items (d) or (f) listed above and No Fear will promptly assign and transfer to Gatorz 3,750,000 additional Common Shares in the event that the Merger Agreement is terminated by Gatorz pursuant to item (e) listed above.

Indemnity

Simo Holdings has agreed to indemnify, defend and hold harmless Gatorz, the Resulting Issuer, and their respective affiliates, officers, directors, agents, employees, successors, representatives and assigns (each, a "Gatorz Indemnified Party") from and against fifty percent (50%) of any and all damages asserted against, resulting to, imposed upon, or incurred or suffered by any Gatorz Indemnified Party, directly or indirectly, as a result of or arising from (a) any inaccuracy in or breach of any of the representations or warranties made by No Fear and Simo Holdings (which indemnity will be strictly limited to $1,000,000, unless based on fraud, willful breach or intentional misrepresentation or omission); and (b) any breach or non-performance of any covenant, agreement or obligation to be performed by No Fear or Simo Holdings. Any such indemnity will be payable in the form of cash.

Gatorz has agreed to indemnify and hold harmless Simo Holdings and its affiliates, officers, directors, agents, employees, successors, representatives and assigns (each, a "Simo Holdings Indemnified Party") for one hundred percent (100%) of any and all damages asserted against, resulting to, imposed upon, or incurred or suffered by any Simo Holdings Indemnified Party, directly or indirectly, as a result of (a) any inaccuracy in or breach of any of the representations or warranties made by the Gatorz or Merger Corp. (which indemnity shall be limited to eight (8) million Common Shares (adjusted in the event of stock dividend, subdivision, reclassification, recapitalization, split, reverse, split combination or exchange of shares to provide the holders the same economic effect), unless based on fraud, willful breach or intentional misrepresentation or omission); and (b) any breach or non-performance of any covenant, agreement or obligation to be performed by Gatorz or Merger Corp. Any such indemnity will be payable in the form of Resulting Issuer Common Shares, which shall have a stipulated value per share equal to the Issue Price.

Closing

Once the closing conditions contained in the Merger Agreement have been satisfied or waived, the parties will execute and file a Certificate of Merger with the Secretary of State of the State of California to effect the RTO. On the closing of the RTO, the certificate of incorporation and bylaws of the Surviving Corporation shall be the certificate of incorporation and bylaws of No Fear. It is anticipated that the Closing will occur immediately following the closing of the RTO.

Name Change and Consolidation

Immediately prior to the closing of the RTO and the Offering, Gatorz will change its name to "No Fear Holdings Inc." and complete the Consolidation. In connection with the name change, the Resulting Issuer intends to change its trading symbol to "NFH". Gatorz has received conditional approval from the Exchange for the RTO, the Consolidation and the proposed name change. Gatorz' shareholders approved by special resolution the name change and Consolidation on June 29, 2010. Additionally, Gatorz' shareholders have consented to the RTO in accordance with the rules of the Exchange.

After giving effect to the completion of the Consolidation, the RTO and the Offering (assuming the maximum Offering size of C$8,000,000): (i) there will be 28,291,154 Resulting Issuer Common Shares and 6,555,240 Preferred Shares outstanding; (ii) Simo Holdings will own approximately 47.1% of the outstanding Resulting Issuer Common Shares and 100% of the outstanding Preferred Shares, comprising 57% of the outstanding voting shares of the Resulting Issuer; and (iii) it is expected that Gatorz' business will account for approximately 6% of the consolidated assets and 4% of the consolidated revenues, on an annualized basis, of the Resulting Issuer. If less than the maximum Offering is completed, Simo Holdings will own a greater percentage of the Resulting Issuer Common Shares and a greater percentage of the outstanding voting securities. See "*Corporate Structure*" and "*Risk Factors – Risks Related to the Resulting Issuer's Ownership Structure*".

BUSINESS

Resulting Issuer

Following completion of the Transaction, the business of the Resulting Issuer will, on a consolidated basis, primarily be the business of No Fear. A description of the current business of Gatorz (carried on through Reno Wilson) and the current business of No Fear is set out below.

Gatorz

Overview

Gatorz is a branded designer, developer, manufacturer and distributor of premium sunglasses. Gatorz branded sunglasses are manufactured by way of a patented, proprietary twenty-two step method of industrial precision-machine manufacturing. Gatorz products feature the same high-grade billet aluminium stock found in modern aircraft manufacturing, 707 billet aircraft aluminium, one of the strongest yet lightest aluminums in the world. As a result of the use of aluminium, Gatorz' frames are adjustable, allowing for a fit specific to the individual wearer. Gatorz' high quality frames are coupled with TruRay Optics, an assortment of high impact-proof lenses which are UVA, UVB and UVC blocking, along with offering what management believe is the highest grade of polarization available in the sunglass industry. Gatorz TruRay Optics lenses are manufactured to be optically correct and distortion free in order to provide the consumer with the clearest vision possible.

Gatorz' manufacturing strategy is tailored towards the needs of its customers and retailers. Gatorz controls the tooling technology, patented tooling specifications and owns the specialized production equipment utilized in the outsourced manufacturing process. Customization for individual customers and retailers is facilitated by mixing and matching frames, styles and coloured lenses.

The Gatorz product line is targeted toward action sports enthusiasts. Specific target markets for the Gatorz product line include motorcycling and other motorsports, skydiving, military, off-road, action sports and hunting and fishing. Gatorz products are sold in hundreds of specialty retailers across the United States and internationally.

No Fear

Overview

No Fear is a retailer of action sports and casual youth lifestyle apparel and accessories targeting young adults and teens. No Fear sells a broad range of apparel and accessories, primarily under the "No Fear" and "So Cal" brands, including t-shirts, jackets, sweatshirts, jeans, walkshorts, board shorts, eyewear, bags and watches complemented by a selection of video and music, auto and motocross accessories, home décor, bedding, toys and gifts. In addition to its own brands, No Fear sells apparel and accessories consistent with its lifestyle focus from leading third party vendors including "FMF", "SRH", "Spy Optic", "Metal Mulisha", "Oakley" and "Gatorz". No Fear's primary customers are historically young males, with the men's category accounting for 56% of sales while women's and youth make up 27% and 3% of sales, respectively. The remaining 14% of sales consists of optics in addition to other categories that are not age or gender specific, such as decals. As of September 30, 2010 No Fear operated 53 retail stores in seven states predominantly in the south-western United States.

No Fear's products target young adults and teens seeking an action sports inspired lifestyle. Unlike a number of retailers and apparel brands that have a history targeting the major board sports (surfing, skateboarding and snowboarding), the "No Fear" brand was founded in motocross and freestyle motocross and has maintained an intimate and continuous involvement in these and other major motorsports. With this foundation, the "No Fear" brand has successfully expanded into surfing and other action sports that No Fear believes matter most to its target market. No Fear utilizes grass roots marketing, including teams of sponsored athletes, to support motocross, freestyle motocross and surfing. No Fear has also sponsored events such as the NSSA Championship and the House of Blues music tour. No Fear believes its brand is consistent with the values and aspirations of its customers and its sponsored athletes, sports and events. See "*Risk Factors – Risks Relating to the Business*".

Since the opening of the first No Fear branded retail store in 2000, No Fear has grown its store base from 3 stores in 2000 to 53 stores as of September 30, 2010, resulting in a compound annual growth rate of 33%. During that period, No Fear has expanded from no direct-to-consumer revenue to $39 million in fiscal 2009 while generating four years of positive comparable store sales from fiscal 2005 to fiscal 2008. In addition to store growth, No Fear has demonstrated the ability to leverage its intellectual property through licensing arrangements in relevant categories to expand and strengthen the "No Fear" brand presence. In particular, No Fear has a licensing agreement with Office Depot, Inc. to produce inspirational office products and No Fear had a licence agreement with PepsiCo, Inc. to licence a "No Fear" branded energy drink, which is currently in the process of being terminated. No Fear believes that these licensing arrangements evidence No Fear's ability to leverage the "No Fear" brand. See "*Business – No Fear – Marketing and Promotions*", "*Business – No Fear – Recent Developments*" and "*Risk Factors – Risks Relating to the Business*".

Company History

Brothers Mark and Brian Simo founded Simo Holdings in 1990 to address a perceived need in the action sports apparel market. The "No Fear" brand experienced substantial growth in the early 1990s through traditional wholesale distribution channels for casual apparel. During the late 1990s, management of Simo Holdings recognized the need to better control Simo Holdings' distribution channels and at the same time to re-establish the "No Fear" brand as core to the action sports community. Simo Holdings took several steps to address these needs, including the decision to scale back wholesale distribution, particularly in department stores, and in 2000 to launch a "No Fear" branded retail concept.

Previously owned by Simo Holdings, the parent of No Fear, the intellectual property associated with the "No Fear" name, including the "No Fear" trademark and various other trademarks (See "*Business – No Fear – Intellectual Property*) was transferred to No Fear on August 31, 2008. As a result, No Fear is the beneficiary of numerous licensing relationships for the "No Fear" name including a licensed energy drink with PepsiCo, Inc. and a license for the marketing of "No Fear" branded motocross protective equipment. See "*Business – No Fear – Marketing and Promoting*", "*Relationship Between Simo Holdings and the Resulting Issuer*" and *"Risk Factors – Risks Relating to the Business"*. In addition, the eCommerce activities of www.nofear.com were consolidated with No Fear. No Fear believes the reorganization positioned it to capitalize on the strength of the "No Fear" brand while providing No Fear with multiple avenues of growth.

Competitive Strengths

Management of No Fear believes that No Fear has several qualities that provide it with a distinct competitive advantage.

- <u>Established Brand</u>. The "No Fear" brand has been in continuous use for over 20 years and has become synonymous with an attitude of irreverent and spirited engagement. From the brand's inception, substantial resources have been devoted to develop and nurture the brand consistent with this attitude. From sponsorships of leading action sports athletes, including Jeremy McGrath, Travis Pastrana and Rickey Carmichael, to the nationwide distribution and marketing of the "No Fear" energy drink, these efforts have created a brand that is recognized nationally in the United States, maintains high consumer awareness, and speaks to No Fear's target customer. No Fear believes the strength, durability and relevance of the "No Fear" brand will facilitate the expansion of its concept across the United States.

- <u>Retail Concept Based on Intellectual Property</u>. Unlike most of No Fear's retail competitors in the action sports market, which primarily sell third party brands, No Fear owns or controls a majority of the brands that it sells. "So Cal" and "No Fear" are the two leading brands in No Fear's stores, representing approximately 43% of No Fear's sales. See "*Relationship Between Simo Holdings and the Resulting Issuer*". No Fear believes its ownership of intellectual property provides a distinct competitive advantage over retailers that primarily sell third party brands.

- <u>Differentiated Market Positioning and Product Offering</u>. Unlike numerous familiar action sports retailers and apparel brands that have a history in surfing or skateboarding, the "No Fear" brand was founded in motorsports and has stayed true to its roots while expanding into other action sports. While numerous retailers address a board sports or beach lifestyle, No Fear believes it is the largest retailer to address the market from a motorsports perspective. Finally, No Fear offers a distinct selection of products under both its proprietary brands and third party labels. A large portion of No Fear's products are sold only by No Fear, differentiating No Fear from other retailers in a mall setting that carry products from major action sports brands. As a result of all of these factors, No Fear believes it offers a desirable and distinctive retail experience in a typical mall setting.

- Experienced, Entrepreneurial Management Team. No Fear is led by a management team with significant experience in the action sports and retailing industries. Mark Simo, Chief Executive Officer, is a pioneer in the action sports industry, having co-founded Simo Holdings in 1990 and Spy Optic in 1994. Before creating the "No Fear" brand, Mark was instrumental in the founding of the brands "Life's a Beach" and "Bad Boy Club". Eric Baker, No Fear's Vice President of Retail Store Operations, previously served as Chief Operating Officer at Simo Holdings from 1996 to 2001 and, prior to joining No Fear, was general manager of JT Action Sports, a division of Brass Eagle Inc. which was acquired by K2 Inc. The senior management team is complemented by a talented group of professionals that embody the "No Fear" brand and spirit. No Fear believes it has the personnel in place to support its planned rollout of stores. See "*Directors and Executive Officers*" and "*Risk Factors – Risks Related to the Business*".

Industry

No Fear participates in the large and growing market inspired by action sports and a youthful lifestyle. No Fear caters to not only young men and women who participate in action sports but also those who seek to identify with the action sports community. No Fear believes there are several factors that will positively impact the overall action sports market:

- Shift from Traditional Sports to Action Sports. In recent years, individual action sports including surfing, skateboarding, snowboarding, motocross and BMX have become significantly more popular, while participation in traditional competitive and recreational sports such as baseball and football has declined. Participation in action sports is at an all-time high. According to the SGMA, more boys in the United States aged 6-17 are skateboarding (12 million) than are playing baseball (10 million). Roughly 40% of the 10 to 24 year old population in the United States is involved in action sports. Action sports are a rapidly growing part of today's youth culture, not only to those who participate in the activities, but also those who seek brands and styles that make them feel a part of the action sports community whether or not they actively participate in the sports. Events such as the X-Games and the addition of snowboarding to the Winter Olympics and BMX to the Summer Olympics in 2008 continue to heighten awareness of the action sports lifestyle. According to ESPN, 44 million people watched the 2009 Summer X-Games, an increase of 11% from 2008, with motor sport events being the most watched.

- Primary Participants in Action Sports have Significant Spending Power. According to the U.S. Census Bureau, the number of U.S. citizens aged 10-24 is expected to remain stable through 2015 at roughly 63 million people, and increase to roughly 67 million by 2025. It is estimated that the 40% of the 10 to 24 year old population in the United States currently involved in action sports has over $200 billion in spending power. Based on the most recent data available, teen and young adult spending in the United States was valued at $190 billion in 2006 and was expected to top $208 billion by 2011. U.S. families with teens spent $110 billion on their teens in 2006, with projected spending for 12 to 17 year olds by family members in the United States to top $117 billion in 2011.

Retail Stores

As of September 30, 2010, No Fear operated 53 retail stores in seven states primarily in the south-western United States. Approximately 70% of No Fear's stores are located in California. No Fear's retail stores are located in major shopping malls, with stores ranging in size from 1,000 to 2,400 square feet, and average approximately 1,750 square feet. The table below outlines the growth of No Fear's concept by stores over the last six fiscal years.

	Fiscal Years Ended August 31,						**Through year to date as at September 30, 2010**
	2005	2006	2007	2008	2009	2010	
Stores open, beginning of period	19	22	34	39	48	54	55
Net new stores	3	12	5	9	6	1	(2)
Stores open, end of period	22	34	39	48	54	55	53

Associates

No Fear's stores are typically staffed by one full-time manager, one full-time assistant manager and three to five hourly employees, including team leads. No Fear believes the passion and commitment of No Fear's store employees is a key to its past and future success. No Fear seeks to hire individuals that live and promote the "No Fear" culture, being the risk-taking attitude, passion and enthusiasm with which No Fear's founders and target market attack life, not only in No Fear stores but also outside of work in their activities, schools and communities. No Fear is focused on providing its store associates with career advancement opportunities and seeks to promote a large portion of its store managers and district managers from within its company. As of September 30, 2010, 5 of 10 district and regional managers had been promoted from within the organization.

Store Experience

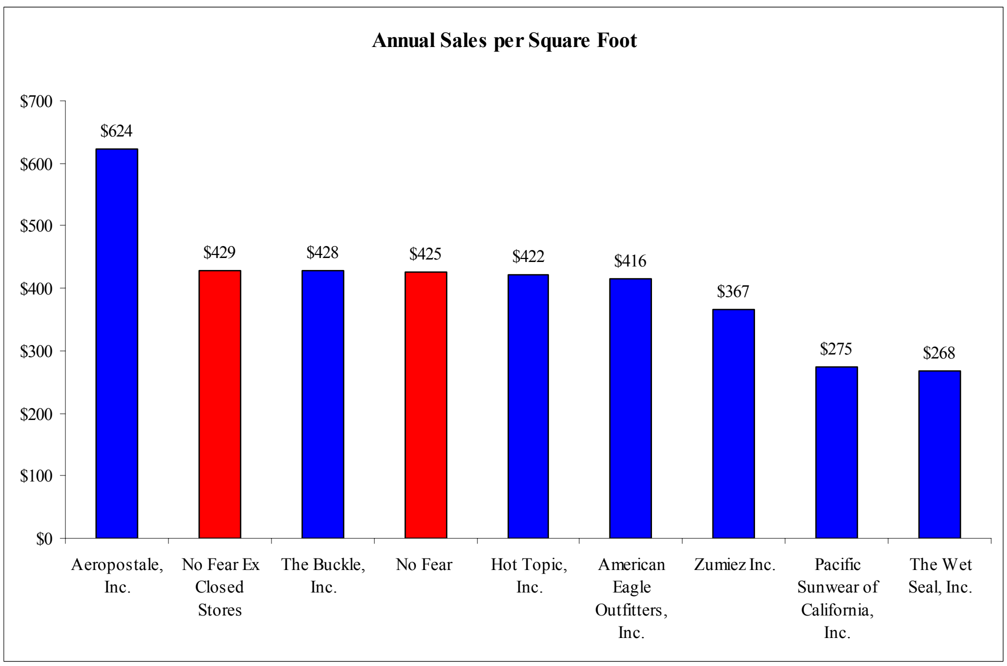
No Fear's stores sell a full range of "No Fear" and "So Cal" branded apparel and accessories and leading third party products that are consistent with No Fear's lifestyle focus. No Fear's stores are designed to be engaging and inviting to No Fear's target customers, young adults and teens, and young males in particular. No Fear focuses on creating an "industrial" environment with exposed ceilings and concrete floors, an environment No Fear believes resonates with its target customer. Items are arranged by category with a t-shirt wall typically serving as the centerpiece of each store. No Fear utilizes a fixturing system that was developed by No Fear in all of its stores that allows it to easily shift displays and product categories. No Fear stores feature an audio/video package with televisions showing action sports and related lifestyle programs. Music in each No Fear store is consistent with the lifestyle that No Fear's customers live or aspire to. No Fear reinforces the authenticity of its concept through in-store visuals, signage and product labelling.

The following pictures show the exterior and interior of a typical No Fear retail store.

Store Performance

No Fear's stores generated same store sales growth of 0.3%, 17.7%, 16.5% and 10.0% for the fiscal years ended August 31, 2008, 2007, 2006 and 2005, respectively. As a result of the challenging economic environment, same store sales were down 19.4% in fiscal 2009 and were down 10.2% in the first nine months of fiscal 2010. With No Fear's geographic concentration in California, Arizona and Nevada, No Fear believes its performance was consistent with its peers in the regions where No Fear operates. In fiscal 2009, No Fear's stores open for the entire year generated average revenue of approximately $777,000. Substantially all of No Fear's consolidated revenues are derived from sales of apparel and related accessories to consumers.

No Fear believes the productivity of its retail stores, as measured by sales per square foot, is equal to or better than a majority of its peers. The following chart depicts the sales per square foot of No Fear stores relative to other publicly traded specialty retailers targeting young adults and teens which disclose sales per square foot data.



Source: Public filings for the fiscal years ended January 30, 2010. No Fear data for comparable stores as of January 31, 2010 for the year ended January 31, 2010. Figures for Aeropostale Inc., American Eagle Outfitters Inc. and Hot Topic, Inc. are for all concepts.

Store Economics

An average No Fear retail store, including inventory, historically cost approximately $250,000 to $400,000 to construct, assuming no tenant improvement allowances. Approximately $200,000 to $250,000 of the cost consists of fixed assets, including fixtures and No Fear's point of sale system. Other than the audio/video package previously discussed under the heading "*Business – No Fear – Retail Stores – Store Experience*", No Fear utilizes simple fixtures in its stores that can be used across No Fear's chain. The remainder of the expense is the cost of inventory required to stock No Fear stores. In certain situations, No Fear receives tenant improvement allowances to offset the costs associated with opening a new store. These allowances vary by location. No Fear seeks to achieve payback on its investment in new stores in less than three years.

Periodically, No Fear secures attractive real estate under short-term leases (typically less than one year) in order to test its performance in select markets. In the current economic environment, these short-term leases allow No Fear to limit its lease exposure and also dramatically reduce the cost of building out a new location. In locations under short-term leases, No Fear is able to build a "No Fear" store for approximately $50,000 using the existing shell constructed by the previous tenant. To No Fear's customer, these stores are similar in appearance to No Fear's stores under long-term leases. Currently approximately 15% of No Fear's stores operate under short-term leases. To date, No Fear has been successful in converting short-term leases to long-term leases after No Fear proves its performance in a market. See "*Risk Factors – Risks Related to the Business*".

Products

No Fear sells products that fit the irreverent, action sports inspired lifestyle of its target customer. No Fear sells a broad range of apparel and accessories, primarily under the "No Fear" and "So Cal" brands, including t-shirts, jackets, sweatshirts, jeans, walkshorts, board shorts, eyewear, bags and watches complemented by a selection of video and music, auto and motocross accessories, home décor, bedding, toys and gifts. No Fear complements its proprietary branded product with apparel and accessories consistent with No Fear's lifestyle focus from leading third party vendors, including "FMF", "Spy Optic", "SRH", "Metal Mulisha", "Tapout", "Hustler", "187 Inc.", "Oakley" and "Gatorz". The following pictures depict the No Fear products across several categories and brands.



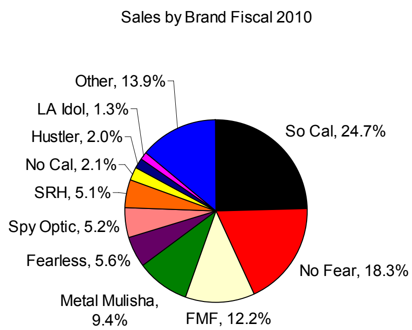


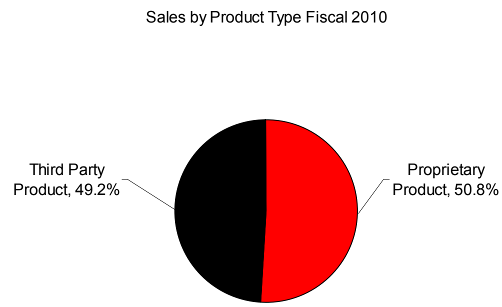




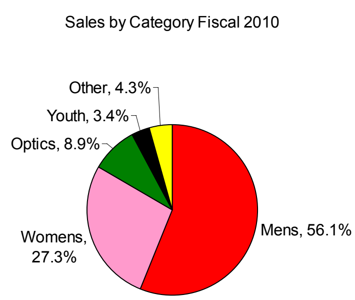



The following chart provides a breakdown of No Fear' sales between No Fear's proprietary branded product ("No Fear," "So Cal," "Fearless" and "No Cal") and third party products in fiscal 2010.





The following chart provides a breakdown of No Fear's sales by category of purchasers in fiscal 2010.



Products are delivered to No Fear stores on a daily basis from a warehouse in Carlsbad, California. The point of sale system in its stores provides daily inventory updates, allowing No Fear to replenish stores based on suggested inventory levels. As an item driven business, new styles and colors are periodically introduced into No Fear stores throughout the year. No Fear believes this encourages its customers to frequently shop at No Fear stores. While No Fear does introduce merchandise on a seasonal basis to reflect changing seasons, a large portion of its merchandise is product that is sold year round. The turnover of products is analyzed to determine reorders and the appropriate merchandise mix in No Fear stores.

Concurrent with the closing of the Transaction, the Resulting Issuer will enter into a sub-lease with Simo Holdings with respect to space in the warehouse facility in Carlsbad, California. and will purchase products directly from third parties rather than through Simo Holdings, which is the current arrangement. See "*Relationship between Simo Holdings and the Resulting Issuer*".

Marketing and Promotions

The goal of the marketing of the "No Fear" brand is to maintain the authenticity of the brand and establish the aspiration to the "No Fear" lifestyle. To this end, No Fear utilizes a combination of traditional advertising and editorial content in core media, athlete and event sponsorships and grassroots marketing.

No Fear has historically funded nearly all of its marketing through a license relationship with PepsiCo, Inc., which currently produces and distributes a "No Fear" branded energy drink in North America under a licence agreement that is now in the process of being terminated. In addition to royalty income from the license received by No Fear, Simo Holdings has historically received marketing dollars to support the "No Fear" brand, and has utilized that marketing fund to sponsor leading athletes in its core action sports. All marketing dollars received by Simo Holdings pursuant to the license agreement with PepsiCo, Inc. are required to be spent by Simo Holdings on marketing the "No Fear" brand and are subject to audit. Simo Holdings and PepsiCo, Inc. have agreed to terminate the license agreement in respect of the "No Fear" branded energy drink based on a staged transition of territories. Aside from certain limited territories which terminate in October 2010, PepsiCo, Inc. has the right during the transition period to terminate all remaining territories at its discretion and all such territories will be terminated no later than December 31, 2011. As outlined in the agreement, No Fear received an advance against future royalties following the execution of the termination agreement. While there can be no assurance any agreements will be finalized, No Fear is actively seeking licensing arrangements in appropriate categories including the beverage category to broaden the reach of the brand and strengthen the brand perception while generating additional sources of revenue and marketing funds. See *"Risk Factors – Risks Related to the Business*".

Motocross riders Tommy Searle and James Decontis and surfer Flynn Novak are three of several athletes sponsored by No Fear. These athletes serve to maintain the authentic status of the "No Fear" brand, serving as ambassadors of not only the "No Fear" brand but also the lifestyle. No Fear's grassroots marketing activities, which emphasize action sports and music events to further the "No Fear" brand, have included sponsoring World Extreme Cagefighting, the NSSA Championship, and the "No Fear" House of Blues Music Tour. No Fear believes all of the marketing of the "No Fear" brand directly or indirectly supports the success of the No Fear retail stores. See "*Risk Factors – Risks Related to the Business*".

The following pictures highlight two current No Fear sponsored athletes.

At the retail level, No Fear selectively utilizes marketing to drive traffic to its stores. When entering a new market, No Fear distributes gift cards to mall patrons and e-mails coupons to local customers in its database to stimulate foot traffic in its stores. In addition, store managers are encouraged to be active in their communities, providing grassroots support for the "No Fear" brand and culture. No Fear seeks to empower store managers and reward them for performance.

When necessary, No Fear first marks down product in its stores and on www.nofear.com to clear aged inventory. No Fear utilizes periodic sales in its stores to clear excess merchandise and stimulate store traffic. Where No Fear is unable to liquidate such merchandise through its stores, on www.nofear.com or through its wholesale or international channels, No Fear has a right to return merchandise to its vendors for credit and works with third party vendors to sell excess inventory to off-price retail partners in regions outside of its geographic markets.

Design and Manufacturing

No Fear does not manufacture any product; however, Simo Holdings owns select raw materials, primarily t-shirts, hats and sweatshirts, that it delivers to third party contractors for the printing of proprietary branded product in select categories. To limit inventory risk and expense, No Fear utilizes third party suppliers to design, source and import a majority of its proprietary branded product. Other than imprinted product, merchandise arrives at No Fear's distribution center pre-ticketed by its vendors. Historically, No Fear has purchased all of its product from Simo Holdings, who, in addition to proprietary branded product, also purchased branded product directly from leading third party vendors. Simo Holdings then sold third party product to No Fear at cost. With respect to proprietary product, Simo Holdings received a portion of the wholesale cost depending on the product to compensate for design, purchasing, warehousing and administrative functions. The portion of the wholesale cost received by Simo Holdings was determined by product. Upon completion of the Transaction, No Fear will no longer purchase either proprietary product or third party product from Simo Holdings and will instead purchase all product directly from third party vendors. See "*Relationship Between Simo Holdings and the Resulting Issuer*".

No Fear's Proprietary Branded Product – "No Fear", " So Ca1", "Fearless" and "No Cal"

No Fear utilizes a number of third party suppliers to design, source and import proprietary branded product. No Fear has creative control of the product to maintain the consistency of the brand and image. Proprietary branded products are generally produced by suppliers in Asia, Mexico or Central America and are warehoused at and distributed from the Carlsbad facility. Unlike a majority of No Fear's competitors, however, No Fear has historically not taken title to products until they are shipped from the Carlsbad facility to individual No Fear stores. No Fear has stock rotation rights on approximately half of its proprietary branded apparel and accessories, receiving a credit against future purchases for product that is returned to vendors. No Fear's suppliers have historically assumed inventory risk for product, funding No Fear's inventory and limiting its markdown risk. Upon completion of the Transaction, No Fear will purchase proprietary product directly from third party suppliers, rather than through Simo Holdings, and such third party suppliers who will delivery that product to the Carlsbad facility. No Fear will coordinate distribution to the stores and, depending on the type of product, will (i) take title to the product when it is shipped from the Carlsbad facility, or (ii) take title to the product when it is received in the Carlsbad facility.

Third Party Product

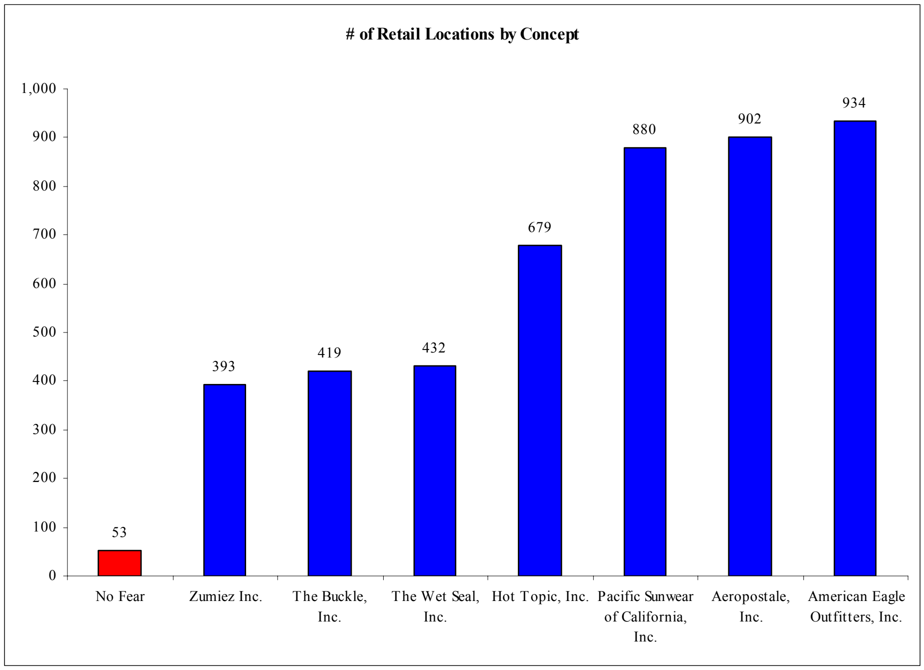
No Fear sells product from a number of third party brands. Brands are selected to be consistent with the "No Fear" image and lifestyle. No Fear attempts to identify up-and-coming brands and provide a distribution channel for those brands through its retail stores. Historically, third party product was purchased by Simo Holdings, and Simo Holdings took title to the product upon receipt with payment terms consistent with industry standards. No Fear purchased third party product from Simo Holdings at Simo Holding's cost and took title to the product upon delivery to its retail stores. Upon completion of the Transaction, No Fear will purchase third party product directly from third party vendors and will take title to the product upon delivery to No Fear's warehouse.

Growth Strategy

No Fear plans to pursue the following strategies to continue its growth:

- <u>Open Additional Stores</u>. As of September 30, 2010, No Fear operated 53 retail stores primarily in the south-western United States. No Fear believes that there is long-term potential to operate a minimum of 400 retail locations in the United States. No Fear anticipates opening up to 15 to 20 stores per year for each of the next 5 calendar years. See "*Use of Proceeds*". In order to achieve its targeted growth, the Resulting Issuer will need, among other things, to identify a significant number of suitable real estate sites and build new retail stores in a cost effective manner. See "*Special Note Regarding Forward-Looking Information*". In that regard, No Fear believes the current economic environment has created significant availability of real estate locations, allowing No Fear to expand its retail footprint in a cost-efficient manner. No Fear plans to locate stores in malls throughout the United States, with an initial clustering of stores in the West (particularly California, Arizona and Nevada), the southeast (including the Carolinas, Florida and Georgia), and Texas. Achieving this objective is subject to certain risks as described under the heading "*Risk Factors*". Additionally, if the gross proceeds of the Offering are more than C$3,500,000 but less than C$8,000,000, the Resulting Issuer would allocate funds to store openings under leases that require minimal capital expense and the number of anticipated new store openings for the years subsequent to the 2011 and 2012 calendar years would be reduced. Absent an improvement in sales trends and profitability of the Resulting Issuer, the Resulting Issuer would need to raise additional capital and otherwise achieve its business plan to sustain its anticipated growth subsequent to the 2011 and 2012 calendar years.

As compared to the current penetration of No Fear's competitors, as measured by the number of retail locations operated by No Fear's competitors, No Fear believes that the long-term potential to operate a minimum of 400 retail locations in the United States is reasonable. See "*Risk Factors – Risks Related to the Business*". The following chart depicts the number of retail locations of No Fear's competitors in the United States, Puerto Rico and, for American Eagle, Canada.



Source: Public filings of each of the noted entities as of July 31, 2010. No Fear as of September 30, 2010.

- Increase Sales at Existing Stores. In the current retail environment, No Fear is focusing on a number of initiatives in addition to brand marketing to drive additional customers to its stores and increase its profitability. No Fear believes a key determinant of store performance is the quality of individual store managers and, accordingly, No Fear is refining its hiring practices and criteria to attract the best suitable management candidates. In addition, No Fear continues to invest in the training of store employees to better represent the "No Fear" brand and product line. From a merchandising perspective, No Fear is pursuing a select expansion of product categories to drive incremental purchases. No Fear is also improving replenishment in its stores to optimize product availability while limiting shipping expenses. No Fear believes these initiatives will increase its average unit retail volumes and profitability.

- Improve Profit Margins. No Fear believes it has the opportunity to increase its profit margins while at the same time improving the quality of its products. Historically, No Fear utilized a limited number of vendors to source and finance the delivery of its product. As a result of agreements for rotation on product, as described in "Design and Manufacturing", No Fear believes it loses several points of gross margin. No Fear plans to introduce new vendors across select categories which, within No Fear's existing inventory model, are expected to bring additional design expertise, better product quality and improved customer retention. In addition, No Fear believes it has established the infrastructure to support a minimum of 100 stores, so that as No Fear continues to grow, it will be able to benefit from scale efficiencies by leveraging No Fear's existing infrastructure, corporate overhead and fixed costs.

- Support and Leverage the "No Fear" Brand. No Fear believes that the "No Fear" brand is well-recognized and well-regarded throughout the United States given its history and the nationwide distribution and the marketing of the "No Fear" branded energy drink. No Fear plans to continue to grow the brand through athlete and event sponsorships and other creative marketing vehicles. No Fear's goal is to continue to secure "No Fear" as a core brand in the action sports market, maintaining credibility with customers who live and aspire to the lifestyle No Fear promotes while stimulating traffic in its stores. As part of this strategy, No Fear will continue to seek licensing arrangements in appropriate categories to broaden the reach of the brand and strengthen the brand perception while generating additional sources of revenue. In particular, No Fear believes the opportunity exists to develop a new license in the beverage category for the continuation of a "No Fear" branded energy drink, the market for such product having been successfully developed by PepsiCo, Inc. No Fear is in the process of terminating its license agreement with PepsiCo, Inc. See "*Business – No Fear – Marketing and Promotions*".

- Integrate the Gatorz Business. Following the completion of the Transaction, Gatorz' current business will account for approximately 6% of the consolidated assets and 4% of the consolidated revenues, on an annualized basis, of the Resulting Issuer. Senior members of No Fear's management, having founded the "Spy Optic" brand, have years of experience in the action sports optical market and plan to leverage that expertise to develop Gatorz' business. Initial areas of focus will be product development and expanding Gatorz' distribution. New styles incorporating new materials, including plastic, will be developed to expand the reach of the brand. Gatorz, having been successfully introduced into No Fear stores, will be expanded to additional channels as appropriate. No Fear plans to introduce lower cost plastic styles and improve the sourcing of existing products which is expected to increase the Resulting Issuer's gross margin.

- Acquire or Develop Additional Brands. No Fear believes that the addition of Gatorz to the brands offered in its stores, particularly with new Gatorz styles and materials, will enhance No Fear's competitive advantage and strengthen its business. No Fear believes that an opportunity exists to acquire or develop additional brands in select categories to similarly leverage the No Fear retail distribution network.

Intellectual Property

The "No Fear" trademark has been in continuous use for more than 20 years, and No Fear and Simo Holdings hold more than 50 U.S. trademark registrations, including "No Fear," "So Cal," "Fearless" and other marks, the majority of which cover clothing and retail store operations. The remaining registrations include but are not limited to the following products: sunglasses and eyeglasses; autos, motorcycles and related parts; jewellery; decals, stickers and other printed matter; helmets and protective equipment; and non-alcoholic beverages and nutrition bars. Concurrent with the closing of the Transaction, all of the intellectual property owned by Simo Holdings in the "So Cal,", "No Cal" and "Fearless" marks will be transferred from Simo Holdings to No Fear. See "*Relationship between Simo Holdings and the Resulting Issuer*". As intellectual property is a critical component of No Fear's success, No Fear carefully maintains and vigorously defends its intellectual property rights. See "*Risk Factors – Risks Related to the Business*".

Competition

No Fear competes broadly in the apparel retail market and in particular in the sale of action sports apparel and accessories. No Fear competes with other retailers for vendors, customers, store locations, store associates and management personnel. Competing action sports and apparel wholesalers and retailers include Fox Racing, Inc., Pacific Sunwear of California, Inc., Quiksilver, Inc., Volcom, Inc. and Zumiez, Inc. In addition, No Fear competes with independent specialty action sports shops, department stores, and direct marketers that sell similar lines of merchandise and target customers through catalogues and eCommerce. Many of No Fear's competitors are larger and have substantially greater financial, marketing and other resources than No Fear does. See "*Risk Factors – Risks Related to the Business*".

Employees

As of September 30, 2010, No Fear and Simo Holdings (and its affiliates) employed over 600 individuals. Of these employees, approximately 500 employees work in the retail store operations, a majority of which are part-time and approximately 60 are salaried individuals. No Fear and Simo Holdings employ approximately 125 individuals in headquarters and warehouse functions, approximately 70 of which are salaried individuals in corporate functions in

Simo Holdings' headquarters. The majority of No Fear's senior executives, as well as certain employees in accounting, legal, information technology, administrative support and human resources, are currently directly employed by Simo Holdings but perform services for both entities. Portions of the salaries of these executives and employees are paid for by No Fear in accordance with the Management Services Agreement between the two entities, based on a historical review of time dedicated to each entity.

Concurrent with the closing of the Transaction, there will be a separation of management of Simo Holdings and management of the Resulting Issuer. The Resulting Issuer will enter into employment agreements with each of Mark Simo, Chief Executive Officer and Chairman, Michael Pratt, Chief Financial Officer and Corporate Secretary, and Eric Baker, VP Retail Store Operations, and, where appropriate, individuals in support functions including accounting and information technology. In addition, the Management Services Agreement will be terminated. See "*Directors and Executive Officers*". No employees of No Fear or Simo Holdings are covered by a collective bargaining agreement. No Fear believes it has a good relationship with its employees.

Facilities

No Fear shares office and warehouse space with Simo Holdings and Gatorz. The 64,500 square foot facility is located in Carlsbad, California, and is leased through June 2012 with a five year option. 20% of the rent and utilities associated with Simo Holdings' office (19,500 square feet) and warehouse (45,000 square feet) are, as outlined in the Management Services Agreement, allocated to No Fear based on the payroll of each entity. Concurrent with the closing of the Transaction, No Fear will enter into a sublease with Simo Holdings to occupy 20% of its office and warehouse facility in Carlsbad, California for the remainder of the term of the lease (June 2012) and any extensions of the term.

All of No Fear's retail locations are leased. Leases typically range in length from 1 to 10 years with a majority of No Fear's leases containing provisions that allow No Fear to exit the lease with no penalty if certain sales targets are not met. No Fear periodically executes temporary leases (with terms of less than 12 months) for locations where it is seeking permanent space.

No Fear believes that its facilities are generally adequate for current use. No Fear anticipates leasing additional warehouse space from third parties, depending on availability and leasing rates, as it expands beyond 100 stores.

Recent Developments

As a result of the challenging economic environment in the United States that continued into 2010, sales declined approximately 20% in No Fear's fourth fiscal quarter compared to the fourth quarter of 2009 and same store sales were down approximately 12.0% in fiscal 2010. See "*Management Discussion and Analysis of Financial Condition and Results of Operations – No Fear – Overview.* In September 2010, No Fear closed two underperforming stores which were not profitable, both of which operated under short-term leases.

Simo Holdings and PepsiCo, Inc. have agreed to terminate the license agreement in respect of the "No Fear" branded energy drink based on a staged transition of territories. Aside from certain limited territories which terminate in October 2010, PepsiCo, Inc. has the right during the transition period to terminate all remaining territories at its discretion and all such territories will be terminated no later than December 31, 2011. As outlined in the agreement, No Fear received an advance against future royalties following the execution of the termination agreement. See "*Risk Factors – Risks Related to the Business*".

USE OF PROCEEDS

The net proceeds of the Offering (assuming the maximum Offering size of C$8,000,000) to be received by Gatorz, after deducting the Agent's Fee and the expenses of the Offering (which expenses are estimated to be C$800,000), would be C$6,640,000.

The Resulting Issuer intends to use the net proceeds of the Offering (assuming the maximum Offering size of C$8,000,000) as follows:

Capital expenditures for new store openings (including leasehold improvements and the purchase of furniture, fixtures, equipment and other capital expenditures)	C$5,000,000
Payment of outstanding payables and the repayment of indebtedness of No Fear and Gatorz(1)	C$650,000
Payment of expenses of the Transaction	C$210,000
Payment of unpaid but accrued wages to Michael DiAnna, President, Chief Operating Officer and Director of Gatorz(2)	C$80,000
Working capital, including the purchase of inventory and general corporate purposes, and unallocated funds	C$700,000
Total:	C$6,640,000

Note:

(1) Represents certain indebtedness incurred in the ordinary course of business to: (i) fund the growth of No Fear and Gatorz (including store growth and general working capital), (ii) the repayment of a promissory note held by James DiAnna in accordance with the Merger Agreement, and (iii) repayment of the Leetwo Metals Loan.

(2) Represents estimated payment of unpaid but accrued wages to Mr. DiAnna at Closing in satisfaction of unpaid but accrued wages owing to him in accordance with the terms of the Merger Agreement. As at June 30, 2010, the amount owing to Mr. DiAnna for unpaid but accrued wages was $78,102.

It is anticipated that the Resulting Issuer will open up to 15 to 20 stores per year for each of the next five calendar years, which is consistent with its targeted store growth rate of greater than 15% per year. In order to achieve its targeted growth, the Resulting Issuer will need to, among other things, have access to sufficient capital to execute this growth strategy; identify a significant number of suitable real estate sites; meet or exceed the same level of historical store openings as No Fear realized from 2005 – 2007; negotiate acceptable lease terms; build new retail stores in a cost effective manner; source and maintain sufficient levels of inventory at acceptable costs; attract, hire and retain qualified employees; successfully integrate new stores into existing operations; and identify and satisfy the merchandise preferences of new geographic regions. Achieving this objective is subject to certain assumptions and risks as described under the headings "*Special Note Regarding Forward Looking-Information*" and "*Risk Factors*". Additionally, if the gross proceeds of the Offering are more than C$3,500,000 but less than C$8,000,000, the Resulting Issuer would allocate funds to store openings under leases that require minimal capital expense and the number of anticipated new store openings for the years subsequent to the 2011 and 2012 calendar years would be reduced. Absent an improvement in sales trends and profitability of the Resulting Issuer, the Resulting Issuer would need to raise additional capital and otherwise achieve its business plan to sustain its anticipated growth subsequent to the 2011 and 2012 calendar years.

No Fear has assumed that gross proceeds under the Offering will be not less than C$8,000,000. In order to raise sufficient funds to meet the Resulting Issuer's projected working capital requirements for the 18 month period following Closing, it is estimated that the gross proceeds under the Offering can be no less than C$3,500,000. While Closing is not conditional upon minimum proceeds being raised, it is anticipated that the Offering will not be completed unless at least C$3,500,000 in gross proceeds is raised under the Offering. See "*Plan of Distribution*".

The following table provides a breakdown of the use of proceeds assuming a raise of gross proceeds of C$3,500,000 with net proceeds of C$2,455,000 (after deducting the Agent's Fee and the expenses of the Offering, which expenses are expected to be C$800,000).

Capital expenditures for new store openings (including leasehold improvements and the purchase of furniture, fixtures, equipment and other capital expenditures)	C$1,150,000
Payment of outstanding payables and the repayment of indebtedness of No Fear and Gatorz(1)	C$450,000
Payment of expenses of the Transaction	C$210,000
Payment of unpaid but accrued wages to Michael DiAnna, President, Chief Operating Officer and Director of Gatorz(2)	C$80,000
Working capital, including the purchase of inventory and general corporate purposes and unallocated funds	C$565,000
Total:	C$2,455,000

Note:

(1) Represents certain indebtedness incurred in the ordinary course of business to: (i) fund the growth of No Fear and Gatorz (including store growth and general working capital); and (ii) the repayment of a promissory note held by James DiAnna in accordance with the Merger Agreement. See "*Summary of the Transaction – Merger Agreement – Conditions Precedent to the RTO*".

(2) Represents estimated payment of unpaid but accrued wages to Mr. DiAnna at Closing in satisfaction of unpaid but accrued wages owing to him, in accordance with the Merger Agreement. As at June 30, 2010 the amount owing to Mr. DiAnna for unpaid but accrued wages was $78,102.

While management of No Fear and Gatorz currently intend to use the net proceeds of the Offering as described above, there may be circumstances where a reallocation of funds is advisable. These circumstances may include, but are not limited to, one or more of the following: continued declines in comparable store sales, the inability to generate sufficient cash flow to service debt obligations, unforeseen increases in store construction costs or operating expenses, reduced gross margins as a result of increased promotional activity, and an acceleration of repayment of outstanding debt obligations.

Management of No Fear and Gatorz do not believe the Resulting Issuer's debt obligations will impact its goals regarding expansion plans and number of store openings described throughout the Prospectus should the maximum amount of C$8,000,000 not be raised. No Fear has a term loan in the principal amount of $400,333 as of September 30, 2010 which is being paid down at approximately $100,000 per month with the final payment scheduled to be made on December 1, 2010. In addition, the Credit Card Receivable Agreement (as defined and discussed below) in the principal amount $756,093 as of September 30, 2010 is amortizing on a daily basis and is scheduled to be repaid by July 2011. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – No Fear*". A substantial portion of Gatorz' outstanding indebtedness will be repaid with proceeds from the Offering. Should any creditor seek to accelerate or demand repayment of other outstanding obligations, it is anticipated that proceeds from the Offering combined with funds from operations would be sufficient to cover the outstanding obligations. See "*Risk Factors*".

Should the Resulting Issuer raise less than the maximum Offering size of C$8,000,000 but more than C$3,500,000, or be required to expend additional funds to satisfy outstanding debt obligations not outlined above, it will reduce the anticipated pace of new store openings to ensure it has sufficient capital including funds from operations to meet its debt obligations. Should the Resulting Issuer raise C$3,500,000 or more, the Resulting Issuer believes it will have sufficient liquidity to fund its ongoing operations for the next 18 months.

DIVIDEND POLICY

No dividends have been paid on any Common Shares since the date of Gatorz' incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

If Gatorz (or the Resulting Issuer) generates earnings in the foreseeable future, it is expected that they will be retained to finance growth, and, when appropriate, retire debt. The directors of the Resulting Issuer will determine if and when dividends should be declared and paid in the future based on the Resulting Issuer's financial position at the relevant time. All of the Common Shares and Preferred Shares are entitled to an equal share in any dividends declared and paid.

Additionally, to date, No Fear has not declared any dividends on its shares of common stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - GATORZ

The following management's discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements of Gatorz and the related notes appearing at Appendix A to this Prospectus. This discussion and analysis contains forward-looking information that involve risks, uncertainties and assumptions. Actual results could differ materially from those discussed in these forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus. See "Special Note Regarding Forward-Looking Information".

The financial statement data set out herein has been prepared in accordance with Canadian GAAP.

Information herein contains any material developments to November 1, 2010.

Overview

On January 23, 2007, IBF 1 Corp. ("IBF"), a Capital Pool Company ("CPC") as defined in the Policy 2.4 of the Exchange, completed the acquisition of all of the issued and outstanding common shares of Reno Wilson from its principal shareholders. The transaction constituted IBF's qualifying transaction, pursuant to the CPC policies and regulations of the Exchange. On July 11, 2007, IBF changed its name to Gatorz Inc. The Common Shares trade on the Exchange under the trading symbol "GTZ", but have been halted since July 31, 2009, as a result of the announcement of the Transaction.

Reno Wilson, a private company based in Carlsbad, California carries on the business of designing, manufacturing, distributing and marketing aircraft aluminum and plastic action performance sunglasses targeted to auto racing, motorcycle, motocross, sky diving and sports enthusiasts.

Basis of Consolidation

The consolidated financial statements include the accounts of Gatorz and its subsidiary Reno Wilson. All significant inter-company accounts have been eliminated on consolidation.

Currency Presentation

All amounts are in United States dollars unless otherwise noted.

Results of Operations

The following tables summarize key components of Gatorz' results of operations for the period indicated, both in dollars and as a percentage of revenue.

	Twelve Months Ended December 31,			Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2009	2009	2010	2009	2010
	(audited)			(unaudited)			
	(in thousands except per share data)						
Revenue	$1,785	$1,988	$1,666	$508	$569	$842	$913
Gross profit	864	771	697	260	294	429	481
Operating expenses	1,702	1,616	1,223	336	244	607	439
Earnings (loss) from operations	(838)	(845)	(526)	(76)	49	(178)	43
Earnings (loss)	(989)	(969)	(694)	(111)	16	(245)	(28)
Weighted average number of shares	27,545,486	32,719,246	36,268,196	35,525,000	47,254,232	35,525,000	44,754,232
Loss per share	($0.04)	($0.03)	($0.02)	($0.00)	($0.00)	($0.01)	($0.00)

	Twelve Months Ended December 31,			Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2009	2009	2010	2009	2010
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	48.4	38.8	41.8	51.2	51.7	51.0	52.7
Operating expenses	95.4	81.3	73.4	66.1	42.9	72.1	48.1
Earnings (loss) from operations	(47.0)	(42.5)	(31.6)	(15.0)	8.6	(21.1)	4.7
Earnings (loss)	(55.4)	(48.7)	(41.7)	(21.9)	2.8	(29.1)	(3.1)

	Three Months Ended							
	September 31, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 31, 2009	December 31, 2009	March 31, 2010	June 30, 2010
	(unaudited) (in thousands except per share data)							
Revenue	$549	$362	$334	$508	$554	$270	$344	$569
Gross profit	141	143	169	260	299	(31)	188	294
Operating expenses	405	366	271	336	319	298	194	244
Earnings (loss) from operations	(264)	(223)	(102)	(76)	(20)	(329)	(6)	49
Earnings (loss)	(306)	(260)	(134)	(111)	(79)	(370)	(43)	16
Weighted average number of shares	31,496,111	32,719,246	34,300,000	35,143,889	35,525,000	36,268,196	37,971,338	47,254,232
Loss per share	($0.01)	($0.01)	Nil	Nil	Nil	($0.01)	Nil	Nil

	Three Months Ended							
	September 31, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 31, 2009	December 31, 2009	March 31, 2010	June 30, 2010
	(unaudited)							
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	25.7	39.5	50.6	51.2	54.0	(11.5)	54.6	51.7
Operating expenses	73.8	101.1	80.8	66.1	57.6	110.4	83.7	42.9
Earnings (loss) from operations	(48.1)	(61.6)	(30.2)	(15.0)	(3.6)	(121.9)	(33.1)	8.6
Earnings (loss)	(55.7)	(71.8)	(40.1)	(21.9)	(14.3)	(137.0)	(40.2)	2.8

For the periods ending June 30, 2010 and December 31, 2009 and 2008, Gatorz and its operating subsidiary reported no discontinued operations, no off balance sheet arrangements and declared no cash dividends.

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

Revenue

For the three-month period ended June 30, 2010, revenue increased by $61,096 (12%) over the same period last year to $569,074. The decreases in sales to the international distributors of $9,922, and the travel industry of $36,750 were offset by an increase in sales to No Fear which increased by $119,650 in the quarter.

Gross Profit

Gross profit for the three-month period ended June 30, 2010 increased by $33,814 as a result of the increase in sales. The gross profit percentage increased by 0.46% due to the sale of discontinued product lines, the cost of which were written down at December 31, 2009

Operating Expenses

Operating expenses for the three-month period decreased by $91,725 over the same period last year. Salaries and wages decreased by $24,152 due to the reduction of head count and reduction of the overall number of hours worked. Advertising and promotion expenses for the three-month period decreased by $62,572 as the Gatorz reduced certain sponsorships and has yet to complete a road show to brokers as it did in 2009. General and office expenses decreased by $9,027 and occupancy costs decreased by $12,010 as Gatorz is realizing the cost savings from moving into No Fear's premises and operating under the Shared Services Agreement. Professional fees increased by $14,795 due to the legal costs associated with the informal forbearance agreement with Gatorz' secured lender.

Net Income

Gatorz had net income of $15,795, which is an improvement of $126,409 over the same period in the prior year.

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

Revenue

For the six-month period ended June 30, 2010, revenue increased by $71,147 or 8.45% over the same period last year to $912,820. The sales to the travel retail sector decreased by $47,880 while sales to Gatorz' international distributors remained constant with the prior year. The sales to No Fear increased for the six-month period by $128,201.

Gross Profit

Gross profit for the six-month period increased by $52,912 as a result of the increase in sales. The gross profit percentage increased by 1.83% due to the sale of discontinued product lines the cost of which were written down at December 31, 2009

Operating Expenses

Operating expenses for the six-month period decreased by $168,090 over the same period last year. Salaries and wages decreased by $29,861 due to the reduction of head count and reduction of the overall number of hours worked. Advertising and promotion expenses for the six-month period decreased by $78,815 as Gatorz significantly reduced certain sponsorships and has yet to complete a road show to brokers as it did in 2009. General and office expenses decreased by $23,831 and occupancy costs decreased by $24,234 as Gatorz is realizing the cost savings from moving into No Fear's premises and operating under the No Fear Shared Service Agreement.

Net Loss

The net loss for the six-month period was $27,530, an improvement of $217,136 from the same period last year.

Twelve months ended December 31, 2009 compared to the twelve months ended December 31, 2008

Revenue

For the twelve month period ended December 31, 2009, revenue decreased by $321,614 over the same period in 2008 to $1,666,138. Sales to the travel retail sector and international distributors decreased by $84,689 and $188,828, respectively. In 2008, Gatorz had sales of discontinued product totalling $43,254 and a specialty order for a third party for $50,000 that did not occur in 2009. In 2009, Gatorz' new eCommerce site, which launched in January 2009, generated revenue of $143,637 and sales to No Fear increased by $82,057 despite the impact of the recession.

For the twelve month period ended December 31, 2009, Gatorz' sales were negatively impacted by the global economic recession which affected Gatorz' international distributors and the travel retail sector. Gatorz' domestic sales remained consistent with 2008.

Gross Profit

Gross profit for the twelve month period ended December 31, 2009, decreased by $74,225 to $696,856 while gross margin increased by 3.0% to 41.8%. This increase is a result of the increased gross margin realized on eCommerce sales which was partially offset by an inventory adjustment in 2009.

Operating Expenses

Operating expenses for the twelve month period ended December 31, 2009 decreased by $393,495 over the same period in 2008 as management implemented a cost cutting budget as a result of the depressed global economy. Gatorz has been managing to this budget and has reduced costs in a number of areas to improve cash flow and operating results.

For the twelve months ended December 31, 2009, salaries and wages decreased by $117,654 due to the reduction of head count, reduced commission on lower sales and reduction of the overall number of hours worked. Advertising and promotion expenses decreased by $110,581 as Gatorz decreased its external magazine advertising, certain sponsorships and eliminated certain under-performing trade shows and events. General and administrative expenses decreased by $110,581 as Gatorz cut costs in specific areas including travel, auto expenses and moved into No Fear's premises, operating under the Shared Services Agreement.

Net Loss

The net loss for the twelve month period ended December 31, 2009 decreased by $274,855 to $694,137 compared to the same period in 2008. The loss per share was $0.02 compared to $0.03 for the same period in 2008.

Twelve months ended December 31, 2008 compared to the twelve months ended December 31, 2007

Revenue

For the twelve months ended December 31, 2008, revenue increased by 11.4% over the same period in 2007 to $1,987,752. The sales to the international distributors decreased in 2008 by $72,965. Sales to the travel retail industry remained strong and increased by $125,055 over the same period in 2007.

Gross Profit

Gross profit decreased from 48.4% to 38.8% from the same period in 2007 as a result of an adjustment to the physical inventory taken in September 2008 that created a total adjustment of $109,400.

Operating Expenses

Operating expenses for the twelve months ended December 31, 2008 increased by $62,847 from the same period in 2007.

For the twelve months ended December 31, 2008, salaries and wages increased by $110,806 over the same period in 2007 primarily due to higher commissions paid on the increased sales and the inclusion of an investor relations position that was eliminated in 2009. Advertising and promotion expenses decreased by $93,092 as Gatorz decreased its external magazine advertising and eliminated certain under-performing trade shows and events during the last two quarters of fiscal 2008. General and administration costs remained flat from 2007. Professional fees increased by $8,084 due to the legal costs associated with the issuance of convertible debentures, various distribution agreements and the elimination of the ".S" from its trading symbol. Bad debt expense increased by $46,573 due to the write off of one customer account. Shipping and warehousing costs decreased by $4,733 as Gatorz improved its billing processes and billed more clients for shipping costs.

Net Loss

The net loss for the twelve months ended December 31, 2008 was $968,992, a decrease of $20,468 over the same period in 2007. During the period, the loss per share was $0.03 compared to $0.04 in 2007.

Liquidity

Three months ended June 30, 2010

As at June 30, 2010, Gatorz had cash resources of $196,796, a decrease of $13,542 from December 31, 2009.

For the three-month period, working capital improved by $5,901 as the increases in accounts receivable, prepaid expenses and deferred transaction costs of $102,035, $5,271 and $169,289, respectively, were offset by a decrease in inventory of $38,712 and an increase in accounts payable of $247,338.

All of the long term debt has been classified as current as a result of an informal forbearance agreement with the secured creditor and the scheduled maturity of other loan obligations.

Gatorz' ability to continue as a going concern is dependant upon one or more of: (i) its ability to achieve profitable operations and generate funds; (ii) on borrowing from third parties or shareholders, sufficient to meet current and future obligations; and (iii) closing of the Transaction. Gatorz remains in default of a loan agreement and is operating under an informal forbearance agreement with its secured creditor pending the outcome of the Transaction.

Six months ended June 30, 2010

For the six-month period, working capital decreased by $47,072 as accounts receivable increased by $108,869, deferred transaction costs increased by $226,885, inventory decreased by $6,179, prepaid expenses decreased by $4,391 and accounts payable increased by $358,675.

Gatorz' ability to continue as a going concern is dependant upon: (i) its ability to achieve profitable operation and generate funds; and/or (ii) on borrowing from third parties or shareholders, sufficient to meet current and future obligations; or (iii) closing of the Transaction. Gatorz remains in default of a loan agreement and is operating under an informal forbearance agreement with its secured creditor pending the outcome of the Transaction.

Twelve months ended December 31, 2009

During the fourth quarter Gatorz completed a private placement of $431,000 which resulted in the issuance of 1,930,880 common shares at C$0.25.

For the twelve month period ended December 31, 2009, working capital decreased by $779,944 as the long-term debt was classified as current as a result of an informal forbearance agreement with the secured creditor and the scheduled maturity of other loan obligations.

In September 2009, Gatorz entered into the Shared Services Agreement with No Fear which reduced rent by $4,600 per month and reduced other office expenses starting in January 2010.

As of December 31, 2009, Gatorz had a cash balance of $210,338 as compared to $113,566 at December 31, 2008. During the twelve months ended December 31, 2009, Gatorz increased accounts receivable by $35,381, decreased inventory by $263,145 (due to renewed management efforts and the sale of certain models that are no longer in the standard line for 2010) and increased accounts payable by $164,584.

Twelve months ended December 31, 2008

During the twelve months ended December 31, 2008, Gatorz' working capital position decreased by $337,551.

As of December 31, 2008, Gatorz had a cash balance of $113,566. In the twelve months ended December 31, 2008, Gatorz decreased accounts receivable by $17,781 due to lower sales in the period, decreased inventory by $58,691 due to the onetime adjustment in the third quarter of 2008 and increased accounts payable by $42,584.

Financial and Other instruments

Gatorz' financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, bank indebtedness and long-term debt. It is management's opinion that Gatorz is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

Capital Structure

Shares Authorized

Gatorz is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series.

Shares Issued and Outstanding

A summary of Gatorz' issued and outstanding Common Shares for the years ended December 31, 2009, December 31, 2008 and the six-month period ended June 30, 2010 is as follows:

	Number of Common Shares	**Amount ($)**
Balance at December 31, 2007	30,625,000	1,779,321
Shares issued on Private Placement	4,900,000	490,000
Share issuance costs	–	(46,939)
Balance at December 31, 2008	35,525,000	2,222,382
Private placement	1,930,880	431,000
Share issuance costs	–	(18,766)
Convertible shareholder loans	2,298,352	839,581
Balance at December 31, 2009	39,754,232	3,474,197
Issued to Simo Holdings	7,500,000	732,000
Balance at June 30, 2010	47,254,232	$4,206,197

On January 23, 2007 Gatorz issued an aggregate of $572,500 of unsecured, subordinated mandatorily convertible debentures, each of which is convertible at a conversion price of $3.20 for the first two years, $3.52 in the third year, $3.92 in the fourth year and $4.32 in the fifth year, and each of which, if not converted or redeemed, will be forced into mandatory conversion into conversion units at the end of the fifth year with each conversion unit consisting of one Resulting Issuer Common Share and one-half of one Resulting Issuer Common Share purchase warrant, with each whole share purchase warrant entitling the holder thereof to purchase an additional Resulting Issuer Common Share at a price of $4.80 per Resulting Issuer Common Share until the earlier of the maturity date of the convertible debenture and two years after the date the convertible debenture is converted.

On July 28, 2008, Gatorz completed a non-brokered private placement of 4,900,000 units ("Units") at a price of C$0.10 per Unit for total proceeds of C$490,000. Each Unit consisted of one Common Share and one half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each whole Warrant was exercisable to acquire one Common Share at a price of C$0.20 for a period of six months following the closing of the private placement. Share issuance costs related to the private placement, including legal fees and warrant costs, were $10,439 in cash fees paid and $36,500 in stock based fees that have been offset against share capital.

On October 6, 2009, Gatorz completed a non-brokered private placement for gross proceeds of $431,000 or C$482,720. As a result Gatorz issued 1,930,880 Common Shares at a price of C$0.25 per share. Share issuance costs related to the private placement, including legal costs, were $18,766 in cash fees paid.

On November 16, 2009, Gatorz converted the outstanding shareholder loans amounting to $839,581 or C$919,341. As a result, Gatorz issued 2,298,352 Common Shares at C$0.40.

On August 25, 2009, Gatorz and No Fear entered into the Share Exchange Agreement pursuant to which Gatorz agreed to acquire 900,000 of the issued and outstanding common stock of No Fear in exchange for the issuance to Simo Holdings of 7,500,000 Common Shares (or 937,500 Resulting Issuer Common Shares).

On February 26, 2010, the Exchange accepted the filing documentation pertaining to the Share Exchange Agreement and on March 4, 2010, Gatorz issued 7,500,000 (or 937,500 Resulting Issuer Common Shares)Common Shares to Simo Holdings in connection with the first stage of the Transaction. Simo Holdings now owns 7,500,000 Common Shares (or 937,500 Resulting Issuer Common Shares) representing 15.87% of the Common Shares outstanding as at March 31, 2010. The management has determined the fair value of these shares to be $732,000.

As at the date hereof, there are no Preferred Shares issued and outstanding.

Escrowed Shares

As of June 30, 2010, no Common Shares were held in escrow.

Stock Options

Gatorz has established a stock option plan for directors, officers, employees and technical consultants. Options to purchase Common Shares have been granted at exercise prices determined by reference to the market value on the date of grant.

A summary of Gatorz' outstanding stock options as at June 30, 2010, December 31, 2009 and December 31, 2008 is as follows:

	June 30, 2010		December 31, 2009		December 31, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, January 1	1,371,875	$0.35	1,388,125	$0.35	1,960,000	$0.33
Granted during the period...	-	-	–	–	–	–
Exercised during the period................................	-	-	–	–	–	–
Forfeited during the period................................	-	-	(16,250)	$0.25	(571,875)	$0.27
	1,371,875	$0.35	1,371,875	$0.35	1,388,125	$0.35

As of June 30, 2010, Gatorz had 446,875 fully vested options outstanding with an exercise price of C$0.25 per share, expiring on June 26, 2011. Gatorz also had 925,000 fully vested options outstanding with an exercise price of C$0.40 per share, expiring on January 23, 2012.

Contributed Surplus

A summary of Gatorz' contributed surplus for the years ended December 31, 2009, December 31, 2008 and the six month period ended June 30, 2010 is as follows:

	Number of shares
Balance December 31, 2007	142,058
Warrants issued as part of private placement	36,500
Balance at June 30, 2010 and December 31, 2009 and 2008	178,558

Weighted Average Number of Shares

The basic weighted average number of Common Shares outstanding at June 30, 2010 is 47,254,232 compared to 35,525,000 for the three months ended June 30, 2009.

The basic weighted average number of Common Shares outstanding at June 30, 2010 was 44,754,232 compared to 35,525,000 for the six months ended June 30, 2009.

The basic weighted average number of Common Shares outstanding for the twelve months ended December 31, 2009 is 36,268,196 compared to 32,719,246 for the twelve months ended December 31, 2008.

For purposes of determining earnings per Common Share, the impact of stock options, warrants and convertible debentures is anti-dilutive because Gatorz has incurred losses.

Transactions with Related Parties

During the three-month period ended June 30, 2010 and 2009, Gatorz recorded wages and salaries of $24,375, $12,500 and $12,000 for each of the Chief Executive Officer, President, and Chief Financial Officer, who are also shareholders of Gatorz.

During the six-month period ended June 30, 2010 and 2009, Gatorz recorded wages and salaries of $48,750, $25,000 and $24,000 for each of the Chief Executive Officer, President, and Chief Financial Officer, who are also shareholders of Gatorz.

During the three-month and six-month periods ending June 30, 2009, Gatorz sold $119,650 and $147,700, respectively, in product to No Fear Retail Stores. For the same periods, Gatorz also paid No Fear $4,200 and $8,400, respectively, for rent and telephone costs.

During the year ended December 31, 2009, Gatorz accrued wages and salaries of $97,500, $50,000 and $48,000 for each of the Chief Executive Officer, President, and Chief Financial Officer, who are also shareholders of Gatorz. On November 16, 2009, Gatorz converted the mandatory shareholder convertible loan of $839,581, which was owed to three shareholders of Gatorz, to Common Shares at C$0.40 per share and issued 2,298,352 Common Shares. Gatorz also pays a company, controlled by a shareholder, approximately $6,000 per year for payroll and corporate tax services.

Changes in Accounting Policies including Initial Adoption of IFRS

Note 3 to the consolidated financial statements describes the accounting changes effective in 2009 and the issued accounting pronouncements that will be effective in future years. Of particular note is the area of IFRS. In April 2008, March 2009 and October 2009, the Canadian Accounting Standards Board ("AcSB") published exposure drafts on "Adopting IFRS in Canada". IFRS have now been incorporated into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises in Canada will be required to prepare financial statements in accordance with IFRS.

As Gatorz is in the process of completing the Transaction which will significantly change the results and accounting for the Resulting Issuer, Gatorz has not determined the members of its IFRS project team or developed its implementation project. Once the Transaction has been completed, the Resulting Issuer will establish a project team that will be led by management and include representatives from various areas of the organization to plan for and achieve a smooth transition to IFRS. An external resource may be engaged to assist, under the direction of the Resulting Issuer's management, with certain aspects of the project.

Compensation Disclosure and Analysis

No disclosure is necessary as no executive officer or director had total compensation in excess of C$150,000 during the current year.

Controls and Procedures

As required by NI 52-109, Gatorz' Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in Gatorz' annual filings (as defined in NI 52-109). Gatorz' Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining Gatorz' disclosure controls and procedures, including internal controls and procedures over financial reporting. As Gatorz has gone through significant changes since completing an acquisition at the start of 2007, which resulted in a reverse takeover of Gatorz, such controls and procedures have been developing and will continue to develop.

Disclosure Controls and Procedures

Gatorz has implemented a system of internal controls that it believes adequately protects the assets of Gatorz and is appropriate for the nature of its business and the size of its operations. These internal controls include disclosure controls and procedures designed to ensure that information required to be disclosed by Gatorz is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. Gatorz Chief Executive Officer and Chief Financial Officer have concluded, based on an evaluation as at the date hereof, that the disclosure control and procedures for Gatorz are effective to provide reasonable assurance that material information related to the Gatorz is made known. It should be noted that while Gatorz' Chief Executive Officer and Chief Financial Officer believe that Gatorz' disclosure controls and procedures provide a reasonable level of assurance that the system of internal control are effective, they do not guarantee that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

The disclosure controls and procedures over financial reporting have been designed to provide reasonable assurance that material information relating to Gatorz are properly reflected, and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. In the course of evaluating the design of the Gatorz' internal controls and the preparation of Gatorz' annual filings, the Chief Executive Officer and Chief Financial Officer of Gatorz identified that due to limited finance staff, there are some weaknesses in the internal controls. Due to such limited number of staff, Gatorz is unable to appropriately segregate all required duties, and given the staff's fair and reasonable understanding of Canadian GAAP there may also be weaknesses with respect to accounting for complex and non-routine accounting matters. As a result of these weaknesses, there is a risk that a material misstatement would not be prevented or detected in the preparation of the financial statements.

The Chief Executive Officer and Chief Financial Officer of Gatorz have relied on compensating controls, including substantive periodic review of financial information and reliance on third party advisors as needed, in the assessment of the effectiveness of the disclosure controls and procedures. In addition, Gatorz will continue to seek out additional personnel for its finance department to help mitigate this identified weakness surrounding segregation of duties and staffing levels.

Based on an evaluation of Gatorz' disclosure controls and procedures the Gatorz' Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

There have been no changes in Gatorz' internal control over financial reporting during the period that have materially affected or are reasonably likely to materially affect Gatorz' internal control over financial reporting.

Subsequent Events

On June 29, 2010, Gatorz's shareholders approved amendments to the Articles of Incorporation to allow for the creation of the Preferred Shares, the change of name to "No Fear Holdings Inc." and the Consolidation.

On July 30, 2010, Gatorz signed Merger Agreement. See "*Summary of the Transaction*".

On August 4, 2010, Gatorz announced that it filed the preliminary prospectus in connection with the Offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – NO FEAR

The following management's discussion and analysis of financial conditions and results of operations should be read in conjunction with the financial statements of No Fear and the related notes appearing elsewhere in this Prospectus. This discussion and analysis contains forward-looking information that involve risks, uncertainties and assumptions. Actual results could differ materially from those discussed in these forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus. See "Special Note Regarding Forward-Looking Information".

The financial statement data has been prepared in accordance with United States GAAP and is presented in thousands of United States dollars unless otherwise noted herein.

Information herein contains any material developments to November 1, 2010.

Overview

No Fear is a retailer of action sports and casual youth lifestyle apparel and accessories targeting young adults and teens. No Fear sells a broad range of apparel and accessories, primarily under the "No Fear" and "So Cal" brands, including t-shirts, jackets, sweatshirts, jeans, walkshorts, board shorts, eyewear, bags and watches complemented by a selection of video and music, auto and motocross accessories, home décor, bedding, toys and gifts. In addition to its own brands, No Fear sells apparel and accessories consistent with its lifestyle focus from leading third party vendors including "FMF", "SRH", "Spy Optic", "Metal Mulisha", "Oakley" and "Gatorz". No Fear's primary customers are historically young males, with the men's category accounting for 56% of sales while women's and youth make up 27% and 3% of sales, respectively. The remaining 14% of sales consists of optics in addition to other categories that are not age or gender specific such as decals. As of September 30, 2010 No Fear operated 53 retail stores in seven states predominantly in the south-western United States.

Since calendar 2008, No Fear has been impacted by the weakness in the United States economy and, in particular reduced consumer spending in No Fear's primary geographic markets in California, Arizona and Nevada. As a result, its sales and performance metrics have declined. After several years of positive comparable store sales, No Fear, like many of its retail peers, experienced unprecedented declines in comparable store sales. In addition, the performance of new stores that opened during the economic downturn has not equalled performance of new stores that opened before the economic downturn. In order to address the challenging economic environment, No Fear has implemented cost cutting initiatives which have served to partially mitigate the impact of declining comparable store sales on profitability. No Fear has also slowed the pace of new store openings, reduced the cost of opening new stores and worked with its landlords to address situations where occupancy costs were unsustainable based on sales performance. Despite No Fear's efforts, its operating loss has increased significantly as a result of non-recurring expenses associated with the Transaction, store closures and penalties for late payment of sales taxes. There can be no assurance that No Fear will return to profitability at any point in the future. A prolonged economic downturn and associated weakness in consumer spending may continue to negatively affect No Fear's financial results in future periods.

Upon completion of the Offering, despite the foregoing challenges, No Fear intends to expand its presence as a leading action sports lifestyle retailer by opening new stores and generating sales growth through improved store level productivity. No Fear's strategy is to open stores in new and existing markets, leveraging the established "No Fear" brand name. No Fear opened eight new stores in fiscal 2010 and plans to continue to open new stores in future years.

General

Net Sales

Net sales constitute gross sales net of discounts and returns. No Fear records the sale of gift cards as a current liability and recognizes a sale when a customer redeems a gift card.

Comparable Store Sales

No Fear operates on a fiscal year ending August 31. No Fear does not operate on a traditional 4-5-4 quarterly retail calendar similar to a majority of its competitors or other apparel retailers. No Fear reports "comparable store net sales" based on net sales in a calendar monthly period, and stores are included in No Fear's comparable store sales if they are open for the entire month and the same month the previous year. Stores purchased from licensees are accounted for in comparable store sales as if they opened on the date of the acquisitions. There are variations in the way in which some of No Fear's competitors and other apparel retailers calculate comparable or same store sales. As a result, data herein regarding No Fear's comparable store sales may not be comparable to similar data made available by its competitors or other retailers.

Measuring the change in year-over-year comparable store sales allows No Fear to evaluate the performance of its store base. Various factors affect comparable store sales, including:

- consumer preferences, buying trends and overall economic trends;
- No Fear's ability to anticipate, identify and respond to the fashion tastes of its customers;
- competition;
- pricing;
- customer service;
- the ability to source and distribute products effectively; and
- the number of new stores opened or closed in any period.

Subject to completion of the Offering and the RTO, No Fear anticipates that the Resulting Issuer will open up to 15 to 20 stores per year for each of the next 5 calendar years and, as a result, a significant percentage of its net sales increase is expected to come from non-comparable store sales. See "*Special Note Regarding Forward-Looking Information*" and "*Use of Proceeds*". In order to achieve its targeted growth, the Resulting Issuer will need, among other things, to identify a significant number of suitable real estate sites and build new retail stores in a cost effective manner. Achieving this objective is subject to certain risks as described under the heading "*Risk Factors*".

The retail apparel industry is cyclical and, consequently, No Fear's net sales are affected by general economic conditions. Purchases of apparel and accessories are sensitive to a number of factors that influence the levels of consumer spending, including economic conditions and the level of disposable consumer income, consumer debt, interest rates and consumer confidence. Since May 2008, No Fear has experienced declining comparable store sales as a result of the challenging economic environment in the United States as consumers have reduced discretionary spending, and apparel purchases in particular. While No Fear intends on achieving positive comparable store sales in the future, there can be no assurance that positive comparable store sales will be achieved at any point in the future. See "*Risk Factors – Risks Related to the Business*".

Cost of Goods Sold

Cost of goods sold consists of the cost of merchandise sold to customers, inbound shipping costs and inventory shrinkage. No Fear does not include store occupancy costs in cost of goods sold. This is not comparable to the way in which many of its competitors or other retailers compute their cost of goods sold.

Historically, No Fear has purchased all of its product from Simo Holdings, who, in addition to proprietary branded product, also purchased branded product directly from leading third party vendors. Simo Holdings sold third party product to No Fear at cost. With respect to proprietary product, Simo Holdings received a portion of the wholesale cost depending on the product to compensate for design, purchasing, warehousing and administrative functions. The portion of the wholesale cost received by Simo Holdings was determined by product. Upon completion of the Transaction, No Fear will no longer purchase either proprietary product or third party product from Simo Holdings and will instead purchase all product directly from third party vendors. See "*Relationship Between Simo Holdings and the Resulting Issuer*".

Selling and General & Administrative Expenses

Selling expenses consist primarily of store payroll and store level advertising and marketing. A majority of the marketing of the "No Fear" brand is as required by the licensing agreement with PepsiCo, Inc. for the "No Fear" branded energy drink, arranged by a separate marketing fund. General and administrative expenses consist primarily of rent, personnel wages and benefits, administrative staff and infrastructure expenses, depreciation and travel and entertainment. This may not be comparable to the way in which No Fear's competitors or other retailers compute their selling and general and administrative expenses. No Fear expects that its selling and general and administrative expenses will increase in future periods due in part to increased expenses associated with opening new stores and public company costs following completion of the Offering and the Transaction.

A number of senior management of No Fear, including its Chief Executive Officer and its Chief Financial Officer, also hold management positions with Simo Holdings. A portion of the compensation paid to these executive officers has historically been allocated to No Fear as outlined in management agreements between the two entities. Upon the closing of the Transaction, No Fear will enter into employment agreement with its senior executives and, where appropriate, individuals in support functions including accounting and information technology. In addition, the existing management services agreements between Simo Holdings and No Fear will be terminated. See "*Relationship Between Simo Holdings and the Resulting Issuer*".

Results of Operations

The following tables summarize key components of No Fear's results of operations for the periods indicated, both in dollars and as a percentage of net sales.

	Fiscal Years Ended August 31,			**Three Months Ended May 31,**		**Nine Months Ended May 31,**	
	2007	**2008**	**2009**	**2009**	**2010**	**2009**	**2010**
	(audited)			(unaudited)			
	(in thousands except operating data)						
Sales, net	$37,081	$40,229	$39,308	$9,044	$8,174	$28,885	$27,734
Cost of goods sold	20,193	22,035	21,278	4,891	4,569	15,896	15,126
Gross profit	16,888	18,194	18,030	4,153	3,605	12,989	12,608
Selling	5,730	6,241	6,480	1,556	1,749	4,842	5,172
General and administrative	9,780	11,422	11,846	2,866	3,249	9,041	9,208
Impairment loss	-	305	111	-	-	-	-
Operating income (loss)(2)	1,378	226	(407)	(269)	(1,393)	(894)	(1,772)
Royalty income	-	-	1,466	358	295	1,079	987
Interest expense	(111)	(188)	(178)	(47)	(76)	(141)	(192)
Income from operations before income taxes	1,267	38	881	42	(1,174)	44	(977)
Income tax expense (benefit)	523	60	378	10	(432)	(12)	(269)
Net income (loss)	$744	($22)	$503	$32	($742)	$56	($708)
Operating data (unaudited):							
Stores open at end of period	39	48	54	55	54	55	54
Comparable store sales change(1)	17.7%	0.3%	(19.4)%	(17.3)%	(12.3)%	(20.0)%	(10.2)%
EBITDA(2)	$2,617	$1,563	$2,430	$459	($842)	$1,240	($23)

	As of August 31,		**As of May 31,**
	2008	**2009**	**2010**
	(audited)		(unaudited)
	(in thousands)		
Balance sheet data:			
Cash and cash equivalents	$632	$610	$657
Total assets	14,080	13,312	13,160
Short term debt	2,917	1,892	1,932
Long term debt	-	-	-
Total long term liabilities	1,669	1,594	1,375
Total shareholders' equity	2,960	3,677	2,969

	Fiscal Years Ended August 31,			Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2008	2009	2009	2010	2009	2010
		(audited)				(unaudited)	
Sales, net	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	54.5	54.8	54.1	54.1	55.9	55.0	54.5
Gross profit	45.5	45.2	45.9	45.9	44.1	45.0	45.5
Selling	15.4	15.5	16.5	17.2	21.4	16.8	18.6
General and administrative	26.4	28.4	30.1	31.7	39.7	31.3	33.2
Impairment loss	-	0.7	0.3	-	-	-	-
Operating income (loss) [2]	3.7	0.6	(1.0)	(3.0)	(17.0)	(3.1)	(6.4)
Royalty income	-	-	3.7	4.0	3.6	3.7	3.6
Interest expense	(0.3)	(0.5)	(0.4)	(0.5)	(0.9)	(0.5)	(0.7)
Income (loss) from operations before income taxes	3.4	0.1	2.3	0.5	(14.4)	0.2	(3.5)
Income tax expense (benefit)	1.4	0.2	1.0	0.1	(5.3)	(0.0)	(1.0)
Net income	2.0%	(0.1)%	1.3%	0.4%	(9.1)%	0.2%	(2.6)%

Notes:

(1) Comparable store sales change calculated based on calendar monthly comparable data.

(2) EBITDA and operating income have been presented in this Prospectus and are supplemental measures of financial performance that are not a measure recognized by either United States or Canadian GAAP. See "*Non-GAAP Measures*".

The following table presents a reconciliation of EBITDA to net income (loss), the most directly comparable U.S. GAAP measure, for each of the periods indicated:

	Fiscal Years Ended August 31,			Three Months Ended May 31,		Nine Months Ended May 31,	
	2007	2008	2009	2009	2010	2009	2010
		(audited)				(unaudited)	
			(in thousands except operating data)				
EBITDA[1]	$2,617	$1,563	$2,430	$459	($842)	$1,240	($23)
Depreciation and amortization	1,239	1,337	1,371	370	256	1,055	762
Federal income tax expense (benefit)	376	(15)	289	9	(432)	(21)	(276)
State income tax expense	147	75	89	-	-	9	7
Interest expense	111	188	178	48	76	141	192
Net income (loss)	$744	($22)	$503	$32	($742)	$56	($708)

Notes:

(1) EBITDA has been presented in this Prospectus and is a supplemental measure of financial performance that is not a measure recognized by either United States or Canadian GAAP. See "*Non-GAAP Measures*".

The following table presents the summary unaudited quarterly results of No Fear for the last eight fiscal quarters, both in dollars and as a percentage of net sales:

	Three Months Ended							
	August 31, 2008	November 30, 2008	February 28, 2009	May 31, 2009	August 31, 2009	November 30, 2009	February 28, 2010	May 31, 2010
				(unaudited) (in thousands)				
Sales, net	$10,449	$7,841	$12,000	$9,044	$10,423	$7,629	$11,931	$8,174
Royalty income	-	$371	$352	$358	$385	$394	$298	$295
Net income	($163)	($460)	$484	$32	$447	($452)	$486	($742)

	Three Months Ended							
	August 31, 2008	November 30, 2008	February 28, 2009	May 31, 2009	August 31, 2009	November 30, 2009	February 28, 2010	May 31, 2010
	(unaudited)							
Sales, net	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Royalty income	-	4.7%	2.9%	4.0%	3.7%	5.2%	2.5%	3.6%
Net income	(1.6%)	(5.9%)	4.0%	0.4%	4.3%	(5.9%)	4.1%	(9.1%)

Three months ended May 31, 2010 compared to three months ended May 31, 2009

Sales, net

Net sales decreased to $8.2 million for the three months ended May 31, 2010 from $9.0 million for the same period in 2009, a decrease of $870,000, or 9.6%, primarily as result of a decrease in comparable store sales and sales via No Fear's website in the three months ended May 31, 2010 and a net reduction of one store. Comparable store net sales decreased by 12.3% in the three months ended May 31 in fiscal 2010 compared to fiscal 2009 as a result of the continued weakness in consumer spending in the United States and No Fear's markets in particular, which resulted in fewer overall transactions. In addition, as a result of limited availability of third party product given the contraction in credit that has impacted the vendor community, No Fear believes its sales are being disproportionately impacted relative to its peers who are better capitalized. Average units per transaction and average transaction were relatively flat from the previous period and have remained relatively flat despite the overall weakness in consumer spending that has driven down the number of transactions since calendar 2008. Several of No Fear's stores that opened in fiscal 2009 and fiscal 2010 did not achieve No Fear's budgeted sales targets as a result of the challenging retail environment. eCommerce sales equalled $357,000 in the three months ended May 31, 2010 versus $369,000 in the same period in fiscal 2009, a decrease of $12,000 or 3.2%.

Gross Profit

Gross profit for the three months ended May 31, 2010 was $3.6 million compared with $4.2 million for the same period in fiscal 2009, a decrease of $548,000, or 13.2%. As a percentage of net sales, gross profit decreased 1.8% to 44.1% in the three months ended May 31, 2010 from 45.9% in same period in fiscal 2009. The decrease in gross profit as a percentage of net sales was due primarily to higher discounts as a result of the promotional retail environment offset by reduced inventory shrink. The decrease in gross profit was also driven by a reduced gross profit on eCommerce sales as a result of a higher percentage of sales of promotional items which carry a lower gross margin.

Selling Expenses

Selling expenses in the three months ended May 31, 2010 were $1.7 million compared with $1.6 million in same period in fiscal 2009, an increase of $192,000, or 12.3%. This increase was primarily the result of labour costs associated with operating new stores and contractual increases in advertising contributions to landlords, offset by reductions in labour expense at No Fear's retail stores as a result of No Fear's ongoing expense reduction efforts. As a percentage of net sales, selling expenses increased to 21.4% in the three months ended May 31, 2010 from 17.2% in the same period in fiscal 2009.

General and Administrative Expenses

General and administrative expenses in the three months ended May 31, 2010 were $3.2 million compared with $2.9 million in the same period in 2009, an increase of $384,000, or 13.4%. The increase was primarily a result of non-recurring expenses including charges associated with store closures in fiscal 2009 and 2010, penalties for the late payment of sales taxes and professional fees associated with the Transaction. In addition, general and administrative expenses increased due to contractual increases in rent and common area maintenance charges. Depreciation expense was less than in the previous period as new stores are opened that are less expensive to build than the stores they replace. As a percentage of net sales, general and administrative expenses increased to 39.8% in the three months ended May 31, 2010 from 31.7% in the same period in fiscal 2009.

Operating Profit/Loss

As a result of the above factors, operating loss increased to $1.4 million for the three months ended May 31, 2010, from $269,000 in same period in fiscal 2009, an increase of $1.1 million. As a percentage of net sales, operating loss was 17.0% for the three months ended May 31, 2010 compared with 3.0% for the same period in fiscal 2009.

Royalty Income

Royalty income totalled $296,000 for the three months ended May 31, 2010, compared with $358,000 in same period in fiscal 2009, a decrease of $63,000 or 17.5%. This decrease was a result of a decrease in the overall case sales of the "No Fear" branded energy drink.

Interest Expense

Interest expense increased to $76,000 for the three months ended May 31, 2010 compared with $47,000 for the same period in fiscal 2009 as a result of the additional interest expense associated with the credit card receivables advances in November and December 2009.

Nine months ended May 31, 2010 compared to nine months ended May 31, 2009

Sales, net

Net sales decreased to $27.7 million for the nine months ended May 31, 2010 from $28.9 million for the same period in 2009, a decrease of $1.2 million, or 4.0%, primarily as result of a decrease in comparable store sales and sales via No Fear's website, and a net reduction of one store. Comparable store net sales decreased by 10.2% in the period in fiscal 2010 compared to fiscal 2009 as a result of the continued weakness in consumer spending in the United States and No Fear's markets in particular, which resulted in fewer overall transactions. In addition, several of No Fear's stores opened in fiscal 2009 and fiscal 2010 did not achieve No Fear's budgeted sales targets as a result of the challenging retail environment. eCommerce sales equalled $1.2 million in the first nine months of fiscal 2010 versus $1.4 million in the same period in fiscal 2009, a decrease of $202,000, or 14.4%.

Gross Profit

Gross profit for the nine months ended May 31, 2010 was $12.6 million compared with $13.0 million for the same period in fiscal 2009, a decrease of $381,000, or 2.9%. As a percentage of net sales, gross profit increased 0.5% to 45.5% in the nine months ended May 31, 2010 from 45.0% in same period in fiscal 2009. The increase in gross profit as a percentage of net sales was due primarily to higher initial markup on products and reduced inventory shrink offset by increased discounts as a result of the promotional retail environment in the United States.

Selling Expenses

Selling expenses in the nine months ended May 31, 2010 were $5.2 million compared with $4.8 million in same period in fiscal 2009, an increase of $330,000, or 6.8%. This increase was primarily the result of costs associated with operating new stores offset by reductions in labour expense at No Fear's retail stores as a result of No Fear's ongoing expense reduction efforts. As a percentage of net sales, selling expenses increased to 18.7% in the nine months ended May 31, 2010 from 16.8% in the same period in fiscal 2009, primarily due to the inability to further reduce labour expense in the face of declining store sales.

General and Administrative Expenses

General and administrative expenses in the nine months ended May 31, 2010 were $9.2 million compared with $9.0 million in the same period in fiscal 2009, an increase of $168,000, or 1.8%. This increase was primarily the result of contractual increases in rent and common area maintenance charges offset by reduced costs as a result of No Fear's ongoing expense reduction efforts such as a reduction in travel and entertainment expenses. In addition, non-recurring charges, including $554,000 in charges for the closure of stores in fiscal 2009 and fiscal 2010, $222,000 in penalties for the late payment of sales taxes and $207,000 in professional fees as a result of the reverse takeover of Gatorz, resulted in an increase in expenses. Depreciation expense was less than in the previous period as new stores are opened that are less expensive to build than the stores they replace, reducing depreciation expense. As a percentage of net sales, general and administrative expenses increased to 33.2% in the nine months ended May 31, 2010 from 31.3% in the same period in fiscal 2009.

Operating Profit/Loss

As a result of the above factors, operating loss increased to $1.8 million for the nine months ended May 31, 2010, from $894,000 in same period in fiscal 2009, an increase of $878,000. As a percentage of net sales, operating loss was 6.4% for the nine months ended May 31, 2010 compared with 3.1% for the same period in fiscal 2009.

Royalty Income

Royalty income totalled $987,000 for the nine months ended May 31, 2010, compared with $1.1 million in same period in fiscal 2009, a decrease of $93,000 or 8.6%. This decrease was a result of a decrease in the overall case sales of the "No Fear" branded energy drink.

Interest Expense

Interest expense increased to $192,000 for the nine months ended May 31, 2010 compared with $141,000 for the same period in fiscal 2009 as a result of the additional interest expense associated with the credit card receivables advances in November and December 2009.

Year ended August 31, 2009 compared to the year ended August 31, 2008

Sales, net

Net sales decreased to $39.3 million for fiscal 2009 from $40.2 million for fiscal 2008, a decrease of $921,000, or 2.3%, primarily as a result of a decline in comparable store sales and the closing of four retail stores in fiscal 2009 offset by the opening of ten retail stores and the transfer of the intellectual property for the "No Fear" brand to No Fear from Simo Holdings on September 1, 2008, which added eCommerce sales of $1.8 million to No Fear's revenue base. Comparable store net sales decreased by 19.4% in fiscal 2009 compared to fiscal 2008 as a result of fewer overall transactions.

Gross Profit

Gross profit for fiscal 2009 was $18.0 million compared with $18.2 million for fiscal 2008, a decrease of $164,000, or 0.9%. As a percentage of net sales, gross margin increased approximately 70 basis points from 45.2% in fiscal 2008 to 45.9% in fiscal 2009. The increase in gross profit as a percentage of net sales was due primarily to reduced inventory shrink offset by increased discounts as a result of the promotional retail environment.

Selling Expenses

Selling expenses in fiscal 2009 were $6.5 million compared with $6.2 million in fiscal 2008, an increase of $239,000, or 3.8%. This increase was primarily the result of costs associated with operating six new stores offset by reduced store payroll as a result of No Fear's ongoing efforts to manage expenses in the face of declining comparable store sales. As a percentage of net sales, selling expenses increased to 16.5% in fiscal 2009 from 15.5% in fiscal 2008.

General and Administrative Expenses

General and administrative expenses in fiscal 2009 were $11.8 million compared with $11.4 million in fiscal 2008, an increase of $424,000, or 3.7%. This increase was primarily the result of increased rent as a result of new store openings offset by reduced expenses as a result of No Fear's ongoing efforts to manage expenses in the face of declining comparable store sales. Store occupancy costs, which are largely fixed, increased as a percentage of net sales due to the decline in comparable store sales. As a percentage of net sales, general and administrative expenses increased to 30.1% in fiscal 2009 from 28.4% in fiscal 2008.

Impairment Loss

As a result of the closing of two stores operating under long-term leases in the first quarter of fiscal 2010, impairment loss for fiscal 2009 was $111,000 compared to an impairment loss of $305,000 in fiscal 2008 as a result of the closing of two retail stores (also operating under long-term leases) in September and October 2008 (fiscal 2009). The losses were related to the write-off of leasehold improvements of the closed stores. Furniture, fixtures and equipment, to the extent it can be reused, is transferred to construction in progress and allocated to new stores as they are opened.

Operating Profit/Loss

As a result of the above factors, No Fear generated an operating loss of $407,000 in fiscal 2009 compared with an operating profit of $226,000 in fiscal 2008, a decrease of $633,000. As a percentage of net sales, operating loss was 1.0% in fiscal 2009 compared with operating margin of 0.6% in fiscal 2008.

Royalty Income

Royalty income totalled $1.5 million in fiscal 2009 compared with $0 in fiscal 2008. On September 1, 2008 Simo Holdings transferred the intellectual property for the “No Fear” brand name to No Fear. As a result of this transfer, No Fear receives royalty income from the licensing of the “No Fear” brand.

Interest Expense

Interest expense decreased to $178,000 in fiscal 2009 compared with $188,000 in fiscal 2008 as a result of the pay down of No Fear’s credit facility and construction notes related to opening new retail stores.

Income Tax Expense

Income tax expense was $378,000 for fiscal 2009 compared with $60,000 for fiscal 2008 as a result of increase in taxable income in fiscal 2009 compared to 2008.

Year ended August 31, 2008 compared to the year ended August 31, 2007

Sales, net

Net sales increased to $40.2 million for fiscal 2008 from $37.1 million for fiscal 2007, an increase of $3.1 million, or 8.5%, primarily as a result of the opening of 10 retail stores in fiscal 2008 offset by the closing of one retail store. Comparable store net sales increased by 0.3% in fiscal 2008 compared to fiscal 2007.

Gross Profit

Gross profit for fiscal 2008 was $18.2 million compared with $16.9 million for fiscal 2007, an increase of $1.3 million, or 7.7%. As a percentage of net sales, gross margin decreased approximately 30 basis points to 45.2% in fiscal 2008 from 45.5% in fiscal 2007. The decrease in gross profit as a percentage of net sales was due primarily to increased discounts as a result of the promotional retail environment offset by reduced inventory shrink.

Selling Expenses

Selling expenses in fiscal 2008 were $6.2 million compared with $5.7 million in fiscal 2007, an increase of $512,000, or 8.9%. This increase was primarily the result of costs associated with operating new stores. As a percentage of net sales, selling expenses stayed constant at 15.5% in fiscal 2008 and fiscal 2007.

General and Administrative Expenses

General and administrative expenses in fiscal 2008 were $11.4 million compared with $9.8 million in fiscal 2007, an increase of $1.6 million, or 16.8%. This increase was primarily the result of costs associated with the opening of new stores and increases in infrastructure and administrative staff to support the growth of No Fear. As a percentage of net sales, general and administrative expenses increased to 28.4% in fiscal 2008 from 26.4% in fiscal 2007.

Impairment Loss

As a result of the closing of two retail stores operating under long-term leases in September and October 2008 (fiscal 2009), impairment loss for fiscal 2008 was $305,000 compared to no impairment loss in fiscal 2007. The loss was related to the write off of leasehold improvements of the closed stores. Furniture, fixtures and equipment, to the extent it can be reused, is transferred to construction in progress and allocated to new stores as they are opened.

Operating Profit/Loss

As a result of the above factors, operating profit decreased to $226,000 for fiscal 2008, compared to $1.4 million in fiscal 2007, a decrease of $1.2 million. As a percentage of net sales, operating profit was 0.6% in fiscal 2008 compared with 3.7% in fiscal 2007.

Interest Expense

Interest expense increased to $188,000 in fiscal 2008 compared with $111,000 in fiscal 2007 as a result of No Fear's credit facility and additional construction notes related to opening new retail stores.

Income Tax Expense

Income tax expense was $60,000 for fiscal 2008 compared with $523,000 for fiscal 2007.

Seasonality

As is the case with many retailers of apparel and related merchandise, No Fear's business is subject to seasonal influences. As a result, No Fear has historically experienced and expects to continue to experience seasonal and quarterly fluctuations in its net sales and operating results. No Fear's net sales and operating results are typically lower in the first and third quarters of its fiscal year, while the winter holiday and back-to-school periods historically have accounted for the largest percentage of No Fear's annual net sales. Variable costs such as store labour expense can be adjusted to match seasonal fluctuations in revenue but costs such as occupancy are fixed. As a result, No Fear has historically generated a disproportionate level of earnings in its fiscal second and fourth quarters. Quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including the timing of store openings and the relative proportion of No Fear's new stores to mature stores, fashion trends and changes in consumer preferences, calendar shifts of holiday or seasonal periods, changes in merchandise mix, timing of promotional events, general economic conditions, competition and weather conditions.

Liquidity and Capital Resources

	Fiscal Years Ended August 31,			**Three Months Ended May 31,**		**Nine Months Ended May 31,**	
	2007	**2008**	**2009**	**2009**	**2010**	**2009**	**2010**
		(audited)			(unaudited)		
			(in thousands)				
Cash and cash equivalents.......................	$343	$632	$610	$668	$657	$668	$657
Net cash provided by (used in) operating activities....	1,688	1,075	1,679	629	193	1,106	223
Net cash provided by (used in) investing activities....	(1,326)	(1,871)	(451)	(244)	(33)	(380)	(137)
Net cash provided by (used in) financing activities....	(19)	1,085	(1,250)	(370)	(301)	(690)	(39)

No Fear's primary capital requirements are for capital investments, inventory, store fixtures and ongoing infrastructure improvements such as technology enhancements and distribution capabilities. Historically, No Fear's main sources of liquidity have been cash flows from operations, borrowings and advances from Simo Holdings.

The significant components of No Fear's working capital are inventory and liquid assets such as cash and receivables, specifically credit card receivables, reduced by short-term debt, accounts payable and accrued expenses.

No Fear’s working capital position benefits from the fact that No Fear generally collects cash from sales to customers the same day or within several days of the related sale, while No Fear typically has payment terms with its suppliers and vendors.

No Fear’s capital requirements include construction and fixture costs related to the opening of new stores and for maintenance for existing stores. Future capital requirements will depend on many factors, including the pace of new store openings, the availability of suitable locations for new stores and the nature of arrangements negotiated with landlords. In that regard, No Fear’s net investment to open a new store has varied significantly in the past due to a number of factors, including the geographic location and size of the new store, and is likely to vary significantly in the future. While No Fear plans to open a significant number of new stores in the future, it will be forced to reduce the pace of new store openings if it is not able to raise the maximum gross proceeds of the Offering, being C$8,000,000. See “*Special Note Regarding Forward-Looking Information*” and “*Use of Proceeds*”. A reduction in the pace of new store openings will adversely impact future operating performance and growth projections.

No Fear has experienced declining liquidity over the last two fiscal years as a result of a decline in comparable store sales in the face of generally fixed costs and as a result of the recent general economic condition in the United States. Given the challenging financial performance over the last two years, No Fear expects liquidity will improve as a result of a reversal in the declining sales trends and reduced expenses as a result of ongoing cost control measures. There can be no assurance, however, that the decline in liquidity will be reversed. See “*Risk Factors – Risks Related to the Business*”. No Fear expects cash flows from operations, proceeds from the Offering and borrowings will be sufficient to meet the Resulting Issuer’s cash requirements for operations and planned capital expenditures for at least the next twelve to eighteen months. Should the Resulting Issuer not be able to raise the maximum net proceeds of the Offering, being C$6,440,000, it will be forced to reduce the pace of new store openings subsequent to calendar 2011 and 2012 and allocate funds to store openings under leases that require minimal capital expense in order to preserve capital to fund the ongoing operations of the business. A reduction in the pace of new store openings will impact future operating performance. Beyond the next twelve to eighteen months, if cash flows from operations, proceeds from the Offering and borrowings are not sufficient to meet the Resulting Issuer’s capital requirements, then the Resulting Issuer will be required to obtain additional equity or debt financing or will be forced to reduce the pace of new store openings, the primary factor impacting future capital requirements. See “*Special Note Regarding Forward-Looking Information*”, “*Business – No Fear – Growth Strategy*” and “*Use of Proceeds*”. There can be no assurance that equity or debt financing will be available to the Resulting Issuer when it may need it or, if available, that the terms will be satisfactory to the Resulting Issuer and not dilutive to the Resulting Issuer’s then-current shareholders. See “*Risk Factors*”.

Net cash provided by operating activities for the nine months ended May 31, 2010 was $223,000, primarily due to non cash charges like depreciation, a decrease in inventory and increases in payables and accruals offsetting a net loss and a reduction in related party payables. Net cash provided by operating activities for the nine months ended May 31, 2009 was $1.1 million, primarily due to net income, depreciation and receipt of construction allowances offset by a reduction in related party payables and an increase in inventory. Net cash provided by operating activities for the three months ended May 31, 2010 was $193,000, primarily due to an increase in related party payables and accounts payable, depreciation and a decrease in inventory offset by a net loss. Net cash provided by operating activities for the three months ended May 31, 2009 was $629,000, primarily due to net income, depreciation and an increase in related party payables offset by an increase in inventory and increase in accounts payable. Net cash provided by operating activities for fiscal 2009 was $1.7 million, primarily due to net income and depreciation and amortization offset by a decrease in working capital and deferred taxes. Net cash provided by operating activities for fiscal 2008 was $1.1 million, primarily due to depreciation and amortization, a non-cash impairment loss and an increase in deferred rent and lease credits offset by a decrease in net working capital, a decrease in deferred taxes and a net loss. Net cash provided by operating activities for fiscal 2007 was $1.7 million primarily due to a net gain, depreciation and amortization and an increase in deferred rent and lease credits offset by an increase in working capital and a decrease in deferred taxes.

Net cash used in investing activities was $137,000 and $380,000 in the nine months ended May 31, 2010 and May 31, 2009, respectively, primarily related to capital expenditures for new store openings. Net cash used in investing activities was $33,000 and $244,000 in the three months ended May 31, 2010 and May 31, 2009, respectively, primarily related to capital expenditures for new store openings. Net cash used in investing activities was $451,000 in fiscal 2009 primarily related to capital expenditures for new store openings. As a result of the challenging economic climate, No Fear opened several stores in fiscal 2009 with one year or shorter leases. These leases, typically referred to as temporary leases, allow No Fear to open a new store while limiting its capital expenditures and also allowing it to exit the lease should the store not perform. No Fear believes it will continue to open a mix of permanent and temporary stores in order to take advantage of attractive real estate opportunities and test markets while limiting No Fear's capital expenditures in the current environment. Net cash used in investing activities was $1.9 million and $1.3 million in fiscal 2008 and 2007, respectively, primarily related to capital expenditures for new store openings.

Net cash used in financing activities in the nine months ended May 31, 2010 was $39,000, primarily related to borrowings under the Credit Card Receivable Agreement (defined below) offset by payments on the term loan with a bank, payments on notes payable and daily instalment payments on the credit card receivable advances. Net cash used in financing activities in the nine months ended May 31, 2009 was $690,000, related to payments on the term loan and notes payable offset by net borrowings on the line of credit. Net cash used in financing activities in the three months ended May 31, 2010 was $301,000, primarily related to payments on the term loan with a bank, payments on notes payable and daily instalment payments on the credit card receivable advances. Net cash used in financing activities in the three months ended May 31, 2009 was $370,000, related to payments on notes payable and the term loan. Net cash used in financing activities in fiscal 2009 was $1.25 million, primarily related to payments on notes payable and the term loan offset by net borrowings on the line of credit. Net cash provided by financing activities in fiscal 2008 was $1.1 million, primarily related to net borrowings on the line of credit offset by payments on notes payable. Net cash used in financing activities in fiscal 2007 was $19,000, primarily related to cash advances from Simo Holdings offset by payments on notes payable.

No Fear had a credit agreement with a bank which provided No Fear with a secured revolving line of credit of up to $2.0 million that matured on December 15, 2008. No Fear received 30 day extensions on the facility in December 2008 and January 2009. In February 2009, the line of credit was converted to an instalment note, payable in monthly instalments of principal and interest through February 2010, with interest at the bank's prime rate plus 1.25%. In August 2009, No Fear and the bank entered into a loan revision agreement under which the amounts of the remaining monthly instalments payable under the note were decreased, the term of the note was extended to August 2010, and interest on the loan was increased to the bank's prime rate plus 1.75%. In December 2009, No Fear and the bank entered into a loan revision agreement under which the amount of the remaining monthly instalments payable under the note were decreased, the term of the note was extended to December 31, 2010 and the interest on the loan was increased to the bank's prime rate plus 2.25%. The note contains customary events of default, which include non-compliance with specified financial covenants and a sale or transfer of all or substantially all of the assets of No Fear, as well as customary reporting requirements. The note contains financial covenants that require No Fear to meet certain specified financial tests including a requirement (a) to maintain a ratio of total senior liabilities to tangible net worth plus subordinated debt of not more than 1.75 to 1 as measured on a quarterly basis, (b) to maintain tangible net worth plus subordinated debt of not less than $2,000,000 as measured on a quarterly basis, and (c) to have net income of not less than $475,000 at fiscal year end. As at August 31, 2009 and May 31, 2010, No Fear was not in compliance with the covenants listed in (a) and (b), which constituted an event of default under the note. The lender waived No Fear's defaults under the note for these periods. All of No Fear's personal property, including, among other things, its inventory, equipment and fixtures, have been pledged to secure its obligations under the credit agreement. No Fear must also provide financial information and statements to its lender.

No Fear entered into an agreement with a financial institution in November 2009 for advances of up to $1.0 million against future credit card receivables (the "Credit Card Receivable Agreement"). No Fear drew the first half of the facility ($500,000) in November 2009 and the second half ($500,000) in December 2009. The facility is secured by future credit card receipts and amortizes on each business day over twelve months from the date of each funding. No Fear is making payments of $2,192 on each business day on each draw until a total of $1,140,000 is repaid. As additional security for the agreement, the financial institution has a second lien on No Fear's personal property, including, among other things, its inventory, equipment and fixtures. The covenants contained in the Credit Card Receivable Agreement include provisions requiring No Fear (a) to continue ordinary processing of credit card payments, (b) to provide the lender with advance notice of the closing of any of store location, (c) not to transfer or encumber any collateral, and (d) other than as contemplated by the Merger Agreement, to not dispose of more than 10% of the issued and outstanding shares of common stock of No Fear or dispose of a substantial portion of No Fear's business or assets. In August 2010, No Fear drew an additional $500,000 under the facility and is making payments of $2,192 on each business day until a total of $570,000 is repaid.

No Fear's future capital requirements depend on numerous factors including the margin of No Fear's products sold, whether No Fear funds, acquires or invests in complementary businesses and expenses associated with unforeseen litigation. See also "*Special Note Regarding Forward-Looking Information*".

Off-Balance Sheet Arrangements

No Fear has no off-balance sheet arrangements.

Related-Party Transactions

Trademarks: No Fear is a subsidiary of Simo Holdings. Through August 31, 2008, Simo Holdings owned sole rights to certain licenses and trademarks, including all No Fear-branded products sold by No Fear's retail stores and, effective September 1, 2008, assigned to No Fear all right, title and interest to the "No Fear" trademark in the United States. The trademarks, which had no carrying value for financial statements, have certain associated deferred tax benefits in the amount of approximately $214,000 which were recorded to additional paid-in capital as a non-cash contribution of intangibles by Simo Holdings. As a result of the assignment of the "No Fear" trademark, No Fear receives royalty income from Simo Holdings. These royalties consist of funds from the license to PepsiCo, Inc. for a No Fear-branded energy drink and wholesale sales of No Fear-branded apparel by Simo Holdings. The agreement with No Fear MX, Inc., a wholly-owned subsidiary of Simo Holdings, for the production of No Fear-branded motocross equipment and apparel, is currently royalty-free through August 2011.

Inventory: No Fear purchases its entire inventory from Simo Holdings. Simo Holdings and its subsidiaries has purchasing and vendor relationships with its affiliates for certain third-party products. Proprietary branded goods are purchased at Simo Holdings' wholesale selling price and third-party-branded merchandise is purchased at Simo Holdings' cost. No Fear has full right of return on all unsold inventory purchased from Simo Holdings and its subsidiaries.

In September 2006, No Fear entered into a non-interest-bearing revolving line of credit in the amount of $6,000,000 with Simo Holdings for the purchase of inventory. The line of credit is secured by all of the assets of No Fear and is subordinate to the bank term loan. Borrowings and payments on the line of credit are recorded in the accompanying balance sheets as related-party payables.

Operating expenses: Simo Holdings, from time to time, may pay certain operating expenses and purchases and leasehold improvements on behalf of No Fear. The amounts paid by Simo Holdings are recorded in the accompanying financial statements as related-party payables.

Management fees: Simo Holdings allocates certain expenses to No Fear in the form of management fees directly related to the operations of No Fear, including expenses for facilities, payroll and payroll-related expenses, legal and accounting, and other miscellaneous expenses. No Fear and Simo Holdings believe the allocations reflect reasonable utilization of the services provided and the benefits received.

See *"Relationship between Simo Holdings and Resulting Issuer"*.

Subsequent Events

In August 2009, No Fear was served with a complaint for breach of one of its store leases by the landlord of that location. In June 2010, the parties agreed, subject to a final settlement agreement which was executed in July 2010, to settle their outstanding dispute and release each other from all obligations under the lease based on a periodic payment schedule amounting to $350,000 through March 2011.

In October 2009, No Fear was served a complaint for breach of one of the leases by the landlord of that location. In October 2010, the parties agreed, subject to a final settlement agreement which has not been executed, to settle their outstanding dispute for $100,000 and release each other from all obligations under the lease based on a periodic payment schedule through May 2011.

No Fear management closed one store in August 2010, and one store in September 2010. Net sales from these stores totalled approximately $191,000 and $651,000 for the three and nine months ended May 31, 2010, respectively, and approximately $99,000 and $281,000 for the three and nine months ended May 31, 2009, respectively. The store closed in August and was operated under a one year lease that expired on the day that the store was closed. The store closed in September was operated under a one year lease that would have expired in January 2011. No impairment has been recorded in relation to store closures as there was no significant book value recorded for leasehold improvements.

Since May 31, 2009, No Fear has opened two additional retail stores in Texas.

In June 2010, the term loan was amended to lower the tangible net worth covenant to not less than $2,000,000 as measured on a quarterly basis; and to eliminate the covenant for the ratio of total senior liabilities to tangible net worth plus subordinated debt.

In June 2010, Simo Holdings and No Fear were named in litigation by a third party seeking repayment of loans made to Simo Holdings. As No Fear is not a party to the loans, No Fear believes the claims asserted against it in the lawsuit are without merit and will defend itself vigorously in the lawsuit. Further, Simo Holdings has agreed to defend and fully indemnify No Fear in connection with the lawsuit. See "*Risk Factors – Risks Related to the Business*" and "*Legal Proceedings and Regulatory Actions*".

As discussed previously, No Fear entered into a credit card receivables advance agreement with an institution in November 2009. The agreement allows No Fear to receive advances on No Fear's future credit card receivables as limited by the institution. In August 2010, No Fear received an additional $500,000 advance and is making additional daily instalment payments in the amount of $2,192 as required by the agreement until a total of $570,000 is repaid.

In September 2010, No Fear began purchasing proprietary and third party branded products from unaffiliated vendors. No Fear no longer purchases its products from Simo Holdings and does not have return rights on unsold inventory. As a result, in subsequent periods No Fear will maintain a reserve for excess or obsolete inventory.

Simo Holdings and PepsiCo, Inc. have agreed to terminate the license agreement in respect of the "No Fear" branded energy drink based on a staged transition of territories. Aside from certain limited territories which terminate in October 2010**,** PepsiCo, Inc. has the right during the transition period to terminate all remaining territories at its discretion and all such territories will be terminated no later than December 31, 2011. As outlined in the agreement, No Fear received an advance against future royalties following the execution of the termination agreement. The advance is accounted for as deferred royalty revenue and amortized over the remainder of the agreement. See "*Business – No Fear – Marketing and Promotions*" and "*Risk Factors – Risks Related to the Business*".

Contractual Obligations

The following table summarizes No Fear's contractual obligations as of August 31, 2009 and the effect such obligations are expected to have on No Fear's liquidity and cash flows in future periods.

	Payments Due by Period				
	Total	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
Debt obligations	$1,892,000(1)	$1,892,000(1)	Nil	Nil	Nil
Operating lease obligations	16,320,000	3,155,000	5,242,000	3,898,000	4,025,000
	$18,212,000	$5,047,000	$5,242,000	$3,898,000	$4,025,000

Notes:

(1) Includes $1.2 million outstanding under a term loan with a bank, $445,000 under an acquisition note payable and $247,000 under construction promissory notes.

Impact of Inflation

No Fear's results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, No Fear believes the effects of inflation, if any, on its results of operations and financial condition have been immaterial.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements – an amendment to ARB No. 51 (codified in ASC Topic 810), as amended by Accounting Standards Update ("ASU") 2010-02, Accounting and Reporting Decreases and Ownership in a Subsidiary – a Scope Clarification, which requires recognition of a non-controlling interest (minority interest) as equity in the financial statements and separate from the parent's equity. It also amends certain consolidation for consistency with the requirements of ASC Topic 805, Business Combinations. The provisions also include expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. This ASC became effective for No Fear on September 1, 2009, and had no effect on No Fear's financial position and results of operations.

In April 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 142-3, Determination of the Useful Life of Intangible Assets (codified in ASC Topic 350). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years, and should be applied prospectively to intangible assets acquired after the effective date. Early adoption is not permitted. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives and should be applied to all intangible assets recognized as of, and subsequent to, the effective date. The adoption of FSP FAS 142-3 did not have a material effect on the financial statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (codified in ASC Topic 855) as amended by ASU 2010-09, Amendment to Certain Recognition and Disclosure Requirements, which provides guidance on management's assessment of subsequent events. The new standard clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or available to be issued. The adoption of SFAS No. 165 did not have a material effect on the financial statements.

In June 2009, ASU 2009-01, Topic 105—Generally Accepted Accounting Principles amendments based on Statement of Financial Accounting Standards No. 168—The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the Codification) was issued. This ASU amends the FASB ASC for the issuance of SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. The ASC is the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. On the effective date of SFAS No. 168, the ASC will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in the ASC will become nonauthoritative. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Following SFAS No. 168, the FASB will not issue new standards in the form of Statements, FSB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates. The GAAP hierarchy will be modified to include only two levels of GAAP: authoritative and nonauthoritative. Adoption of the ASC did not impact No Fear's practice of preparing financial statements in conformity with United Sates GAAP.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (codified in ASC 810 10). SFAS No. 167 amends FIN 46(R) to require an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This Statement requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This Statement is effective for fiscal years beginning after November 15, 2009. No Fear is currently evaluating the impact of the adoption of SFAS No. 167 on its financial statements.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon No Fear's financial statements, which have been prepared in accordance with United States GAAP. The preparation of these financial statements requires estimates and judgments that affect the reported amounts of No Fear's assets, liabilities, net sales and expenses. Management bases estimates on historical experience and other assumptions it believes to be reasonable given the circumstances and evaluates these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

No Fear believes that the following critical accounting policies involve a higher degree of judgment and complexity. See Note 1 to No Fear's audited financial statements for the fiscal year ended August 31, 2009 for a complete discussion of No Fear's significant accounting policies. The following reflect the significant estimates and judgments used in the preparation of No Fear's financial statements.

Revenue Recognition

Revenue is recognized upon the purchase of merchandise by customers. Revenue is recorded net of actual and estimated sales returns, discounts and promotions. No Fear accrues for estimated sales returns by customers based on historical sales return results. No Fear recognizes a liability upon the sale of, or addition of value on, gift cards. Gift card revenue is recognized when the gift card is redeemed for merchandise.

Inventory

Inventory and cost of goods sold consist primarily of apparel and accessories purchased for resale from Simo Holdings and other related parties. Simo Holdings establishes prices at which No Fear purchases inventory. Inventory is valued using the cost method, which uses the lower of actual cost or market. Cost is determined using the first-in, first out (FIFO) method. Market is determined based on the estimated net realizable value, which is generally the merchandise selling price. Inventory may be returned to Simo Holdings with full right of return, and no restocking fee is charged to No Fear. As a result of these terms, No Fear does not maintain a reserve for excess or obsolete inventory.

Equipment and Leasehold Improvements

Equipment and leasehold improvements acquired from Simo Holdings on September 1, 2006 are stated at the net carrying value at the time of the exchange. Equipment and leasehold improvements acquired subsequent to the initial exchange of assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to five years, or the remaining life on assets acquired in the exchange. Leasehold improvements and assets acquired under capital leases are amortized over the lesser of the estimated useful lives of the assets or related lease terms. Gains and losses from the sale or retirement of equipment and leasehold improvements are charged to operations in the period incurred. Expenditures for repairs and maintenances are expensed as incurred.

Long-lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, as codified in Accounting Standards Codification 360, management evaluates the ongoing value of No Fear's equipment and leasehold improvements, including but not limited to, leasehold improvements and store fixtures associated with retail stores which have been open longer than one year. Impairment losses are recorded on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. When events such as these occur, the impaired assets are adjusted to estimated fair value and an impairment loss is recorded.

Goodwill and Other Intangible Assets

No Fear records as goodwill the excess of purchase price over the fair value of the identifiable intangible assets and tangible net assets acquired. Goodwill and other intangible assets acquired from Simo Holdings on September 1, 2006 are stated at the net carrying value at the time of the exchange. Intangible assets consist of goodwill, trademark license agreements and non-compete agreements with a former licensee. Trademark license and non-compete agreements are being amortized on a straight-line basis over periods of three to five years or the remaining life on assets acquired in the exchange. Amortizable intangibles are evaluated for impairment in accordance with ASC 360 described above.

SFAS No. 142, Goodwill and Other Intangible Assets, as codified in ASC 350, prescribes a two-step process for impairment testing of goodwill, which is to be performed at least annually, as well as when an event triggering impairment may have occurred. The first step compares the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount exceeds fair value, then the second step of the impairment test is performed to measure the amount of any impairment loss. Fair value is determined based on estimated future cash flows, discounted at a rate that approximates No Fear's cost of capital. Such estimates are subject to change and No Fear may be required to recognize impairment losses in the future. No Fear evaluates the recoverability of goodwill annually, or more frequently whenever events or changes in circumstances indicate that the assets might be impaired. No Fear has elected to perform impairment testing of goodwill at the end of each fiscal year.

Leases

No Fear accounts for rent expense in accordance with SFAS No. 13, Accounting for Leases and FASB Technical Bulletin 85-3, Accounting for Operating Leases with Scheduled Rent Increases, as codified in ASC 840. Accordingly, rent expense under No Fear's store operating leases is recognized on a straight-line basis over the original term of each store's lease, inclusive of rent holiday and store construction periods, and excluding any lease renewal options.

Deferred lease credits represent the unamortized portion of construction allowances received from landlords related to No Fear's stores. Construction allowances are generally comprised of cash amounts received by No Fear from its landlords as part of negotiated lease terms. No Fear records a receivable and a deferred lease credit liability at the lease commencement date. The deferred lease credit is amortized as a reduction of rent expense over the term of the lease, and the receivable is reduced as amounts are received from the landlord.

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are based primarily on a percentage of sales in excess of a predetermined level. These amounts are excluded from minimum rent and are included in the determination of rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable.

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with SFAS No. 109, *Accounting for Income Taxes*, as codified in ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities of their respective tax bases.

As permitted by tax regulations, No Fear does not file a separate tax return, but is included in a consolidated return filed by Simo Holdings. Accordingly, current income tax is reported as a liability owed to Simo Holdings. The current and deferred tax amounts reflected in No Fear's financial statements have been calculated based on taxable income directly attributable to No Fear, prepared using the separate return method. Upon completion of the Transaction, No Fear will file a separate tax return as required by tax regulations.

Deferred tax assets and liabilities are measured using an enacted tax rate expected to apply to taxable income in the year in which those temporary differences are expect to be recovered or settled. The effect of deferred tax assets and liabilities of a change in tax assets is recognized in operations in the period that includes the enactment dates.

No Fear adopted the provision of ASC Subtopic 740-10-05 on accounting for uncertainty in income taxes on September 1, 2007. This guidance prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. As such, No Fear recognizes the financial statement benefits of a tax position only if it is more-likely-than-not to be sustained upon examination by taxing authorities. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. No Fear has a policy of recognizing interest and penalties related to unrecognized tax benefits within income tax expense in the statement of operations and within deferred tax liability in the balance sheet. No Fear evaluated its tax positions and concluded there were no uncertain tax positions for the years ended August 31, 2009 and 2008.

Transition to IFRS

Due to reverse takeover accounting, following the closing of the Transaction the consolidated financial statements of the Resulting Issuer will reflect No Fear as the parent for accounting purposes. Accordingly, following the implementation of IFRS, No Fear will be required to prepare its financial statements in accordance with IFRS. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The transition from Canadian GAAP to IFRS will be applicable in the first quarter ended November 30, 2011, when No Fear will prepare both the current and comparative financial information using IFRS. The quarter ended November 30, 2010 will require the initial IFRS decisions to be implemented to allow for comparability in the following year. Parallel financial statements (using Canadian GAAP and IFRS) will therefore begin in the quarter ended November 30, 2010. The impact of the transition to IFRS on No Fear's financial statements is not yet determinable.

On completion of the Transaction and Offering, No Fear intends to change the financial year-end of the Resulting Issuer to match the financial year-end of No Fear, being August 31.

DESCRIPTION OF SHARE CAPITAL OF GATORZ

Gatorz is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. The Gatorz Board intends to create four series of Preferred Shares, being the Merger Preferred Shares to be issued to Simo Holdings pursuant to the Merger Agreement. As at the date hereof, 47,254,232 Common Shares (or 5,906,779 Resulting Issuer Common Shares) are issued and outstanding and no Preferred Shares are issued and outstanding.

Following completion of the RTO, the Resulting Issuer will have two classes of shares: Resulting Issuer Common Shares and Preferred Shares. See "*Description of the Securities Distributed*" below for a description of the material attributes of the Resulting Issuer Common Shares. The following is a brief description of the Preferred Shares.

Preferred Shares

The Gatorz Board may issue Preferred Shares at any time and from time to time in one or more series. The Gatorz Board shall fix the number of shares in each such series and shall determine, subject to the limitations set out in the articles, the designation, rights, privileges, restrictions and conditions to attach to the shares of such series. The Preferred Shares of each series rank pari passu with the Preferred Shares of every other series with respect to priority in the payment of dividends and the return of capital and the distribution of assets of Gatorz in the event of the liquidation, dissolution or winding-up of Gatorz, whether voluntary or involuntary, or any other distribution of the assets of Gatorz among its shareholders for the purpose of winding up its affairs. The Preferred Shares of any series may also be given preferences, not inconsistent with the articles of Gatorz, over the Common Shares and any other shares of Gatorz ranking junior to the Preferred Shares.

Merger Preferred Shares

The Merger Preferred Shares will be issued in four separate series, all having identical terms except with respect to the time at which they may be converted for no additional consideration into Resulting Issuer Common Shares. In that regard: (i) the 2,220,312 Merger Preferred Shares, Series I-A, shall be freely convertible into 2,220,312 Resulting Issuer Common Shares when the Resulting Issuer has a total of 104 stores open, inclusive of any stores in existence on April 26, 2010; (ii) the 1,149,176 Merger Preferred Shares, Series I-B, shall be freely convertible into 1,149,176 Resulting Issuer Common Shares when the Resulting Issuer has a total of 154 stores open, inclusive of any stores in existence on April 26, 2010; (iii) the 2,220,312 Merger Preferred Shares, Series I-C, shall be freely convertible into 2,220,312 Resulting Issuer Common Shares when the Resulting Issuer Common Shares trade on the Exchange or other stock exchange at a price of C$6.00 or more for 20 consecutive trading days; and (iv) the 965,440 Merger Preferred Shares, Series I-D, shall be freely convertible into 965,440 Resulting Issuer Common Shares when the Resulting Issuer Common Shares trade on the Exchange or other stock exchange at a price of C$8.00 or more for 20 consecutive trading days. All Merger Preferred Shares shall (A) have full voting rights on a fully converted basis, carrying one vote per share, on all matters that the Resulting Issuer Common Shares have the right to vote upon and otherwise as required by any legal requirement, (B) be redeemable by the Resulting Issuer for the sole consideration of payment of any accrued but unpaid dividends, if any, on the date which is 10 years from the date of issuance, or immediately prior to a Redemption Event, (C) be freely convertible at the request of the holder and without the payment of additional consideration on a one-for-one basis into Resulting Issuer Common Shares upon a liquidation, winding up, dissolution or similar event of the Resulting Issuer (but not a Redemption Event), (D) be entitled to receive any amounts on an equal per share basis paid to Resulting Issuer Common Shares upon a liquidation, winding up, dissolution, or similar event of the Resulting Issuer (but not a Redemption Event) on an as-converted basis, (E) participate equally on an as-converted basis in all dividends declared upon or paid to Resulting Issuer Common Shares, (F) be subject to customary anti-dilution adjustments for stock splits, stock dividends, dilutive share issuances, share consolidations, recapitalizations, and other events to be reasonably agreed upon between No Fear and Gatorz, and (G) be in form and substance reasonably agreeable to No Fear and Gatorz in all other respects.

At closing of the RTO, Simo Holdings shall enter into an agreement with Gatorz on terms mutually satisfactory to Simo Holdings and Gatorz, acting reasonably, and in a form approved by the Exchange, pursuant to which Simo Holdings shall covenant not to sell, transfer, or otherwise dispose of the Merger Preferred Shares only to the extent required by the Exchange, subject to customary exclusions including transfers to affiliates.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

After giving effect to the RTO and upon completion of the Offering, there will be 28,291,154 Resulting Issuer Common Shares and 6,555,240 Preferred Shares issued and outstanding.

Resulting Issuer Common Shares

Holders of Resulting Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders, except meetings of holders of another class of shares. Each Resulting Issuer Common Share will entitle the holder thereof to one vote.

Holders of Resulting Issuer Common Shares will be entitled to receive, if, as and when declared by the Resulting Issuer board of directors, such dividends as may be declared thereon by the board from time to time in equal amounts per share on the Resulting Issuer Common Shares at the time outstanding, without preference or priority.

In the event of the voluntary or involuntary liquidation, dissolution or winding-up of Gatorz, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (each a "Distribution"), holders of Resulting Issuer Common Shares will be entitled after payment of debts and other liabilities, in each case subject to the preferences accorded to the holders of any other shares ranking senior to the Resulting Issuer Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of Gatorz.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Gatorz as at June 30, 2010 both before and after giving effect to the Offering and the Transaction and No Fear as at May 31, 2010. This table should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Prospectus.

	Gatorz	No Fear	Gatorz Pro Forma	
	As of June 30, 2010 (unaudited in thousands)	**As of May 31, 2010** (unaudited in thousands) Actual(1)	**As at June 30, 2010 after giving effect to the Transaction and** (unaudited in thousands)	
			C$8,000 Offering	C$3,500 Offering
Cash, cash equivalents and short-term investments	$197	$657	$7,160	3,046
Long-term debt	—	—	—	—
Short-term debt	794	1,932	2,726	2,726
Stockholders' equity (deficit)				
Share capital	4,206	4	6,448	2,334
Compensation options	—	—	70	70
Convertible debenture	496	—	—	—
Contributed surplus	179	2,448	2,448	2,448
Earnings (deficit)	(5,132)	517	4,664	4,664
Total stockholders' equity	(251)	2,969	13,630	9,516
Total capitalization	543	4,901	16,356	12,242

Notes:

(1) No Fear was incorporated on July 25, 2006. On September 1, 2006, Simo Holdings transferred the operations of its retail store business, including all related assets (except cash and inventory) and all related liabilities and commitments to No Fear in exchange for 40,000,000 shares of No Fear common stock.

OPTIONS TO PURCHASE SECURITIES

Resulting Issuer

The Resulting Issuer will continue the Stock Option Plan following closing of the RTO. A description of such plan is set out below.

Gatorz

The policies of the Exchange provide that the Gatorz Board may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and employees of Gatorz and its affiliates and to consultants and management company employees, non-transferable options to purchase Resulting Issuer Common Shares for a period of up to five years from the date of the grant, provided that the number of Resulting Issuer Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Resulting Common Shares (as adjusted to take into account the Consolidation) of Gatorz at the date of the grant. The purpose of the stock option plan (the "Stock Option Plan") established by Gatorz, pursuant to which it may grant incentive stock options, is to promote the profitability and growth of Gatorz by facilitating the efforts of Gatorz to obtain and retain key individuals. The Stock Option Plan provides an incentive for and encourages ownership of Gatorz' shares by its key individuals so that they may increase their stake in Gatorz and benefit from increases in the value of the Resulting Issuer Common Shares.

Pursuant to the Stock Option Plan, the maximum number of Resulting Issuer Common Shares reserved for issuance in any 12 month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Resulting Issuer Common Shares at the date of the grant. The maximum number of Resulting Issuer Common Shares reserved for issuance in any 12 month period to any consultant may not exceed 2% of the issued and outstanding Resulting Issuer Common Shares at the date of the grant while the maximum number of Resulting Issuer Common Shares reserved for issuance in any 12 month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of Resulting Issuer Common Shares at the date of the grant.

Exercise prices of the options are determined by the Gatorz Board and cannot be less than the discounted market price, as defined by the policies of the Exchange. Options to acquire an aggregate of 171,481 Resulting Issuer Common Shares have been granted by Gatorz, all of which are exercisable at a weighted average price of C$2.80 per Resulting Issuer Common Share with expiration dates of June 26, 2011 (55,857 Resulting Issuer Common Shares) and January 23, 2012 (115,624 Resulting Issuer Common Shares).

The following table sets out all outstanding stock options granted by Gatorz under the Stock Option Plan:

<table>
<tr><th></th><th colspan="7">Option-Based Awards</th></tr>
<tr><th>Individual</th><th colspan="2">Number of Resulting Issuer Common Shares Underlying Unexercised Options (#)</th><th colspan="2">Option Exercise Price (as adjusted) (C$)</th><th colspan="2">Option Expiration Date</th><th>Value of Unexercised in-the-money Options (C$)</th></tr>
<tr><td>Scott Samuel
Director, Chairman of the Board</td><td>39,609</td><td>8,750</td><td>2.00</td><td>3.20</td><td>June 26, 2011</td><td>January 23, 2012</td><td>Nil</td></tr>
<tr><td>Kerry Lynch
Chief Executive Officer</td><td colspan="2">37,812</td><td colspan="2">3.20</td><td colspan="2">January 23, 2012</td><td>Nil</td></tr>
<tr><td>Mike DiAnna
President</td><td colspan="2">37,812</td><td colspan="2">3.20</td><td colspan="2">January 23, 2012</td><td>Nil</td></tr>
<tr><td>Pat Westfall
Chief Financial Officer</td><td>2,031</td><td>12,500</td><td>2.00</td><td>3.20</td><td>June 26, 2011</td><td>January 23, 2012</td><td>Nil</td></tr>
<tr><td>Mark Alden
Director</td><td>6,093</td><td>4,375</td><td>2.00</td><td>3.20</td><td>June 26, 2011</td><td>January 23, 2012</td><td>Nil</td></tr>
<tr><td>J.F. Thormann
Director</td><td colspan="2">6,250</td><td colspan="2">3.20</td><td colspan="2">January 23, 2012</td><td>Nil</td></tr>
<tr><td>Michael Andretti
Former Sponsored Athlete</td><td colspan="2">4,062</td><td colspan="2">2.00</td><td colspan="2">June 26, 2011</td><td>Nil</td></tr>
<tr><td>Marco Andretti
Former Sponsored Athlete</td><td colspan="2">4,062</td><td colspan="2">2.00</td><td colspan="2">June 26, 2011</td><td>Nil</td></tr>
</table>

	Option-Based Awards			
Individual	**Number of Resulting Issuer Common Shares Underlying Unexercised Options (#)**	**Option Exercise Price (as adjusted) (C$)**	**Option Expiration Date**	**Value of Unexercised in-the-money Options (C$)**
Johnnie Rimas Employee	3,750	3.20	January 23, 2012	Nil
Tom Harwood Employee	2,500	3.20	January 23, 2012	Nil
Keith Fernandez Employee	1,875	3.20	January 23, 2012	Nil

Gatorz carries out substantially all of its business operations in the United States and will continue to do so if the transactions contemplated by the Merger Agreement are completed. As a result of the foregoing, the Gatorz Board deemed it appropriate to amend the Stock Option Plan to incorporate certain changes that the Gatorz Board considered to be in the best interests of Gatorz in order to enhance the ability of Gatorz to attract and retain employees, officers, directors and consultants. An amended and restated Stock Option Plan was approved by the shareholders of Gatorz on June 29, 2010 (the "Amended and Restated Option Plan"). Specifically, the amendments to the Stock Option Plan are designed to, among other things, conform the Stock Option Plan to similar equity compensation plans in the United States.

The Amended and Restated Option Plan reflects the following changes:

- the current Stock Option Plan will be converted from a rolling stock option plan into a fixed plan pursuant to the policies of the Exchange, whereby Gatorz will be authorized to issue options to purchase up to a fixed maximum of 1,181,356 Resulting Issuer Common Shares;
- the addition of the cashless exercise feature, including the addition of a definition of "Fair Market Value" for purposes of determining the "Option Price" for the purposes of the cashless exercise provision of the Plan; and
- the removal of certain previously prescribed accelerated expiry periods in respect of optionees (i.e. directors, officers, employees, consultants and persons performing investor relations activities) who cease to provide services to Gatorz.

The Amended and Restated Option Plan also specifies those amendments to the Stock Option Plan and options granted thereunder that can be made by the Gatorz Board without the approval of the Gatorz shareholders.

Notwithstanding approval of the Amended and Restated Option Plan by the shareholders of Gatorz obtained on June 29, 2010, the directors of Gatorz may, in their sole discretion and without further notice to, or approval of, the shareholders of Gatorz, determine not to proceed with the amendments contemplated in the Amended and Restated Option Plan, in which case Gatorz' existing Stock Option Plan shall remain in full force and effect, unamended.

No Fear

No Fear has not adopted an incentive stock option plan and has not granted any option based awards.

PRIOR SALES

Gatorz

Other than the issuance of (i) 2,298,353 Common Shares on November 16, 2009 at a price of C$0.40 (or 287,294 Resulting Issuer Common Shares at a price of C$3.20) in connection with the conversion of certain debt owed by Gatorz to former shareholders of Reno Wilson; (ii) the issuance of 1,930,880 Common Shares on October 6, 2009 at a price of C$0.25 (or 241,360 Resulting Issuer Common Shares at a price of C$2.00) in connection with the a non-brokered private placement; and (iii) the issuance of 7,500,000 Common Shares (or 937,500 Resulting Issuer Common

Shares) on March 5, 2010 to Simo Holdings in connection with the Share Exchange Agreement, Gatorz has not issued any Common Shares in the previous twelve months.

No Fear

No Fear has not issued any securities of any class in the previous twelve months.

TRADING PRICE AND VOLUME

The Common Shares are currently listed on the Exchange under the symbol "GTZ". In connection with the name change, the Resulting Issuer intends to change the trading symbol to "NFH". See "*Corporate Structure – Resulting Issuer*", "*Summary of the Transaction – Name Change and Consolidation*" and "*Exchange Approval*". In connection with the announcement of the Transaction and as required by the policies of the Exchange, trading in the Common Shares has been halted since July 31, 2009. On July 13, 2009, the last day the that the Common Shares traded prior to the trading halt, the closing price of the Common Shares on the Exchange was C$0.04.

The following table sets forth the reported high and low prices and the trading volume for the Common Shares for the previous twelve-month period.

Period	High (C$)	Low (C$)	Volume
2010			
January	Not trading	Not trading	Nil
February	Not trading	Not trading	Nil
March	Not trading	Not trading	Nil
April	Not trading	Not trading	Nil
May	Not trading	Not trading	Nil
June	Not trading	Not trading	Nil
July	Not trading	Not trading	Nil
August	Not trading	Not trading	Nil
September	Not trading	Not trading	Nil
October	Not trading	Not trading	Nil
2009			
July 1 to July 14(1)	0.040	0.035	57,000
August	Not trading	Not trading	Nil
September	Not trading	Not trading	Nil
October	Not trading	Not trading	Nil
November	Not trading	Not trading	Nil
December	Not trading	Not trading	Nil

Notes:
(1) Trading in the Common Shares was halted as of the close of trading on July 13, 2009.

ESCROWED SECURITIES

Pursuant to the rules of the Exchange the 12,384,375 Merger Common Shares and the 6,555,240 Preferred Shares which will be held by Simo Holdings following the completion of the RTO, together with the and the 937,500 Resulting Issuer Common Shares currently held by Simo Holdings (being the 7,500,000 Common Shares issued to Simo at the closing of the first stage of the Transaction) will be deposited with the Transfer Agent in its capacity as escrow agent pursuant to an escrow agreement among the Resulting Issuer, Simo Holdings and the Transfer Agent.

No Common Shares are currently subject to any escrow conditions.

The following table sets out the number of Resulting Issuer Common Shares and Preferred Shares by which will be held in escrow following the completion of the Offering and the Transaction.

Name of Shareholder	Total Resulting Issuer Common Shares Held[(1)]	Number of Resulting Issuer Common Shares held in Escrow	Percentage of Resulting Issuer Common Shares Prior to Giving Effect to the Offering and the Transaction	Percentage of Resulting Issuer Common Shares After Giving Effect to the Completion of the Offering[(2)] and the Transaction
Simo Holdings	13,321,875	13,321,875	72.8	47.1

Notes:

(1) The Resulting Issuer Common Shares and will be released from escrow as to 10% at the time of issuance of the Exchange Bulletin, as to 15% in 6 month intervals on each of the 6, 12, 18, 24, 30 and 36 month anniversaries.

(2) Assumes a maximum Offering size of C$8,000,000.

As noted above, all of the Preferred Shares which will be held by Simo Holdings following the completion of the RTO, which will constitute 100% of the outstanding Preferred Shares both prior to and after giving effect to the completion of the Offering and the Transaction will be deposited with the Transfer Agent and held in escrow pursuant to the applicable rules of the Exchange.

PRINCIPAL SHAREHOLDERS

As at the date of this Prospectus, there are 47,254,232 Common Shares (or 5,906,779 Resulting Issuer Common Shares) issued and outstanding. To the knowledge of the directors and officers of Gatorz, the following persons or companies beneficially own, or exercise control or direction over, directly or indirectly, 10% or more of the issued and outstanding Common Shares:

Name	Number of Common Shares Beneficially Owned or Controlled or Directed	Number of Resulting Issuer Common Shares Beneficially Owned or Controlled or Directed	Percentage of Outstanding Common Shares/Resulting Issuer Common Shars[(1)]
Barry Fefferman[(2)] San Diego, California, United States	7,955,820	994,478	16.84%
Michael DiAnna[(3)(4)] Poway, California, United States	6,534,708	816,839	13.82%
Kerry Lynch[(5)] San Diego, California, United States	5,292,677	661,585	11.20%
Simo Holdings[(6)] Carlsbad, California, United States	7,500,000	937,500	15.87%

Notes:

(1) Based on the number of outstanding Common Shares prior to giving effect to the Offering.

(2) Held by the Fefferman Family Trust UDT, May 20, 1991 of which Barry Fefferman and Susan Fefferman are trustees.

(3) 5,356,620 Common Shares (or 669,578 Resulting Issuer Common Shares) are held by the Michael and Andrea DiAnna Revocable Trust UDT August 20, 1996 (the "DiAnna Trust"), of which Michael DiAnna and Andrea DiAnna are trustees. Michael DiAnna also controls 1,178,088 Common Shares (or 147,261 Resulting Issuer Common Shares).

(4) 4,394,000 Common Shares (or 549,250 Resulting Issuer Common Shares) are subject to the terms of a voting trust agreement, effectively reducing the DiAnna Trust's voting control to 962,620 Common Shares (or 120,283 Resulting Issuer Common Shares) or 2.04% of the current issued and outstanding Common Shares. The voting trust agreement will be terminated upon Closing.

(5) 4,394,000 Common Shares (or 549,250 Resulting Issuer Common Shares) are subject to the terms of the voting trust agreement, effectively reducing Kerry Lynch's voting control to 898,677 Common Shares or 1.90% of the current issued and outstanding Common Shares. The voting trust agreement will be terminated upon Closing.

(6) Upon completion of the RTO and the Offering, Simo Holdings will beneficially own 106,575,000 Common Shares (or 13,321,875 Resulting Issuer Common Shares) representing approximately 47.1% (assuming the maximum Offering size of C$8,000,000) of the issued and outstanding Common Shares (or Resulting Issuer Common Shares) and 6,555,240 Preferred Shares representing 100% of the issued outstanding Preferred Shares. Simo Holdings is a holding company held as to 38.20% by Mark Simo, as to 37.15% by Brian Simo and as to the remaining 24.65% by twenty-five other shareholders, the largest of whom holds less than 7%. See "*Corporate Structure - Inter-Corporate Relationship*".

DIRECTORS AND EXECUTIVE OFFICERS

In this section of the Prospectus unless specifically identified as pertaining to Gatorz, No Fear or Simo Holdings, the information refers to the Resulting Issuer, after giving effect to the completion of the Offering and the RTO.

The authorized size of the Gatorz Board is a minimum of three and a maximum of fifteen members. The Gatorz Board currently consists of six directors, each elected in June 2009. Upon completion of the Offering and the Transaction, it is contemplated that Messrs. Lynch, DiAnna, Thormann and Welsh will resign from the Gatorz Board and that Mark Simo, Brian Simo and Boris Said will be appointed as directors (collectively with Scott Samuel and Mark Alden, the "Resulting Issuer Board"). It is anticipated that an additional independent director will be appointed within twelve months of completion of the Offering. The term of office for each of the directors will expire at the time of the next annual meeting of the shareholders or until their successor are appointed or elected.

As a group, assuming the completion of the Offering (assuming the maximum Offering size of C$8,000,000) and the closing of the Transaction, proposed directors and executive officers of the Resulting Issuer will beneficially own or exercise control or direction, directly or indirectly, over 13,607,375 Resulting Issuer Common Shares (representing approximately 48% of the Resulting Issuer Common Shares outstanding at such time and including Resulting Issuer Common Shares beneficially owned by Simo Holdings).

Historically, a majority of the senior management of No Fear was employed by Simo Holdings, its controlling shareholder, and costs were allocated to No Fear based on a management agreement between No Fear and Simo Holdings. See "*Relationship Between Simo Holdings and the Resulting Issuer*". Concurrent with the completion of the RTO and the Closing, the Resulting Issuer will enter into employment agreements with each of Mark Simo, Chief Executive Officer, Michael Pratt, Chief Financial Officer and Corporate Secretary, and Eric Baker, VP of Retail Store Operations. The following table sets forth the names, ages, principal residences, proposed positions with the Resulting Issuer and the number of Common Shares and Resulting Issuer Common Shares (after giving effect to the completion of the Transaction and the Offering) beneficially owned or controlled by the Resulting Issuer's proposed directors and executive officers.

Name, Age and Municipality of Residence	**Proposed Position with the Resulting Issuer**	**Number of Common Shares Beneficially Owned or Controlled)**	**Number of Resulting Issuer Common Shares Beneficially Owned or Controlled After Giving Effect to the Completion of the Transaction and the Offering**	**Director Since(1)**
Mark Simo 50 Rancho Santa Fe, California, United States	Chief Executive Officer and Chairman	7,500,000(2 (or 937,500 Resulting Issuer Common Shares)	13,321,875(2	N/A
Michael Pratt 36 San Clemente, California, United States	Chief Financial Officer and Corporate Secretary	N/A	N/A	N/A
Eric Baker 47 Carlsbad, California, United States	Vice President, Retail Store Operations	N/A	N/A	N/A
Scott Samuel(3)(4) 54 Mississauga, Ontario, Canada	Director	1,109,001 (or 138,625 Resulting Issuer Common Shares)	138,625	September 1, 2005

Name, Age and Municipality of Residence	Proposed Position with the Resulting Issuer	Number of Common Shares Beneficially Owned or Controlled)	Number of Resulting Issuer Common Shares Beneficially Owned or Controlled After Giving Effect to the Completion of the Transaction and the Offering	Director Since(1)
Boris Said(3)(4) 47 Escondido, California, United States	Director	15,000 (or 1,875 Resulting Issuer Common Shares)	1,875	N/A
Mark Alden(3)(4) 43 Stouffville, Ontario Canada	Director	1,160,000 (or 145,000 Resulting Issuer Common Shares)	145,000	September 1, 2005
Brian Simo 50 Rancho Santa Fe, California, United States	Director	7,500,000(2) (or 937,500 Resulting Issuer Common Shares)	13,321,875	N/A

Notes:

(1) It is anticipated that each of Mark Simo, Brian Simo and Boris Said will be appointed to the Resulting Issuer Board in connection with the closing of the RTO.

(2) Mark Simo and Brian Simo hold 38.2% and 37.15% of Simo Holdings, respectively, which will beneficially own, in addition to the 7,500,000 Common Shares (or 937,500 Resulting Issuer Common Shares) currently held by Simo Holdings, 12,384,375 Merger Common Shares and 6,555,240 Merger Preferred Shares following completion of the RTO.

(3) Proposed member of the audit committee of the Resulting Issuer.

(4) Proposed independent member of the Resulting Issuer Board.

The following is a brief description of the business experience and background of each of Resulting Issuer's proposed directors and executive officers, including capacities in which each has served during the past five years.

Mark Simo is the proposed Chairman and Chief Executive Officer of the Resulting Issuer. Mr. Simo has been employed by Simo Holdings as Chief Executive Officer since its founding in 1990 and has been Chief Executive Officer of No Fear since its incorporation in 2006. He co-founded Spy Optic (now Orange 21, Inc.) in 1994 and served as a director and Chief Executive Officer of the company until 2004. From 2004 to 2006, Mr. Simo was Chairman of the board of directors of Orange 21, Inc. and from 2006 to 2008 served as Chief Executive Officer and Vice Chairman of the board. Mr. Simo resigned as Chief Executive Officer in August 2008 and as a director in December 2008. From 1984 to 1990, he was a Vice President and a shareholder of Life's A Beach, an apparel company. Mr. Simo was a team owner and professional race car driver in multiple series, including the NASCAR Sprint Cup series and NASCAR Craftsman Truck series, racing professionally from 1988 to 2000.

Michael Pratt is the proposed Chief Financial Officer and Corporate Secretary of the Resulting Issuer. He is presently the Executive Vice President of Corporate Development of Simo Holdings, and has been employed in such capacity since 2008. Prior to joining Simo Holdings, from 2006 to 2008, Mr. Pratt was a Director of Consumer Investment Banking at Thomas Weisel Partners covering the consumer, retail and apparel industries. He was an investment banker with Merrill Lynch, Robertson Stephens and other firms from 2000 to 2006. Mr. Pratt received his MBA degree from the University of Southern California in 2000 and a BS from the University of Pennsylvania in 1996.

Eric Baker is the proposed Vice President of Retail Store Operations of the Resulting Issuer and serves in the same position at No Fear, where he has been employed since 2006. Mr. Baker oversees the retail operations of No Fear. From 2002 to early 2006, he served as Vice President of Operations to Rivet International Inc. which manufactured and marketed MP3 and mobile phone accessories distributed through Apple Stores, Radio Shack, Best Buy and other major electronics retailers. From 2001 to 2002, he was General Manager of JT USA, Inc., a manufacturer and marketer of action sports apparel, including motocross, paintball and BMX eyewear and equipment, and now a division of Jarden Corporation. Mr. Baker was employed by Simo Holdings from 1996 through 2000, serving in various capacities, including Vice President – Operations. Earlier in his career, he was a proprietor of Jet Pilot, Inc. and Jet Express, Inc., which manufactured and distributed action sports apparel and equipment. Mr. Baker attended the University of California at San Diego from 1983 to 1985.

Scott Samuel is the current Chairman of the Gatorz Board and has served as such since September 2005. Mr. Samuel is President, co-founder and sole shareholder of Investor Based Finance Group Inc., an independent investment advisory firm founded in 2003 and based in Oakville, Ontario. Mr. Samuel was Executive Vice President of PricewaterhouseCoopers Securities Inc., from 2000 to 2003. Prior to joining PricewaterhouseCoopers Securities Inc., Mr. Samuel served as Director and Head of Corporate Finance, Investment Banking at Canada Trust Securities (1997 to 2000), Co-Head of Corporate Finance and Executive Committee Member at Gordon Capital Corporation (1997), Executive Vice President, Director and Executive Committee Member at Midland Walwyn Capital Inc. (1989 to 1995), Chairman of ABN AMRO Capital Markets (Canada) and Executive Vice-President of ABN AMRO Bank (Canada) (1995 to 1997), Vice President, Merchant Banking at Central Capital Corporation (1988 to 1989), Vice-President, Investment Banking at Citibank Canada (1986 to 1988), and undertook the Management Development Program at Bank of Montreal Corporate Lending Department from 1983 to 1986. Mr. Samuel completed his Bachelor of Commerce degree (Magna Cum Laude) from Concordia University in 1978, and his Master of Business Administration and Bachelor of Law degrees from York University and Osgoode Hall, respectively, in 1983. Mr. Samuel has completed the Chartered Director Program (2008) from the Director's College of McMaster University and Conference Board of Canada.

Boris Said is a proposed director of the Resulting Issuer. Mr. Said is a professional race car driver and President of Boris Said Racing. He drives the #26 Ford Fusion for Latitude 43 Motorsports in the NASCAR Sprint Cup Series. He began racing with the Sports Car Club of America in 1987 and has raced in numerous series including NASCAR. Mr. Said won the 1997 and 1998 24 Hours of Daytona and 1998 12 Hours of Sebring. He also became the first American to win the 24 Hours Nürburgring in 2005.

Mark Alden is the President and co-owner of Scott Woods Transport, a company servicing the specialized transportation market since 2004. Prior to Scott Woods, Mr. Alden spent 11 years as the Vice President and General Manager of Muirs Cartage Limited, a transportation organization. Mr. Alden's background is in finance and business management, having obtained his Bachelor of Business Administration degree with Honours from Wilfrid Laurier University in 1990 and his Chartered Accountant designation in 1993.

Brian Simo is a proposed director of Resulting Issuer. Mr. Simo has been employed by Simo Holdings as President since its founding in 1990 and has been President of No Fear since its incorporation in 2006. Mr. Simo was a co-founder of Spy Optic, and he served as a director from 1994 to 2004 and as President from 1994 to 1997. He was Vice President of Production and a shareholder of Life's A Beach from 1984 to 1990. Mr. Simo is a professional race car driver and team owner, having participated in multiple series since 1998 including the NASCAR Sprint Cup.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No current or proposed director or executive officer is, as at the date of this Prospectus, or has been within the ten years before the date of this prospectus, a director, chief executive officer or chief financial officer of any company that was subject to one of the following orders, that was in effect for a period of more than 30 consecutive days:

- a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued while the director, chief executive officer or chief financial officer was acting in the capacity as director, chief executive officer or chief financial officer; or

- a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, no current or proposed director or executive officer, or shareholders holding a sufficient number of Gatorz or No Fear securities to affect materially control of either Gatorz or No Fear:

- is, as at the date of this Prospectus, or has been within the ten years before the date of this Prospectus, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- has, within the ten years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or the shareholder; or

- has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Westfall resigned as the Chief Financial Officer of Afton Food Group Ltd. within a year of its filing for protection under the *Companies Creditors Arrangement Act* on July 16, 2004. Mr. Westfall will not be a director or officer of the Resulting Issuer.

Conflicts of Interest

The current members of the Gatorz Board and the proposed members of the Resulting Issuer Board are required by law to act honestly and in good faith with a view to the best interest of Gatorz and the Resulting Issuer, respectively and to disclose any interests which they may have in any project or opportunity of Gatorz and the Resulting Issuer, as applicable. To the extent that such other companies may participate in ventures in which Gatorz or the Resulting Issuer, as applicable, may participate, they may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that a conflict of interest arises at a meeting of directors, the conflict of interest must be declared and the declaring parties must excuse themselves from the meeting and abstain from participating and voting for or against the approval of any project or opportunity in which they may have an interest. If these steps are followed, and subject to any limitations in the Gatorz or the Resulting Issuer constating documents, a transaction would not be void or voidable because it was made between Gatorz or the Resulting Issuer and one or more of its directors or by reason of such director being present at the meeting at which such agreement or transaction was approved. The remaining directors will determine whether or not Gatorz or the Resulting Issuer will participate in any such project or opportunity.

To the best of Gatorz' knowledge, there are no known existing or potential conflicts of interest among its directors, officers or other members of management as a result of their outside business interests. See "*Interest of Management and Others in Material Transactions*".

The directors and officers of Gatorz are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest, and Gatorz will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

PROPOSED EXECUTIVE AND DIRECTOR COMPENSATION OF THE RESULTING ISSUER

Proposed Executive Compensation

It is anticipated that the compensation of the Resulting Issuer's executives will be based on the compensation philosophy and structure currently applied at No Fear. See "*Executive Compensation – No Fear*". The executive compensation philosophy of No Fear is guided by three key objectives: to attract, retain and motivate quality executives; to align the interest of executives with those of shareholders; and to provide total compensation to an executive that is competitive with that paid by other companies of comparable size engaged in similar businesses in the regions in which No Fear operates. Unlike No Fear, which does not have a long-term equity incentive program, the Resulting Issuer's compensation program for executives will be comprised of base salary, benefits and stock options.

Following the completion of the Transaction, No Fear will enter into employment agreements with each of Mark Simo, Chief Executive Officer, Michael Pratt, Chief Financial Officer and Corporate Secretary, and Eric Baker, VP of Retail Store Operations. Each of these employment agreements will provide that employment is "at-will". In addition to customary benefits, annual salaries for Mr. Simo, Mr. Pratt and Mr. Baker will be $260,000, $225,000 and $240,000, respectively. Under his employment agreement, Mr. Pratt will also be entitled to annual bonus compensation of up to fifty percent (50%) of his annual base salary and will be entitled to a severance payment equal to six months' salary if his employment is terminated for cause or if he resigns for "good reason," as defined in the agreement.

See also *"Relationships Between Simo Holdings and Resulting Issuer"*.

Proposed Director Compensation

It is anticipated that the compensation of the Resulting Issuer's directors will be consistent with Gatorz' existing compensation structure. Non-executive members of Resulting Issuer Board will receive $1,000 per board meeting and $1,000 per committee meeting attended. In addition, the chairman of the audit committee will receive a $5,000 annual retainer.

EXECUTIVE COMPENSATION

Gatorz

Compensation Discussion and Analysis

Compensation Philosophy

The Gatorz Board executive compensation philosophy is guided by three key objectives. These objectives are: to attract, retain and motivate quality executives; to align the interest of executives with those of Gatorz' shareholders and to provide total compensation to an executive that is competitive with that paid by other companies of comparable size engaged in similar businesses in the regions Gatorz operates. Gatorz' compensation program for executives is based primarily on base salary.

Salary and Benefits

Base salaries are intended to adequately remunerate executives for properly fulfilling the requirements of their position. The base salaries of the senior executives of Gatorz are believed to be competitive with similar positions with companies of comparable size in similar industries within the regions Gatorz operates. The salary of the Chief Executive Officer, President and Chief Financial Officer and any benefits extended beyond those extended to all employees of Gatorz are reviewed and approved annually by the Gatorz Board.

Short-Term Incentives

Short-term incentives are bonuses paid in the form of cash which are expressed as a percentage of the executive's annual base salary. Bonuses are awarded at the discretion of the Gatorz Board upon achievement of certain financial targets and personal objectives. There were no bonuses awarded to the Chief Executive Officer, President or Chief Financial Officer for the fiscal year ended December 31, 2009 or 2008. The performance assessment of the Chief Executive Officer, President and Chief Financial Officer is the responsibility of the Gatorz Board.

Long – Term Incentives

Gatorz' stock option plan is intended to serve as a long-term incentive program by rewarding eligible persons for their contribution to increasing shareholder value. Option grants to the Chief Executive Officer, President and the Chief Financial Officer are made at the discretion of the Gatorz Board.

Summary Compensation Table

Under applicable securities legislation, Gatorz is required to disclose certain financial and other information relating to the compensation of its Chief Executive Officer, Chief Financial Officer and the Corporation's three most highly compensated executive officers (other than the Chief Executive Officer and the Chief Financial Officer) collectively (the "Gatorz Named Executives") unless their compensation individually does not exceed C$150,000. The executives and officers are responsible for the management of Gatorz' business. Gatorz has two Gatorz Named Executives as of December 31, 2009.

Name & Principal Position	Year	Salary ($)	Option Based Awards (# of Awards)	Annual Incentive Plans(2)	Total Compensation ($)
Kerry Lynch Chief Executive Officer	2009	$97,500(1)	Nil	Nil	$97,500
	2008	$97,500(1)	Nil	Nil	$97,500
	2007	$97,500(1)	302,500	$45,000(2)	$142,500
Michael DiAnna President	2009	$50,000(1)	Nil	Nil	$50,000
	2008	$50,000(1)	Nil	Nil	$50,000
	2007	$32,000(1)	302,500	$45,000(2)	$77,000
Pat Westfall Chief Financial Officer	2009	$45,028(1)	Nil	Nil	$45,028
	2008	$45,028(1)	Nil	Nil	$45,028
	2007	$44,693(1)	100,000	Nil	$44,693

Notes:

(1) For further details on the employment agreements, see "*Employment Contracts*" below.

(2) One-time bonuses of $45,000 were paid to Messrs. Lynch and DiAnna in 2007. For further details on the employment agreements of these individuals, see "*Employment Contracts*" below.

Options Granted and Exercised During Fiscal 2009

No options were granted to any Gatorz Named Executives nor exercised by any Gatorz Named Executives in fiscal 2009.

Gatorz Named Executives	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at Financial Year-End (#) Exercisable/Unexercisable		Value of Unexercised In-the-Money Options at Financial Year-End(1)($) Exercisable/ Unexercisable
			Unadjusted (does not give effect to the Consolidation)	Adjusted (to give effect to the Consolidation	
Kerry Lynch Chief Executive Officer	Nil	N/A	302,500/Nil	37,813/Nil	Nil/Nil
Michael DiAnna President	Nil	N/A	302,500/Nil	37,813/Nil	Nil/Nil
Pat Westfall Chief Financial Officer	Nil	N/A	116,250/Nil	14,531/Nil	Nil/Nil

Notes:

(1) The value of unexercised options was calculated using the closing price of the Common Shares on the Exchange on July 13, 2009 (the last day the shares traded in 2009), which was C$0.04 per share (or C$0.32 per share on a post-Consolidation basis), less the exercise price of the stock options (C$0.40 or C$3.20 on a post-Consolidation basis) during the 2009 fiscal year.

Employment Contracts

Gatorz' wholly-owned subsidiary, Reno Wilson entered into employment agreements with each of Messrs. Lynch and DiAnna in 2006.

On August 24, 2006, Reno Wilson entered into an employment agreement with Mr. Lynch that provides for a base salary range between $90,000 to $110,000. A one-time bonus of $45,000 was paid to Mr. Lynch in 2007 pursuant to the terms of his employment agreement. In the event of termination of the employment agreement without cause the amount payable to Mr. Lynch is as follows: (a) two years' worth of Mr. Lynch's annual compensation is payable if the agreement is terminated without cause within two years of its effective date, (b) eighteen months' worth of Mr. Lynch's annual compensation is payable if the agreement is terminated without cause between two to three years of its effective date, and (c) one year's worth of annual compensation is payable if Mr. Lynch is terminated without cause after three years of the effective date of the employment agreement. The contract does not have any change of control provisions.

Pursuant to the Merger Agreement it is a condition of closing in favour of No Fear and Simo Holdings that Mr. Lynch's employment agreement be amended to (i) decrease from one year's worth of salary to six months in (c) above and (ii) fix Mr. Lynch's salary at $97,500 per annum. In connection with the amendments to his employment agreement, Mr. Lynch will be issued a promissory note in the principal amount equal to the amount owing to him for unpaid but accrued wages, at a rate of 10% interest per annum, accruing from January 1, 2010, payable in full on the first anniversary of the closing of the Transaction. As at June 30, 2010, the amount owing to Mr. Lynch for unpaid but accrued wages was $85,787.

On August 24, 2006, Reno Wilson entered into an employment agreement with Mr. DiAnna that provides for a base salary range between $90,000 to $110,000. A one-time bonus of $45,000 was paid to Mr. DiAnna in 2007 pursuant to the terms of his employment agreement. In the event of termination of the employment agreement without cause the amount payable to Mr. DiAnna is as follows: (a) two years' worth of Mr. DiAnna's annual compensation is payable if the agreement is terminated without cause within two years of its effective date, (b) eighteen months' worth of Mr. DiAnna's annual compensation is payable if the agreement is terminated without cause between two to three years of its effective date, and (c) one year's worth of annual compensation is payable if Mr. DiAnna is terminated without cause after three years of the effective date of his employment agreement. The contract does not have any change of control provisions.

Mr. DiAnna's employment agreement will be terminated immediately prior to the closing of the Transaction. Mr. DiAnna will provide a full release to Gatorz and will be issued a promissory note, as a severance payment, in the principal amount of $50,000 at a rate of 10% interest per annum, which interest will be payable monthly, and the principal due on the second anniversary of the closing of the Transaction. In addition, Mr. DiAnna will be paid an amount at the Closing in satisfaction of unpaid but accrued wages owing to him. As at June 30, 2010, the amount owing to Mr. DiAnna for unpaid but accrued wages was $78,102.

Mr. Westfall, Gatorz' Chief Financial Officer does not have an employment contract. His annual remuneration is approved by the Gatorz Board. He has no termination entitlement or change of control entitlements.

Compensation of Directors

On May 29, 2008 the Gatorz Board approved the following compensation arrangements for serving as a non-executive director or committee member of Gatorz: (a) an annual fee of $2,500 for serving as the Chair of the Gatorz Board, and (b) an annual fee of $2,500 for serving as Chair of the Audit Committee. The Board also approved a fee of $1,000 per substantive board and committee meeting payable to the independent directors. Total compensation recorded to all directors in 2009 was $36,000. During the year ended December 31, 2009.

<u>Director Compensation Table</u>

Name	Fees Earned ($)
Scott Samuel	9,500
Kerry Lynch	Nil
Mike DiAnna	Nil
Mark Alden	12,500
Bryan Welsh	10,000
J.F. Thorman	4,000

No Fear

Discussion and Analysis

Compensation Philosophy

The executive compensation philosophy of No Fear is guided by three key objectives. These objectives are: to attract, retain and motivate quality executives; to align the interest of executives with those of shareholders; and to provide total compensation to an executive that is competitive with that paid by other companies of comparable size engaged in similar businesses in the regions in which the company operates. No Fear's compensation program for executives is based on base salary and benefits.

Salary and Benefits

Base salaries are intended to adequately remunerate executives for properly fulfilling the requirements of their position. The base salaries of the senior executives of No Fear are believed to be competitive with similar positions with companies of comparable size in similar industries within the regions in which No Fear operates. All salaries and any benefits extended beyond those extended to all employees of No Fear are reviewed and approved annually by the directors of No Fear.

Summary Compensation Table

The following table sets forth the compensation paid to No Fear's Chief Executive Officer and Chief Financial Officer and each of the three most highly compensated executive officers who were serving as executive officers at the end of the most recently completed financial year (collectively, the "No Fear Named Executives") whose compensation individually exceeds C$150,000. The executives and officers are responsible for the management of No Fear business. As No Fear is a subsidiary of Simo Holdings, and certain No Fear executive officers are employed by Simo Holdings, a portion of the compensation paid to these executive officers is allocated to No Fear and paid by No Fear. All amounts listed in the table below are the portion of total compensation allocated to No Fear. No Fear has three No Fear Named Executives as of August 31, 2009.

Name & Principal Position	Year	Salary ($)	Annual Incentive Plans(2) ($)	All Other Compensation ($)(3)	Total Compensation ($)
Mark Simo(1) Chief Executive Officer	2009	14,800	Nil	2,358	17,158
	2008	26,000	Nil	2,230	28,230
	2007	26,000	Nil	2,252	28,252
Ken Aurigemma(1) Chief Financial Officer	2009	30,250	Nil	6,526	36,776
	2008	30,250	Nil	6,205	36,455
	2007	30,250	Nil	6,261	36,511
Eric Baker Vice President, Retail Operations	2009	210,462	Nil	23,582	234,044
	2008	198,462	65,812	11,521	275,795
	2007	120,000	77,932	9,552	207,484

Notes:

(1) Each of Mr. Simo and Mr. Aurigemma is employed by Simo Holdings and his salary is paid by Simo Holdings; however, a portion of the compensation paid to these executive officers has historically been allocated to No Fear as outlined in the Management Services Agreement. Amounts set out in the table above reflect the amounts allocated to No Fear in respect of the applicable fiscal year. In the case of Mr. Simo, 10% of his compensation was allocated to No Fear and in the case of Mr. Aurigemma, 25% of his salary was allocated to No Fear, in each case in accordance with the terms of the Management Services Agreement. See "*Relationship between Simo Holdings and the Resulting Issuer*".

(2) These amounts are in respect of discretionary cash bonuses. Pursuant to his initial employment agreement, Mr. Baker was entitled to receive an annual bonus of up to a maximum of 100% of his salary.

(3) These amounts are in respect of coverage of certain health benefits.

Options Granted and Exercised

No Fear does not have a long-term equity incentive program in place.

Pension Benefits

No Fear does not have a pension plan.

Employment Contracts

Historically, other than Eric Baker who is employed directly by No Fear, senior management of No Fear has been employed by Simo Holdings and did not have employment contracts with No Fear.

No Fear entered into an employment agreement with Eric Baker on August 30, 2006. The agreement provides for a base salary of $120,000. In addition, prior to 2009, Mr. Baker was entitled to receive an annual bonus up to a maximum amount of 100% of his base salary based on net sales of No Fear's retail stores. Mr. Baker is also entitled to receive benefits commensurate with that received by other employees. Mr. Baker's employment is at will and can be terminated at any time by either party. Mr. Baker's agreement was amended in fiscal 2009 to increase his base salary to $240,000 and to eliminate the annual bonus.

Compensation of Directors

No Fear does not compensate its directors in their capacities as directors.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No existing or proposed director or executive officer of Gatorz or No Fear, or any associate or affiliate of any of them, was indebted to Gatorz or No Fear, as applicable, as at the fiscal year-end of each of Gatorz and No Fear, respectively, or are indebted to Gatorz or No Fear or any of their subsidiaries, as applicable, as of the date of this Prospectus or has any indebtedness to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Gatorz or No Fear or any of their subsidiaries.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

In this section of the Prospectus unless specifically identified as pertaining to Gatorz, No Fear or Simo Holdings, the information refers to the Resulting Issuer, after giving effect to the Offering and the closing of the Transaction.

Audit Committee

NI 52-110 requires the disclosure of certain information relating to the audit committee and its relationship with the independent auditors. Consistent with its status as a closely held private company, the board of directors of No Fear does not have an audit committee. The audit committee of the Resulting Issuer Board will be structured to comply with NI 52-110.

The Audit Committee's Charter

The audit committee of the Gatorz Board is governed by its audit committee charter, a copy of which is attached as Appendix C to this Prospectus. It is anticipated that the audit committee of the Resulting Issuer Board will adopt the audit committee charter of Gatorz.

Composition of the Audit Committee and Relevant Education and Experience

Gatorz' audit committee is comprised of Mark Alden, Scott Samuel, Michael DiAnna and Bryan Welsh, with Mark Alden being appointed chair of the audit committee on March 21, 2007. Mssrs. Alden, Samuel and Welsh are considered independent. Gatorz is of the opinion that all four members of its audit committee are "financially literate", as such term is defined in MI 52-110. Through their various business experiences, the current members of Gatorz' audit committee review financial statements and gain an understanding of financial reporting controls and procedures.

It is anticipated that the Resulting Issuer Board will retain Mark Alden as chairman of the audit committee and Scott Samuel as a member of the audit committee following Closing. It is also anticipated that Boris Said, who in the opinion of No Fear is "financially literate", as such term is defined in MI 52-110, will be appointed to the audit committee following Closing.

Each proposed member of the audit committee of the Resulting Issuer has adequate experience that will be relevant to his performance as an audit committee member and, in particular, the requisite education and experience that have provided the member with:

- an understanding of the accounting principles that will be used by the Resulting Issuer to prepare its financial statements;
- the ability to assess the general application of the above-noted principles in connection with estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements, or experience actively supervising individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

Mr. Said has been engaged in several entrepreneurial endeavours throughout his career which have enabled him to develop an understanding of accounting principles used to prepare financial statements. In particular, Mr. Said is currently an owner and investor in numerous businesses, including a BMW automobile dealership and K-1 Speed, a chain of indoor go-kart facilities with six locations in Southern California and Seattle.

See "*Directors and Executive Officers*" for further details regarding the education and experience of the members of the audit committee.

Audit Committee Oversight

Since the commencement of Gatorz' most recently completed fiscal year, the board of directors has not failed to adopt a recommendation of the audit committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

Since the effective date of NI 52-110, Gatorz has not relied on the exemptions contained in sections 2.4 or 8.1 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditors, where the total amount of the fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditors in the fiscal year in which the non-audit services were provided. Section 8.1 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-Approval Policies and Procedures

The current audit committee has not adopted specific policies and procedures for the engagement of non-audit services. The audit committee reviews the engagement of non-audit services as required. It is anticipated that the audit committee of Resulting Issuer will operate in a similar fashion.

External Auditors Service Fees (By Category)

The fees billed by Gatorz' external auditor in fiscal 2009 for audit services is as follows:

Financial Year	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2009	$33,000	$2,500	$2,000	$6,000

The fees billed by No Fear's external auditor in fiscal 2009 for audit services is as follows:

Financial Year	Audit Fees	Audit Related Fees(1)	Tax Fees	All Other Fees
2009	$159,417	$11,000	Nil	Nil

Notes:
(1) Audit related fees included fees for FAS 109 analysis in fiscal 2009.

Exemption

As a "venture issuer" (as defined under applicable securities laws), Gatorz is exempt from Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of NI 52-110 which allows for a short form disclosure of audit committee procedures set out in Form 52-110F2. The Resulting Issuer plans to avail itself of such exemption.

Corporate Governance

No Fear is a closely-held, private corporation and its corporate governance practices are consistent with that status. It is anticipated that Resulting Issuer will adopt the corporate governance practices of Gatorz upon the completion of the Offering and the Transaction. The current board and senior management of Gatorz and the proposed board and management of the Resulting Issuer consider good corporate governance to be central to the effective and efficient operation of the Resulting Issuer. A description of Gatorz' existing corporate governance practices and a description of the Resulting Issuer's proposed corporate governance practices, which addresses the matters set out in Form 58-101F1 *Disclosure of Corporate Governance Practices of the Canadian Securities Administrators*, are set out below:

Board of Directors

The Gatorz Board is comprised of six directors, three of whom are independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. The proposed Resulting Issuer Board will be comprised of three independent directors of a board of five directors. An independent director is a director who is not in a direct or indirect relationship with the company, which could, in the view of the board of directors, be reasonably expected to interfere with the exercise of his independent judgment.

The following directors of Gatorz are independent: Jean François Thormann, Bryan Welsh and Mark Alden. Kerry Lynch and Michael DiAnna are not considered independent as they are the current Chief Executive Officer and President, respectively, of Gatorz. In the view of the Gatorz Board, these relationships do not impair the ability of the board of Gatorz to act independently of management.

The following proposed members of the Resulting Issuer Board will be independent: Mark Alden, Scott Samuel and Boris Said. Mark Simo will not be considered independent as he will be the Chief Executive Officer of Resulting Issuer and a significant shareholder of Simo Holdings, the controlling shareholder of the Resulting Issuer. Brian Simo will not be considered independent as he will be a significant shareholder of Simo Holdings, the controlling shareholder of the Resulting Issuer.

Directorships

No current or proposed director of Gatorz or the Resulting Issuer sits on the board of any other publicly listed companies.

Orientation and Continuing Education

While Gatorz does not have and the Resulting Issuer will not have a formal continuing education program, the current and proposed directors individually and as a group are and will be encouraged to read and discuss the wide range of articles and papers on the evolving issues of corporate governance. As it relates specifically to the Resulting Issuer's business, certain directors stay current with the action sports and retail apparel industries given their direct involvement in those industries. New directors will be educated on the action sports and retail apparel markets, while existing directors will be kept up to date in these areas. To provide orientation to new directors regarding the role of the

Gatorz Board and its audit committee, the Gatorz Board provides copies of the audit committee charter and discusses the role of management in the operations of Gatorz. To orient new directors on the nature and operation of Gatorz' business, the board provides new directors with copies of the most recent public filings of Gatorz. From time to time, Gatorz' current Chief Executive Officer, Kerry Lynch, meets with individual directors to update them on issues relating to the business, and, in between Board meetings, Mr. Lynch also provides updates to the directors regarding Gatorz' business to ensure that the directors maintain the knowledge regarding Gatorz and its industry necessary for them to meet their obligations as directors. The current chairman of the board, Scott Samuel, has completed the Directors College program offered by the Conference Board of Canada and McMaster University. Directors are individually responsible for updating their skills necessary to meet their obligations as directors. It is anticipated that the Resulting Issuer and its proposed Chief Executive Officer will operate in a similar fashion.

Ethical Business Conduct

The Gatorz Board is responsible for promoting an ethical business culture and fostering an environment that emphasises compliance. To facilitate these objectives, Gatorz encourages company personnel to promptly report any problems or concerns to their supervisor, or if that is not possible or does not resolve the matter, up the chain of management. To ensure that an ethical business culture is maintained and promoted, directors are encouraged to exercise their independent judgement. If a director has a material interest in any transaction that Gatorz proposes to enter into, that director is expected to disclose such interest to the Gatorz Board in compliance with the applicable laws, rules and policies which govern conflicts of interest in connection with such transaction or agreement. It is anticipated that the Resulting Issuer Board will operate in a similar fashion.

Nomination of Directors

The Gatorz Board is responsible for the identification and assessment of potential directors. While no formal nomination procedure is in place to identify new candidates, the Gatorz Board does review the experience and performance of nominees, and in particular, any appointments to the audit committee. When required, the Gatorz Board meets to consider any vacancies or the desirability of additional members. Members of the Gatorz Board are canvassed with respect to the qualifications of a potential candidate and each candidate is evaluated with respect to his or her experience and expertise, with particular attention paid to those areas of expertise that complement and enhance current management. The Gatorz Board also assesses any potential conflicts, independence or time commitment concerns the candidate may present. It is anticipated that the Resulting Issuer Board will operate in a similar fashion.

Compensation

Compensation of the current directors and the current Chief Executive Officer of Gatorz is determined by the Gatorz Board as a whole, taking into account the relative responsibilities of the directors in serving on the current board and the audit committee. It is anticipated that the Resulting Issuer Board will operate in a similar fashion.

Other Board Committees

The Gatorz Board did not feel it necessary to establish any other committees in addition to the audit committee. The Gatorz Board was of the view that Gatorz' size was sufficiently small to facilitate a direct management structure without the need to delegate decision-making or authority to a committee. The Resulting Issuer also will not, initially, maintain other committees other than the audit committee, given the size and relative simplicity of its current business and operations. However, as the Resulting Issuer's business and operations expand, the Resulting Issuer Board will establish additional committees as determined by the Resulting Issuer Board.

Assessments

At present, the Gatorz Board is responsible for assessing the effectiveness of the board, the audit committee, and individual directors. It is anticipated the Resulting Issuer Board will operate in a similar fashion.

EXCHANGE MATTERS

Gatorz has received conditional approval from the Exchange for the RTO, the Consolidation and the proposed name change. Additionally, Gatorz has received conditional listing approval to list the Offered Shares, the Resulting

Issuer Common Shares issuable upon exercise of the Compensation Options, the Merger Common Shares and the Resulting Issuer Common Shares issuable (i) upon conversion of the Merger Preferred Shares; and (ii) pursuant to an indemnity claim under the Merger Agreement. Listing will be subject to Gatorz fulfilling all of the listing requirements of the Exchange, including raising a minimum of C$3,500,000 in gross proceeds. Closing of the RTO is subject to a number of conditions. Gatorz' shareholders have consented to the RTO in accordance with the rules of the Exchange.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Gowling Lafleur Henderson LLP, counsel to Gatorz, and Wildeboer Dellelce LLP, counsel to the Agent (collectively, "Counsel"), the following is, as of the date of this prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who acquires Offered Shares pursuant to this prospectus and who, at all relevant times, owns Offered Shares as capital property, and deals at arm's length with Gatorz and the Agent, and is not affiliated with Gatorz and the Agent. The Offered Shares will generally be considered to be capital property for this purpose unless the holder holds (or will hold) such Offered Shares in the course of carrying on a business of trading or dealing in securities, or the holder has acquired (or will acquire) such Offered Shares in a transaction or transaction considered to be an adventure in the nature of trade.

This summary is not applicable to a holder: (i) that is a "financial institution", as defined in the Tax Act, for purposes the "mark-to-market property" provisions of the Tax Act; (ii) an interest in which is a "tax shelter investment" as defined in the Tax Act; (iii) that is a "specified financial institution" as defined in the Tax Act; (iv) that is exempt from tax under Part I of the Tax Act; (v) that is a non-resident holder who carries on an insurance business in Canada and elsewhere; (vi) that is an "authorized foreign bank", as defined in the Tax Act; or (vii) who has elected in prescribed form and manner and has otherwise met the requirements under the Tax Act to report its tax results in a currency other than Canadian currency. Any such holder should consult its own tax advisor with respect to an investment in the Offered Shares.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor or holder of Offered Shares. This summary is not exhaustive of all Canadian federal income tax considerations applicable to an investor acquiring Offered Shares pursuant to this Prospectus. Accordingly, prospective investors are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA") as of the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental, judicial decision, action or interpretation, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

Residents of Canada

The following section of this summary applies to a holder of Offered Shares who, for the purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be resident in Canada at all relevant times (a "Canadian Holder"). Certain Canadian Holders who might not otherwise be considered to hold their Offered Shares as capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to have such shares, and all other "Canadian securities" as defined in the Tax Act, held by such persons, treated as capital property. Canadian Holders should consult their own tax advisors regarding this election.

Dividends

Dividends received or deemed to be received by a Canadian Holder on the Offered Shares will be included in computing the Canadian Holder's income for purposes of the Tax Act.

In the case of a Canadian Holder that is an individual (other than certain trusts) the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations will apply, including the enhanced gross-up and dividend tax credit provisions where Gatorz provides notice to the recipient designating the dividend as an "eligible dividend". Taxable dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

Dividends received on the Offered Shares by a Canadian Holder that is a corporation will generally be included in its gross income for the taxation year in which such dividends are received but will generally be deductible in computing such corporation's taxable income.

A Canadian Holder that is a "private corporation" or a "subject corporation" for purposes of the Tax Act may be liable to pay a refundable tax of $33^1/_3$% under Part IV of the Tax Act on dividends received or deemed to be received on the Offered Shares to the extent that such dividends are deductible in computing the corporation's taxable income.

Canadian Holders to whom these rules may be relevant should consult their own tax advisors.

Dispositions

A disposition or deemed disposition of an Offered Share (other than to the Resulting Issuer) by a Canadian Holder will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Canadian Holder's adjusted cost base of such shares and any reasonable costs incurred by the Canadian Holder for the purpose of making such disposition. The adjusted cost base to a holder of Offered Shares at a particular time will generally be the average cost of all Offered Shares held by such holder as capital property at that time. Any such capital gain or capital loss will be subject to the treatment described below under the heading "*Capital Gains and Capital Losses*".

Capital Gains and Capital Losses

One-half of a capital gain (a "taxable capital gain") realized by a Canadian Holder must be included in computing its income for the taxation year of disposition and one-half of any capital loss (an "allowable capital loss") will be deducted by the Canadian Holder against any taxable capital gains realized in the same taxation year. Any excess of allowable capital losses over taxable capital gains for the year of disposition is generally deductible against net taxable capital gains realized in any of the three prior taxation years or in any subsequent taxation year in the circumstances and to the extent described in detail in the Tax Act.

If the Canadian Holder is a corporation, any capital loss arising on the disposition of a Offered Share may, in certain circumstances, be reduced by the amount of any dividends which have been received or deemed to be received by such corporation on the Offered Share. Analogous rules may apply where a corporation is, directly or through a trust or partnership, a member of a partnership or a beneficiary of a trust which owns Offered Shares.

A Canadian Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to an additional refundable tax of $6^2/_3$% in respect of its "aggregate investment income" (which is defined in the Tax Act to include an amount in respect of taxable capital gains).

Non-Residents of Canada

The following section of this summary is generally applicable to a holder of Offered Shares who (i) for the purposes of the Tax Act, and at all relevant times, is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold, and is not deemed to use or hold, any Offered Shares in, or in the course of, carrying on a business in Canada (a "Non-Resident Holder").

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder on the Offered Shares will generally be subject to Canadian withholding tax at the rate of 25%, subject to reduction under the provisions of an applicable income tax treaty or convention. In the case of a Non-Resident Holder who is a resident of the United States and entitled to benefits under the current provisions of the Canada-United States Income Tax Convention (1980), as amended, the rate of withholding tax on such dividends will generally be reduced to 15%.

Dispositions

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain on the disposition of Common Shares provided that such securities do not constitute, and are not deemed to constitute, "taxable Canadian property" of the Non-Resident Holder. Generally, if the Common Shares are listed on a designated stock exchange (which includes tiers 1 and 2 of the Exchange) they will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60 month period immediately preceding the disposition of the Offered Shares the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder, together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of Gatorz, and, at any time during that 60 month period, more than 50% of the fair market value of the Offered Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) and options and interests or rights in such properties.

Even if a Common Share is taxable Canadian property to a Non-Resident Holder, any capital gain realized upon the disposition of such Common Share may not be subject to tax under the Tax Act, if such capital gain is exempt from Canadian tax pursuant to the provisions of an applicable tax treaty. A Non-Resident Holder's capital gain (or capital loss) in respect of Common Shares that constitute or are deemed to constitute taxable Canadian property and are not exempt from tax under the Tax Act by virtue of a tax treaty, will generally be computed in the manner described above under the headings "*Residents of Canada — Dispositions"* and *"Capital Gains and Capital Losses*".

PLAN OF DISTRIBUTION

Pursuant to the terms and conditions of an agency agreement dated as of November 1, 2010 (the "Agency Agreement") among Gatorz, No Fear and the Agent, Gatorz has appointed the Agent to offer for sale on a "best efforts" basis, subject to compliance with all legal requirements and the terms and conditions contained in the Agency Agreement, up to 10,000,000 Offered Shares at a price of $0.80 per Offered Share, payable in cash against delivery of the Offered Shares, for total gross proceeds of up to C$8,000,000. Subject to receipt of all necessary securities and other regulatory approvals, Closing is expected to be on or about November 17, 2010 or such other date as may be agreed upon by the Gatorz, No Fear and the Agent. The Offered Shares are being offered to the public in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

Although there is no condition in the Agency Agreement with respect to a minimum size of the Offering, the Parties do not intend to complete the Offering unless C$3,500,000 of gross proceeds is raised. If subscriptions for a minimum of 4,375,000 Offered Shares have not been received within 90 days following issuance of a final receipt for the Prospectus, or such later date as permitted by Canadian securities laws, the Offering will not be completed. Until the Closing Date, all subscription funds received by the Agent will be held by the Agent pending closing of the Offering. If the Offering has not closed prior to the expiry of the 90 day period because C$3,500,000 in gross proceeds has not been raised, the Agent will promptly return the proceeds of the subscriptions to the subscribers without interest or deduction unless the subscribers have otherwise instructed the Agent.

Pursuant to the Agency Agreement, Gatorz has granted the Agent the Over-Allotment Option, exercisable in whole or in part at any time and from time to time until the date which is 30 days after Closing, to purchase the Over-Allotment Shares at the Issue Price, solely to cover over-allotments, if any, and for market stabilization purposes. This Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of any Over-Allotment Shares issued upon the exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Shares forming part of the Agent's over-allocation position acquires those Over-Allotment Shares under this Prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The terms of the Offering, including the Issue Price, were determined by negotiation among the Gatorz, No Fear and the Agent in the context of prevailing market conditions. Pursuant to the Agency Agreement, the Agent has reserved the right to form a selling group of appropriately registered dealers and brokers with compensation to be negotiated between the Agent and such selling group participants, but at no additional cost to Gatorz.

The Agency Agreement provides for (i) payment by Gatorz of the Agent's Fee, which is equal to 7% of the gross proceeds raised in the Offering except for (a) sales to the US Investors in respect of which Gatorz shall pay a cash commission of 3.5% and (b) sales to the Off-Shore Investors in respect of which Gatorz shall pay a cash commission of

1.75% and (ii) the granting of the Compensation Options, equal to 10% of the Offered Shares sold pursuant to the Offering except for (x) Offered Shares purchased by the US Investors in respect of which the Agent will be granted Compensation Options entitling the Agent to subscribe for Common Shares at the Issue Price equal to 5% of such sales and (y) Offered Shares purchased by the Off-Shore Investors in respect of which the Agent will be granted Compensation Options entitling the Agent to subscribe for Common Shares at the Issue Price equal to 2.5% of such sales, at an exercise price equal to the Issue Price per Compensation Option for a period of twenty-four months following the Closing, for various services rendered to Gatorz and No Fear in connection with the Offering.

As additional consideration for the services by the Agent, Gatorz has agreed to grant the Agent non-transferable compensation options ("Compensation Options") entitling the Agent to subscribe for that number of Common Shares at the Issue Price as is equal to 10% of the total number of Offered Shares sold pursuant to the Offering, except for Offered Shares subscribed for by the US Investors in respect of which the Agent will be granted Compensation Options entitling the Agent to subscribe for Common Shares at the Issue Price equal to 5% of such sales and except for Offered Shares subscribed for by the Off-Shore Investors in respect of which case the Agent will be granted Compensation Options entitling the Agent to subscribe for Common Shares at the Issue Price equal to 2.5% of such sales, for a period of twenty-four months following the Closing

While the Agent has agreed to use its best efforts to sell the Offered Shares the Agent is not obliged to purchase any Offered Shares that are not sold. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events.

The Agent may offer selling group participation, in the normal course of the brokerage business, to selling groups of other licensed broker dealers, brokers and investment dealers, who may or may not be offered part of the commissions or other compensation of the Agent derived from this Offering.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that Gatorz will arrange for an instant deposit of the Offered Shares to or for the account of the Agent with CDS on the Closing Date, against payment of the aggregate purchase price for the Offered Shares. A purchaser of Offered Shares will receive only a customer confirmation from the registered dealer through which the Offered Shares are purchased.

Pursuant to policies of certain Canadian securities regulatory authorities, the Agent may not, throughout the period of distribution under the Prospectus bid for or purchase any Offered Shares for their own account or for accounts over which they exercise control or discretion. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase is not engaged in, for the purpose of creating actual or apparent active trading in or raising the price of the Offered Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with this Offering, the Agent may over-allot or effect transactions that stabilize or maintain the market price of the Offered Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws and, may not be offered in the United States except in accordance with an available exemption from the registration requirements of the U.S. Securities Act. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Shares in the United States. The Agent has agreed that, except in certain transactions exempt from the registration requirements of the U.S. Securities Act, it will not offer or sell within the United States or to, or for the account or benefit of, U.S. persons, the Offered Shares as part of its distribution. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of U.S. Securities Act if such offer or sale is made otherwise that in reliance on an available exemption under the U.S. Securities Act.

Gatorz has agreed that it will not, without the prior written consent of the Agent, which consent shall not be unreasonably withheld or delayed, at any time for a period of 120 days following the Closing Date, issue or announce the issuance of any securities of the Gatorz, other than: (i) as contemplated pursuant to the Offering; (ii) in connection with the Transaction; or (iii) pursuant to the grant of stock options or issuances of securities upon the exercise or conversion, as the case may be, of securities of Gatorz outstanding as at March 16, 2010.

Each of Gatorz and No Fear has agreed to indemnify the Agent and its affiliates and its directors, officers, employees and agents against certain liabilities and expenses, including liabilities under applicable securities legislation in certain circumstances, or to contribute to payments the Agent may have to make in respect thereof.

Gatorz has received conditional listing approval to list the Offered Shares, the Resulting Issuer Common Shares issuable upon exercise of the Compensation Options, the Merger Common Shares and the Resulting Issuer Common Shares issuable (i) upon conversion of the Merger Preferred Shares; and (ii) pursuant to an indemnity claim under the Merger Agreement. Listing will be subject to Gatorz fulfilling all of the listing requirements of the Exchange, including raising a minimum of C$3,500,000 in gross proceeds.

RISK FACTORS

Investing in the Offered Shares involves a high degree of risk. Investors should consider carefully the risks and uncertainties described below, together with all of the other information in this Prospectus, including but not limited to the financial statements and the related notes appearing elsewhere in this Prospectus and the other information set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding to invest in the Offered Shares. If any of the following risks occurs, Gatorz, No Fear and/or the Resulting Issuer's business, revenue, financial condition, liquidity, results of operations and future prospects could be materially and adversely affected. In that event, the market price of the Offered Shares would likely decline and investors could lose part or all of their investment.

Risks Relating to the Business

The Resulting Issuer will have a limited operating history and a history of operating losses.

Simo Holdings opened its first "No Fear" branded retail store in 2000 and No Fear Retail Stores, Inc. was incorporated as a wholly-owned subsidiary of Simo Holdings in 2006 and No Fear has therefore operated as a separate entity since that time. The business of No Fear will comprise substantially all of the business of the Resulting Issuer. While No Fear generated a net profit in fiscal 2009, it generated a net loss three of the four previous fiscal years. There can no assurance that the Resulting Issuer will continue to generate a net profit at any point in the future.

In addition, Gatorz has not earned any profits to date and there is no assurance that it will earn any profits in the future. A portion of the Resulting Issuer's financial resources will be directed to the development of Gatorz' products and to marketing activities. The success of Gatorz will ultimately depend on its ability to generate revenues from its product sales, such that the business development and marketing activities may be financed by revenues from operations instead of external financing. There is no assurance that future revenues will be sufficient to generate the required funds to continue such business development and marketing activities.

The Resulting Issuer's actual operating results could vary significantly from its estimated results.

The preparation of No Fear's financial statements is in conformity with United States GAAP. These statements require No Fear to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. No Fear's estimates, judgments, and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

In addition to being subject to all of the risks associated with a relatively young business, the Resulting Issuer will be subject to certain factors affecting retail, such as a general economic downturn and intense competition. Although No Fear believes that the estimates it prepared as to capital, personnel, equipment and facilities required for operations are reasonable, it will be impossible to determine the accuracy of such estimates until the business has been operated for a substantial period of time and has stabilized.

If the Resulting Issuer fails to effectively execute its expansion strategy, it may not be able to successfully open new store locations in a timely manner, if at all.

The Resulting Issuer's success will be dependent on the ability to open new retail locations. The Resulting Issuer's ability to open and operate new stores successfully depends on many factors, including, among others, the ability to:

- identify suitable store locations, the availability of which is outside of the Resulting Issuer's control and subject to potentially significant competition;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- source sufficient levels of inventory at acceptable costs to meet the needs of new stores;
- hire, train and retain store personnel;
- successfully integrate new stores into existing operations; and
- identify and satisfy the merchandise preferences of new geographic areas.

In addition, many of No Fear's planned new stores are to be opened in regions of the United States in which it has few, or no, stores. The expansion into these markets may present competitive, merchandising and distribution challenges that are different from those encountered in existing markets. Any of the foregoing factors could adversely affect the Resulting Issuer's business and results of operations.

The Resulting Issuer's growth will depend on its ability to open and operate a significant number of new stores each year, which could strain the resources and cause the performance of existing stores to suffer.

The growth of the Resulting Issuer largely depends on the ability to open and operate new stores successfully. However, the ability to open new stores is subject to a variety of risks and uncertainties and the Resulting Issuer may be unable to open new stores as planned, and any failure to successfully open and operate new stores would have a material adverse effect on its financial condition and results of operations. No Fear and the Resulting Issuer intend to continue to open a significant number of new stores in future years while remodeling a portion of its existing store base annually. To the extent that the maximum net proceeds under the Offering are not raised, the Resulting Issuer may not be able to execute on its plan to open new retail stores subsequent to the 2012 calendar year or remodel existing stores, impacting the Resulting Issuer's business, financial condition or results of operations. See also "*Special Note Regarding Forward-Looking Information*" and "*Use of Proceeds*". In addition, the proposed expansion will place increased demands on the Resulting Issuer's operational, managerial and administrative resources. These increased demands could cause the Resulting Issuer to operate its business less effectively, which in turn could cause deterioration in the financial performance of individual stores and the overall business. To the extent new store openings are in markets where No Fear already has stores, it may experience reduced net sales in existing stores in those markets.

No Fear and PepsiCo, Inc. have agreed to terminate the license agreement for the No Fear branded energy drink as of December 31, 2011. After the termination of the agreement, the Resulting Issuer will no longer receive royalty payments from PepsiCo, Inc., resulting in a decrease in the revenue and profitability of the Resulting Issuer.

Simo Holdings and PepsiCo, Inc. have agreed to terminate the license agreement in respect of the "No Fear" branded energy drink based on a staged transition of territories. Aside from certain limited territories which terminate in October 2010, PepsiCo, Inc. has the right during the transition period to terminate all remaining territories at its discretion and all such territories will be terminated no later than December 31, 2011. As outlined in the agreement, No Fear received an advance against future royalties following the execution of the termination agreement. After the termination of the agreement, the Resulting Issuer will no longer receive royalty payments from PepsiCo, Inc. Royalty income totalled approximately $1.5 million in No Fear's fiscal year ended August 31, 2009 and approximately $295,000 and $987,000 in the three and nine months ended May 31, 2010. Given the minimal cost of administering the license agreement, the royalty payments contributed significantly to the profitability of No Fear. While No Fear is actively seeking licensing arrangements in appropriate categories including the beverage category, there can be no assurances that No Fear or the Resulting Issuer will be able to enter into similar arrangements under similar terms.

The Resulting Issuer will face a number of risks and challenges in attempting to achieve its growth strategy and long-term goals.

For the Resulting Issuer to achieve its growth strategy and its long-term goal of potentially operating 400 retail stores in the United States, the Resulting Issuer will face a number of risks and challenges, including (i) as the current infrastructure for No Fear is anticipated to support a total of 100 stores, the Resulting Issuer will be required to acquire, lease or develop appropriate infrastructure, including information technology systems, office space and warehouse space to support 400 retail stores, (ii) hiring and retaining additional personnel, including personnel with specific skills such as real estate management and site selection, store level and regional retail management, merchandising, marketing, and store operations, (iii) No Fear's current and new retail stores will need to achieve their projected sales targets, and (iv) additional capital will be required to the extent that the Resulting Issuer's new and existing retail stores do not generate sufficient cash flow to fund additional new store openings. Failure to overcome the foregoing risks and challenges could materially adversely affect the Resulting Issuer's ability to execute on its growth strategy. See also "*Special Note Regarding Forward-Looking Information*".

The Resulting Issuer will depend on key personnel and may not be able to retain or replace these individuals or recruit additional personnel.

The Resulting Issuer's performance will depend largely on the efforts and abilities of the senior management team, including Chief Executive Officer, Mark Simo, Chief Financial Officer and Corporate Secretary, Michael Pratt, and VP of Retail Store Operations, Eric Baker. No Fear does not have key person life insurance covering any of its employees. If the Resulting Issuer loses the services of one or more of its key executives, the Resulting Issuer may not be able to successfully manage its business or achieve its growth objectives. In addition, as the business grows, the Resulting Issuer will need to attract and retain additional qualified management personnel in a timely manner and may not be able to do so.

The Resulting Issuer plans to use proceeds from this Offering and cash from operations to fund its expansion plans and execute its growth strategy and may require additional financing, which may not be available to it on satisfactory terms or at all.

The Resulting Issuer may need to raise additional funds for operations and to execute its business strategy. No Fear currently estimates the proceeds from the Offering, together with revenues from operations, will last for at least the next 12 months; however, No Fear can provide no assurance this will be the case. No Fear has no committed sources of capital and the Resulting Issuer may seek to raise capital through the sale of debt or equity securities, which could result in additional dilution to existing shareholders. If additional funds are raised through the issuance of debt securities, these securities could have rights senior to the Common Shares and could contain covenants that would restrict its operations. Any additional financing may not be available in amounts or on terms acceptable to the Resulting Issuer, if at all.

The recent instability in the U.S. and international credit markets has limited the availability of capital. The Resulting Issuer may experience material constraints in accessing the financial markets and, if it is unable to obtain additional financing in a timely manner and on satisfactory terms, the Resulting Issuer's business, financial condition or results of operations could be materially adversely affected.

The Resulting Issuer's business will depend on its trademarks and other proprietary rights, and if the Resulting Issuer is not able to protect such intellectual property, the performance of the Resulting Issuer could be severely impacted.

The Resulting Issuer will own the trademarks "No Fear," "So Cal," "No Cal" and "Fearless". Its success depends to a significant degree upon its ability to protect and preserve its intellectual property, particularly the trademarks "No Fear", "So Cal" and "Fearless". If the Resulting Issuer is unable to prevent third parties from using such intellectual property without its authorization, any competitive advantage No Fear has developed could be reduced or eliminated, causing it to lose sales or otherwise harming its business which could result in its operations and financial condition being materially and adversely affected.

Although neither Gatorz nor No Fear believe that its products infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Resulting Issuer or that any such assertions or prosecutions will not materially adversely affect the Resulting Issuer's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Resulting Issuer could incur significant costs and diversion of resources with respect to the defense thereof which could result in its operations and financial condition being materially and adversely affected.

While the Resulting Issuer will endeavour to protect its intellectual property, there can be no assurance that the steps taken will prevent misappropriation of its proprietary technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford the Resulting Issuer little or no effective protection of its intellectual property. While Gatorz' technology is developed and owned by Gatorz, it may in the future also rely on technology licensed from third parties. There can be no assurance that these third party licenses will be, or will continue to be, available to the Resulting Issuer on commercially reasonable terms.

In addition, neither Gatorz nor No Fear can provide any assurance that any actions taken by the Resulting Issuer to protect its proprietary rights will be adequate to prevent imitation of its products, that the Resulting Issuer's proprietary information will not become known to its competitors, that the Resulting Issuer can meaningfully protect its rights to any unpatented proprietary information or that others will not independently develop substantially equivalent or better products that do not infringe on the Resulting Issuer's intellectual property rights.

The Resulting Issuer will operate in a highly competitive retail market.

The Resulting Issuer will compete, broadly in the retail market and in particular in the sale of action sport apparel and accessories. The Resulting Issuer will compete with other retailers for vendors, customers, store locations, store associates and management personnel. Other action sports and apparel wholesalers and retailers include Fox Racing, Inc., Pacific Sunwear of California, Inc., Quiksilver, Inc., Tilly's, Inc. and Zumiez, Inc. In addition, the Resulting Issuer will compete with independent specialty shops, department stores, and direct marketers that sell similar lines of merchandise and target customers through catalogs and eCommerce. Many of the Resulting Issuer's competitors are larger than the Resulting Issuer and have substantially greater financial, marketing and other resources. Direct competition with these and other retailers may increase significantly in the future. Competing effectively in this industry presents a number of challenges, including:

- anticipating and quickly responding to changing consumer demands;
- maintaining favorable brand image and recognition and effectively marketing products to consumers in the Resulting Issuer's core market segments;
- merchandising innovative, high-quality products in sizes, colors and styles that appeal to consumers in the Resulting Issuer's target demographics;
- efficiently sourcing merchandise; and
- competitively pricing products and achieving customer perception of value.

The Resulting Issuer's competitors may enter into business combinations or alliances that strengthen their competitive positions or prevent the Resulting Issuer from taking advantage of such combinations or alliances. Such competitors may also be able to respond more quickly and effectively than the Resulting Issuer can to new or changing opportunities, standards or consumer preferences. The Resulting Issuer's business, financial condition or results of operations may be adversely impacted by its competitors and the competitive pressures in the retail and action sports industries.

Further, although No Fear believes it can compete effectively for favorable site locations and lease terms in shopping malls and other locations, competition for prime locations and lease terms within shopping malls, in particular, and at other locations is intense, and No Fear cannot provide assurance that it will be able to obtain new locations or maintain existing locations on favorable terms, if at all.

The Resulting Issuer's business could be harmed if it fails to maintain proper inventory levels.

No Fear maintains an inventory of selected products that it anticipates will be in high demand. The Resulting Issuer may be unable to sell the products ordered in advance from suppliers or vendors or that it has or will have in inventory. Inventory levels in excess of customer demand may result in inventory write-downs, or the sale of excess inventory at discounted or close-out prices. These events could significantly harm the Resulting Issuer's operating results and impair the "No Fear" brand image. Conversely, if the Resulting Issuer underestimates consumer demand for its products or if its suppliers or vendors fail to supply quality products in a timely manner, the Resulting Issuer may experience inventory shortages. Inventory shortages may result in inability to meet the demands of customers, diminish brand loyalty and result in lost revenues, any of which could harm the Resulting Issuer's business.

Failure to find store employees that reflect the "No Fear" brand image and embody the "No Fear" culture could adversely affect the Resulting Issuer's business.

No Fear's success depends, and the Resulting Issuer's success will depend, in part upon its ability to attract, motivate and retain a sufficient number of qualified employees, including district managers, store managers and store associates, who understand and appreciate the corporate culture based on a passion for the action sports lifestyle and are able to adequately represent this culture to customers. Qualified individuals of the requisite calibre, skills and number needed to fill these positions may be in short supply in some areas, and the employee turnover rate in the retail industry is high. Competition for qualified employees could require the Resulting Issuer to pay higher wages to attract a sufficient number of suitable employees. If the Resulting Issuer is unable to hire and retain store managers and store associates capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for No Fear's culture and knowledge of its merchandise, the ability to open new stores may be impaired and the performance of existing and new stores could be materially adversely affected. The Resulting Issuer will be dependent upon temporary personnel to adequately staff its stores and distribution center, particularly during busy periods such as the back-to-school and winter holiday seasons. There can be no assurance that the Resulting Issuer will receive adequate assistance from temporary personnel, or that there will be sufficient sources of temporary personnel. Although none of No Fear's employees are covered by collective bargaining agreements, no assurance can be made that employees will not elect to be represented by labour unions in the future, which could increase labour costs and subject the Resulting Issuer to the risk of work stoppages and strikes. Any such failure to meet its staffing needs, any material increases in employee turnover rates, any increases in labour costs or any work stoppages or interruptions or strikes could have a material adverse effect on the Resulting Issuer's business, financial condition or results of operations.

The Resulting Issuer's business is subject to substantial seasonal fluctuations.

The Resulting Issuer's revenues and operating results will be subject to seasonal trends when measured on a quarterly basis. For example, No Fear's sales are typically disproportionately higher in the second and fourth fiscal quarters of each fiscal year due to increased sales during the winter holiday and back-to-school shopping seasons. Gatorz' sales generally have been higher in the key selling season for sunglasses from March to September. Any unanticipated decrease in demand for products during these peak seasons could result in decreased revenue, which would have a material adverse effect on the Resulting Issuer's business, financial condition or results of operations.

No Fear's business is dependent upon being able to anticipate, identify and respond to changing fashion trends, customer preferences and other fashion-related factors.

Customer tastes and fashion trends in the action sports lifestyle market are volatile and tend to change rapidly. The Resulting Issuer's success will depend on its ability to effectively anticipate, identify and respond to changing fashion tastes and consumer preferences, and to translate market trends into appropriate, saleable product offerings in a timely manner. If the Resulting Issuer is unable to successfully anticipate, identify or respond to changing styles or trends and/or misjudges the market for its products or any new product lines, its sales may be lower than predicted and the Resulting Issuer may be faced with a substantial amount of unsold inventory or missed opportunities. In response to such a situation, the Resulting Issuer may be forced to rely on markdowns or promotional sales to dispose of excess or slow-moving inventory, which could have a material adverse effect on its business, financial condition or results of operations.

The ability to attract customers to stores depends heavily on the success of the shopping malls in which No Fear stores are located.

In order to generate customer traffic, the Resulting Issuer will depend heavily on locating its stores in prominent locations within successful shopping malls. Sales at these stores are derived, in part, from the volume of traffic in those malls. The Resulting Issuer will benefit from the ability of a mall's other tenants to generate consumer traffic in the vicinity of its stores and the continuing popularity of malls as shopping destinations. The Resulting Issuer's sales volume and mall traffic generally may be adversely affected by, among other things, economic downturns in a particular area, competition from Internet retailers, non-mall retailers and other malls, increases in gasoline prices and the closing or decline in popularity of other stores in the malls. A reduction in mall traffic as a result of these or any other factors could have a material adverse effect on the Resulting Issuer's business, financial condition or results of operations.

If current or prospective suppliers are unable or unwilling to supply the Resulting Issuer with adequate quantities of merchandise in a timely manner or at acceptable prices, the Resulting Issuer's business could be adversely affected.

The Resulting Issuer will rely on a small number of third parties to design, source and deliver both Gatorz' and No Fear's proprietary branded product. No Fear does not have long-term contracts with these suppliers. While No Fear management believes these third parties will be able to produce the Resulting Issuer's products in accordance with its expectations, and on a timely basis, there is no assurance that such third parties will not encounter production problems and/or delays with respect to these products. There can be no assurance that the Resulting Issuer will be able to acquire sufficient quantities of quality merchandise at acceptable prices in a timely manner in the future. Any inability to do so, or the loss of one or more key suppliers, could have a material adverse impact on the Resulting Issuer's business, financial condition or results of operations.

The foreign sources of production of No Fear's suppliers and vendors may not always be reliable, which may result in a disruption in the flow of new merchandise to its stores.

A substantial portion of products purchased from No Fear's suppliers and vendors are produced by third parties outside of the United States. No Fear does not have any long-term merchandise supply contracts with its suppliers and vendors and imports by suppliers and vendors are subject to existing or potential duties, tariffs and quotas. No Fear's suppliers and vendors face competition from other companies for production facilities and import quota capacity. They also face a variety of other risks generally associated with doing business in foreign markets and importing merchandise from abroad, such as: (i) political instability; (ii) enhanced security measures at United States ports, which could delay delivery of imports; (iii) imposition of new legislation relating to import quotas that may limit the quantity of goods which may be imported into the United States from countries in a region within which No Fear's current suppliers and vendors do business; (iv) imposition of duties, taxes, and other charges on imports; (v) delayed receipt or non-delivery of goods due to the failure of foreign-source suppliers to comply with applicable import regulations; (vi) delayed receipt or non-delivery of goods due to organized labour strikes or unexpected or significant port congestion at United States ports; and (vii) local business practice and political issues, including issues relating to compliance with domestic or international labour standards which may result in adverse publicity. New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions that, if enacted, would increase the cost of products purchased by No Fear's suppliers and vendors in countries outside of the United States. Any inability on the part of its vendors and suppliers to rely on foreign sources of production due to any of the factors listed above could have a material adverse effect on the Resulting Issuer's business, financial condition or results of operations.

No Fear is currently a party to a lawsuit brought by a creditor of Simo Holdings and the outcome of the lawsuit is unknown. Should the plaintiff be successful in obtaining a judgment, No Fear could be held responsible for the judgment, creating additional liabilities for No Fear and the Resulting Issuer.

No Fear is currently a defendant in a lawsuit commenced on June 7, 2010 by FMF Racing and Don Emler, its president and principal shareholder, against Simo Holdings and No Fear in the Superior Court for San Diego County, California. The suit seeks repayment of loans made to Simo Holdings by Mr. Emler and FMF Racing in the aggregate amount of approximately $2,300,000 and a claim for the principal balance of a loan in the amount of $500,000 due September 1, 2010. The suit also seeks certain other relief, including a request for a declaration of liability on the loans, an order to account to plaintiff for all of the assets which Simo Holdings had transferred to No Fear, and exemplary damages. Simo Holdings is actively negotiating with Mr. Emler and FMF Racing toward a settlement of the lawsuit. No Fear believes the claims asserted against No Fear in the lawsuit are without merit and will defend itself vigorously in the lawsuit. Simo Holdings has retained counsel to represent it and No Fear in the lawsuit, and has agreed to pay for No Fear's defense. Simo Holdings has also indemnified No Fear against liability for damages arising out of the lawsuit, subject to customary conditions. While a verbal settlement agreement has been reached and is in the process of being documented, there can be no assurance that Simo Holdings will successfully execute a settlement agreement or, if the lawsuit proceeds to judgment, that No Fear will be successful in avoiding liability or that, even having agreed to indemnify No Fear, Simo Holdings will be able to fully satisfy any judgment rendered against No Fear. Accordingly, No Fear could be held responsible for repayment of all or some of the loans at issue, creating significant additional liabilities for No Fear and the Resulting Issuer. In addition, certain of the other relief sought by the plaintiff, if obtained, could materially adversely impact the ability of Simo Holdings or No Fear to complete the RTO or to conduct its business.

Gatorz relies on consumer acceptance of its existing products and new products that it develops.

The future success of the Resulting Issuer will be in part influenced by its ability to continue to develop new competitive products. Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of the Resulting Issuer's products, and/or lawsuits, and would be detrimental, perhaps materially, to the Resulting Issuer's market reputation. Undetected errors or performance problems may be discovered in the future. Moreover, known errors which are considered to be minor may be considered serious by its customers. If the Resulting Issuer's internal quality assurance testing or customer testing reveals performance issues and/or desirable feature enhancements, the Resulting Issuer could postpone the development and release of updates or enhancements to its current product or the release of new products. The Resulting Issuer may not be able to successfully complete the development of planned or future products in a timely manner, or to adequately address product defects, which could harm the Resulting Issuer's business, financial condition or results of operations. In addition, product defects may expose the Resulting Issuer to liability claims, for which the Resulting Issuer may not have sufficient liability insurance. A successful suit against the Resulting issuer could have a material adverse affect on its business, financial condition or results of operations.

The Resulting Issuer will be dependent on Simo Holdings for office and warehouse space.

The Resulting Issuer will sublease its office and warehouse space from Simo Holdings through June 2012 and, if Simo Holdings exercises its lease option to extend the term, through June 2017. Should Simo Holdings or the Resulting Issuer not be able to obtain office space and/or warehouse space at a market rate at the expiration of the existing lease, there could be a material disruption to the Resulting Issuer's business. See "*Relationship between Simo Holdings and the Resulting Issuer*".

The Resulting Issuer does not expect to pay any cash dividends for the foreseeable future.

The continued operation and expansion of No Fear's business will require substantial funding. Accordingly, the Resulting Issuer does not anticipate that it will pay any cash dividends on Common Shares for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the Resulting Issuer Board and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors the Resulting Issuer Board deems relevant. Accordingly, if an investor purchases Offered Shares, realization of a gain on the investment will depend on the appreciation of the price of the Common Shares, which may never occur. Investors seeking cash dividends in the foreseeable future with respect to an investment in Common Shares should not purchase Offered Shares.

The Resulting Issuer's management will have broad discretion over the use of proceeds of the Offering.

It is possible that management of the Resulting Issuer may allocate the proceeds differently than disclosed herein or that the Resulting Issuer will fail to maximize return on such proceeds.

The debt obligations of No Fear and Gatorz could limit the Resulting Issuer's flexibility in managing its business and expose it to certain risks.

At the time of the closing of the Transaction, the Resulting Issuer is expected to have indebtedness in the aggregate amount of approximately $4.6 million, which will have important consequences, including the following:

- The Resulting Issuer may have difficulty satisfying the existing obligations or indebtedness of No Fear and Gatorz and, if the Resulting Issuer fails to comply with these requirements, an event of default could result under all or any of such indebtedness;
- The Resulting Issuer may be required to dedicate a substantial portion of its cash flow from operations to required payments on indebtedness, thereby reducing the Resulting Issuer's availability of cash flow for working capital, capital expenditures and other general corporate activities;

- covenants relating to existing indebtedness may limit the Resulting Issuer's ability to obtain additional financing for working capital, capital expenditures and other general corporate activities;
- covenants relating to the existing indebtedness of Gatorz and No Fear may limit the Resulting Issuer's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- the Resulting Issuer may be more vulnerable to the impact of economic downturns and adverse developments in its business; and
- the Resulting Issuer may be placed at a competitive disadvantage against any less leveraged competitors.

The occurrence of any one of these events could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

The Resulting Issuer may incur additional indebtedness.

Subject to restrictions as a result of existing indebtedness of No Fear and Gatorz, the Resulting Issuer may incur additional indebtedness, which could increase the risks associated with the already substantial indebtedness of No Fear and Gatorz. If the Resulting Issuer incurs any additional indebtedness or obligations that rank senior to the Resulting Issuer Common Shares, including trade payables, the holders of those obligations will be entitled to any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of the Resulting Issuer before any distribution to holders of the Resulting Issuer Common Shares.

No Fear is subject to restrictions as a result of its credit agreement with a bank and has defaulted under the covenants of the facility in the past.

No Fear has a credit agreement with a bank that contains a number of restrictions and covenants that generally limit No Fear's ability to, among other things, (1) undergo a change in ownership and (2) enter into certain transactions. The credit agreement also contains financial covenants that require No Fear to meet certain specified financial tests and ratios, including minimum net income, maximum total senior liabilities divided by tangible net worth and minimum tangible net worth plus subordinated debt. In the past, No Fear has not been in compliance with these covenants and there can be no assurance that No Fear will be in compliance with these covenants in the future. Should the bank seek repayment of the indebtedness as a result of a future default, there can be no assurance that No Fear will have the funds to satisfy repayment or that No Fear will be able to obtain additional financing in a timely manner. This could have a material adverse effect on the Resulting Issuer's business, financial condition or results of operations.

The variable rate indebtedness of No Fear and Gatorz subjects the Resulting Issuer to interest rate risk, which could cause its debt service obligations to increase significantly.

Certain borrowings under existing indebtedness of No Fear and Gatorz are at variable rates of interest and will expose the Resulting Issuer to interest rate risk. If interest rates increase, the Resulting Issuer's debt service obligations on the variable rate indebtedness would increase even though the amounts borrowed remain the same, and the Resulting Issuer's net income and cash flows would decrease.

Gatorz is in forbearance in respect of secured indebtedness.

Gatorz is indebted to a corporation controlled by a shareholder of Gatorz who beneficially owns approximately 6% of the Common Shares. The indebtedness amounts to $320,318 as at June 30, 2010 pursuant to a loan agreement dated March 13, 2008. The loan is secured by the assets of Gatorz. Gatorz is obligated to make monthly principal payments in the amount of $7,813. Since January 2009, Gatorz has not been making such payments, but has continued to pay monthly interest on the loan and consequently Gatorz is in default under the terms of the loan agreement.

Gatorz is also indebted to another third party in the amount of $299,270 as at June 30, 2010. The loan is secured by the assets of Gatorz. Under this loan agreement, Gatorz is obligated to make blended monthly principal and interest payments in the amount of $2,085. The loan matured on July 10, 2010 and has not been formally renewed; however, the lender has orally agreed with Gatorz to extend the loan for an unspecified period and Gatorz has continued to make the monthly principal and interest payments.

The first of these loans is currently operating under an informal unwritten forbearance arrangement and the second of these loans is operating under an informal unwritten extension for an unspecified period. Each of the lenders could at any time call on the respective loans and/or could choose to realize on the security. There can be no assurance that the lenders in respect of these loans will continue the forbearance and extension arrangements described above. If the lenders were to exercise their respective rights under the loan agreements, the Resulting Issuer would be required to pay such amounts on demand and/or could have the assets securing the loans seized by the lenders. Any such action could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Gatorz has historically experienced weakness in internal controls and as a result, the Resulting Issuer may also experience weakness in internal controls.

In the course of evaluating the design of the Gatorz' internal controls and the preparation of Gatorz' annual filings, the Chief Executive Officer and Chief Financial Officer of Gatorz identified that due to limited finance staff, there are some weaknesses in the internal controls. Due to such limited number of staff, Gatorz is unable to appropriately segregate all required duties, and given the staff's fair and reasonable understanding of Canadian GAAP there may also be weaknesses with respect to accounting for complex and non-routine accounting matters. As a result of these weaknesses, there is a risk that a material misstatement would not be prevented or detected in the preparation of the financial statements.

Risks Related to the Resulting Issuer's Ownership Structure

Following the Closing, Simo Holdings will beneficially own approximately 47.1% of the outstanding Resulting Issuer Common Shares (if the maximum Offering of C$8,000,000 is achieved) and all of the outstanding Preferred Shares and could exert significant influence over matters requiring shareholder approval.

Upon completion of the Transaction and Offering (assuming the maximum Offering size of C$8,000,000), Simo Holdings will own approximately 47.1% of the outstanding Resulting Issuer Common Shares and 100% of the outstanding Preferred Shares, comprising 57.0% of the outstanding voting shares of Gatorz. If less than the maximum Offering of C$8,000,000 is achieved, Simo Holdings will own a higher percentage of the outstanding voting shares. For example, if C$6,000,000 is raised under the Offering, Simo Holdings will own approximately 61.5% of the outstanding voting shares and if C$3,500,000 is raised under the Offering Simo Holdings will own approximately 68% of the outstanding voting shares of Gatorz.

Accordingly, Simo Holdings will be able to control the Resulting Issuer's management and affairs and all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the ability of investors to sell the Offered Shares on the market.

The Resulting Issuer may have to register the Resulting Issuer Common Shares with the United States Securities and Exchange Commission in the future.

Following completion of the Offering, the Resulting Issuer may become subject to the reporting requirements of the United States Securities and Exchange Act of 1934, as amended. Compliance with those reporting requirements may take considerable time and expense, which could distract the Resulting Issuer's management team and increase operating expenses. As a result, the Resulting Issuer's results of operations may be harmed.

The Resulting Issuer intends to treat itself as a United States corporation for United States federal income tax purposes.

Pursuant to certain provisions of the United States Internal Revenue Code of 1986, as amended, a non-U.S. corporation that acquires substantially all of the stock of a United States corporation in exchange for its own stock will be treated as a United States corporation for United States federal income tax purposes if certain conditions are satisfied. The Resulting Issuer believes that these conditions will be met in the transactions that constitute the RTO. Accordingly, the Resulting Issuer intends to treat itself as a United States corporation for U.S. federal income tax purposes. As a result, since the Resulting Issuer intends to treat itself as both a Canadian corporation for Canadian income tax purposes and a United States corporation for United States federal income tax purposes, the Resulting Issuer and its shareholders may be subject to increased income taxation due to the United States and Canadian tax rules. As an example, there may be both U.S. and Canadian tax to a shareholder if dividends were paid on the Resulting Issuer Common Shares.

Risks Relating to the Offering and the Transaction

There can be no certainty that all conditions precedent to the RTO, and therefore the Offering, will be satisfied.

The completion of the RTO, and therefore the Offering, is subject to a number of conditions precedent, certain of which are outside the control of Gatorz and No Fear. There can be no certainty, nor can Gatorz and No Fear provide any assurance, that any other conditions will be satisfied or, if satisfied, when they will be satisfied. See "*Summary of the Transaction – Merger Agreement*".

The Merger Agreement may be terminated by No Fear or Gatorz on certain conditions in the event of a change having a Material Adverse Effect.

Each of No Fear and Gatorz has the right, when not in default in any material respect in the performance of its obligations under the Merger Agreement or in breach of any of its representations and warranties in the Merger Agreement, to terminate the Merger Agreement in the event of a change having a Material Adverse Effect. Although a Material Adverse Effect excludes certain events that are beyond the control of No Fear and Gatorz, as applicable, there can be no assurance that a change having a Material Adverse Effect will not occur prior to the Closing, in which case the Merger Agreement could be terminated and neither the RTO nor the Offering would proceed. See "*Summary of the Transaction – Merger Agreement*".

Existing shareholders of Gatorz will experience substantial dilution as a result of the Offering.

The RTO will involve the issuance of additional securities of Gatorz to Simo Holdings and the Offering will result in the issuance of additional Common Shares to new investors. Both transactions will result in further dilution to existing investors, which dilution will be significant, resulting in a change of control of Gatorz.

An active and liquid market for the Resulting Issuer Common Shares may not develop.

After giving effect to the completion of the RTO and Offering (assuming the maximum Offering size of C$8,000,000), Simo Holdings will own approximately 47.1% of the outstanding Resulting Issuer Common Shares and 100% of the outstanding Preferred Shares, comprising 57.0% of the outstanding voting shares of the Resulting Issuer. If less than the maximum Offering of C$8,000,000 is achieved, Simo Holdings will own a higher percentage of the outstanding voting shares. Accordingly, there may be limited trading volume for the Resulting Issuer Common Shares which could depress the market price of the Resulting Issuer Common Shares and could affect a purchaser of Offered Shares' ability to sell the Offered Shares. Additionally, the trading price of the Resulting Issuer Common Shares following the completion of the Offering may be volatile and could be subject to wide fluctuations in response to various factors, some of which will be beyond the control of the Resulting Issuer. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market volatility were to occur, the trading price of the Resulting Issuer Common Shares may be adversely affected.

Certain representations and warranties contained in the Merger Agreement will only survive the closing of the Transaction for a period of one year.

Certain of the representations and warranties of each of the parties to the Merger Agreement will only survive closing of the Transaction for a period of one year. The Resulting Issuer may have limited recourse in the event of any inaccuracy or a breach of such representation or warranty. There can be no assurance that any such inaccuracy or breach of a representation and/or warranty by any of the parties to the Merger Agreement would not have a material adverse effect on the Resulting Issuer's business, financial condition or results of operations.

LEGAL MATTERS

Certain Canadian and United States legal matters relating to the Offering will be passed upon on behalf of Gatorz by Gowling Lafleur Henderson LLP and by Hodgson Russ LLP, and on behalf of the Agent by Wildeboer Dellelce LLP.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described elsewhere in this Prospectus, including under the heading "*Relationship Between Simo Holdings and the Resulting Issuer*", neither Gatorz nor No Fear has entered into any transactions or a series of similar transactions, within the three years before the date of this Prospectus, in which any director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares or shares of common stock of No Fear, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, and that has materially affected or will materially affect Gatorz or No Fear or any of their respective subsidiaries.

RELATIONSHIP BETWEEN SIMO HOLDINGS AND THE RESULTING ISSUER

Following the completion of the RTO and the Offering (assuming the maximum Offering size of C$8,000,000), Simo Holdings will own approximately 47.1% of the outstanding Resulting Issuer Common Shares and 100% of the outstanding Preferred Shares, comprising 57.0% of the outstanding voting shares of the Resulting Issuer. If less than the maximum Offering of C$8,000,000 is achieved, Simo Holdings will own a higher percentage of the outstanding voting shares.

Purchasing

Historically, No Fear purchased all of its product from Simo Holdings, who in turn arranged for the manufacturing of proprietary branded product and purchased branded product directly from third party vendors. Simo Holdings subsequently sold all third party product to No Fear at cost and accepted all returned products. Following completion of the Transaction, the Resulting Issuer will purchase third party products directly from vendors. With respect to proprietary products, Simo Holdings received a portion of the wholesale cost depending on the product to compensate for design, purchasing, warehousing, distribution and administrative functions provided by Simo Holdings. The portion of the wholesale cost received by Simo Holdings depended on the product. Following completion of the Transaction, the Resulting Issuer will purchase all products, including proprietary products, directly from third party vendors without the involvement of Simo Holdings.

Licensing

No Fear owns the trademark for "No Fear" and has two licensing relationships with Simo Holdings. No Fear licenses, on a royalty-free basis, the "No Fear" trademark to No Fear MX, Inc., a wholly-owned subsidiary of Simo Holdings, for the development and sale of protective motocross equipment worldwide. The license is royalty-free until August 31, 2010. Commencing September 1, 2010 through August 31, 2033, the Resulting Issuer will receive a royalty of 5% on those sales. No Fear has the right to terminate the license agreement subject to a material breach by No Fear MX, Inc. No Fear believes this license agreement adds to the authenticity of the "No Fear" brand while limiting product liability exposure associated with the sale of protective equipment. No Fear also licenses the "No Fear" name for the wholesale sale of apparel and accessories in select channels to Simo Holdings. Pursuant to the license agreement between No Fear and Simo Holdings, which will continue after closing of the Transaction, No Fear receives, and the Resulting Issuer will receive, a royalty of 5% on those sales. No Fear does not license or pay any fees to Simo Holdings for intellectual property owned by Simo Holdings.

Concurrent with the closing of the Transaction, Simo Holdings will transfer all of the intellectual property it owns in the "So Cal," "No Cal" and "Fearless" trademarks to No Fear. No Fear will also enter into a license agreement with Simo Holdings pursuant to which it will grant to Simo Holdings a worldwide, royalty-bearing license to use these trademarks for the wholesale sale of apparel and accessories in select channels for a term of five (5) years. No Fear will receive a royalty of 5% on those sales. The license agreement also will (i) provide for No Fear's right to approve specific uses of the trademarks, (ii) specify the products for which the trademarks may be used, (iii) specify any exclusive rights to use the trademarks, and (iv) contain other customary terms and conditions.

Shared Services

The majority of No Fear's senior executives, as well as certain employees in accounting, legal, information technology, administrative support and human resources, are currently directly employed by Simo Holdings but perform services for both entities. Portions of the salaries of these executives and employees are paid for by No Fear in accordance with a Management Services Agreement between the two entities, based on a historical review of time dedicated to each entity. Historically, the Management Services Agreement has been renewed annually and is based on a historical review of time dedicated to each entity and the payroll of each entity.

Concurrent with the closing of the Transaction, No Fear will enter into employment agreements with each of Mark Simo, Chief Executive Officer, Michael Pratt, Chief Financial Officer and Corporate Secretary, and Eric Baker, VP of Retail Store Operations and, where appropriate, individuals in support functions including accounting and information technology. See "*Proposed Executive and Director Compensation of the Resulting Issuer*". In addition, the Management Services Agreement will be terminated.

No Fear also shares office and warehouse space with Simo Holdings and Gatorz. The 64,500 square foot facility is located in Carlsbad, California, and is leased by Simo Holdings through June 2012 with an option to extend the term through June 2017, subject to three percent annual rental increases, consistent with the existing lease. Twenty percent the rent and utilities associated with Simo Holdings' office (19,500 square feet) and warehouse (45,000 square feet) are, as outlined in the Management Services Agreement, allocated to No Fear based on the payroll of each entity. Concurrent with the closing of the Transaction, No Fear will enter into a sublease with Simo Holdings for 20% its facility in Carlsbad, California for the remainder of the term of the lease (June 2012) and any extension of the term. The sublease will provide for the payment by the Resulting Issuer to Simo Holdings of base rent of $14,370 per month (increased by three percent annually) plus 20% of operating expenses ($2,472 per month through June 30, 2010).

EXPERTS

None of Gowling Lafleur Henderson LLP, Fasken Martineau DuMoulin LLP or Wildeboer Dellelce LLP has received or will receive a direct or indirect interest in the property of Gatorz or of any of its associates or affiliates. At the date hereof, the partners and associates of Gowling Lafleur Henderson LLP, Fasken Martineau DuMoulin LLP and Wildeboer Dellelce LLP, as a group, beneficially own, directly or indirectly, less than 1% respectively, of the securities of Gatorz, No Fear or of any of their respective associates or affiliates. In addition, none of the aforementioned persons or companies, nor any partner, associate, director, officer or employee of any of the aforementioned persons or companies is, or is expected to be, elected, appointed or employed as a director, officer or employee of Gatorz or of any of its associates or affiliates.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Meyers Norris Penny LLP at its principal offices at 1100-2 Bloor St. East, Toronto, Ontario, M4W 1A8 are the independent auditors of Gatorz.

McGladrey & Pullen, LLP at its principal offices at 1455 Frazee Rd., Suite 600, San Diego, CA 92108-4307 are the independent auditors of No Fear.

The transfer agent and registrar for the Common Shares is Equity Transfer & Trust Company at its principal offices located at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the material contracts of the Resulting Issuer other than contracts entered into in the ordinary course of business together with and material contracts in the ordinary course of business required to be listed, that Gatorz, No Fear and the Resulting Issuer have entered into since January 1, 2008 or prior thereto but still in effect, or will be entering into prior to the closing of this Offering:

- the Agency Agreement referred to under "*Plan of Distribution*";
- the Share Exchange Agreement referred to under "*Summary of the Transaction*";
- the Shared Services Agreement referred to under "*Summary of the Transaction*";
- the Merger Agreement referred to under "*Summary of the Transaction*";
- the escrow agreement to be entered into among the Resulting Issuer, Simo Holdings and the Transfer Agent referred to under "*Escrowed Securities*"; and

- the agreement to be entered into by Simo Holdings regarding restrictions on transfer of the Merger Preferred Shares referred to under "*Summary of the Transaction – Merger Agreement*".

Copies of these contracts (if applicable, when executed) may be inspected in Canada at Gowling Lafleur Henderson LLP at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5, or at the offices of Fasken Martineau DuMoulin LLP at 333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6, during normal business hours during the period of distribution of the Offered Shares offered hereunder, or at any time on the System for Electronic Data Analysis and Retrieval website at www.sedar.com.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set out below, there are no legal proceedings material to Gatorz or No Fear or any of their subsidiaries or to which Gatorz or No Fear or any of their subsidiaries is a party, or of which any of Gatorz' or No Fear's respective property is the subject matter, nor are any such proceedings known to Gatorz or No Fear to be contemplated. There have been no penalties or sanctions imposed against Gatorz or No Fear or any of Gatorz' or No Fear's subsidiaries by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately prior to the date of this Prospectus, or any other penalties or sanctions imposed by a court or regulatory body that would be necessary to disclose for this Prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed. Neither Gatorz nor No Fear nor any of their subsidiaries have entered into any settlement agreements with any court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately prior to the date of this Prospectus.

No Fear is subject to various legal proceedings and claims which arise in the ordinary course of its business. No Fear is a defendant in two lawsuits brought by former landlords resulting from No Fear's closure of two non-performing stores. One of these lawsuits has been settled, pending finalization and execution of a settlement agreement. Management does not believe the ultimate resolution of either of these matters will have a material adverse effect on its financial condition or on No Fear's operations.

No Fear is currently a defendant in a lawsuit commenced on June 7, 2010 by FMF Racing and Don Emler, its president and principal shareholder, against Simo Holdings and No Fear in the Superior Court for San Diego County, California. The suit seeks repayment of loans made to Simo Holdings by Mr. Emler and FMF Racing in the aggregate amount of approximately $2,300,000 and a claim for the principal balance of a loan in the amount of $500,000 due September 1, 2010. The suit also seeks certain other relief, including a request for a declaration of liability on the loans, an order to account to plaintiff for all of the assets which Simo Holdings had transferred to No Fear, and exemplary damages. Simo Holdings is actively negotiating with Mr. Emler and FMF Racing toward a settlement of the lawsuit. No Fear believes the claims asserted against No Fear in the lawsuit are without merit and will defend itself vigorously in the lawsuit. Simo Holdings has retained counsel to represent it and No Fear in the lawsuit, and has agreed to pay for No Fear's defense. Simo Holdings has also indemnified No Fear against liability for damages arising out of the lawsuit, subject to customary conditions. While a verbal settlement agreement has been reached and is in the process of being documented, there can be no assurance that Simo Holdings will be successful in executing a settlement agreement or, if the lawsuit proceeds to judgment, that No Fear will be successful in avoiding liability or that, even having agreed to indemnify No Fear, Simo Holdings will be able to fully satisfy any judgment rendered against No Fear. Accordingly, No Fear could be held responsible for repayment of all or some of the loans at issue, creating significant additional liabilities for No Fear and the Resulting Issuer. In addition, certain of the other relief sought by the plaintiff, if obtained, could materially adversely impact the ability of Simo Holdings or No Fear to complete the RTO or to conduct its business. See *"Risk Factors – Risks Related to the Business*".

RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies of rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

GATORZ INC. AUDITOR'S CONSENT

We have read the prospectus of Gatorz Inc. (the "Company") dated November 1, 2010 relating to the issue and sale of up to 10,000,000 common shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our reports dated March 10, 2010 and March 20, 2009 to the shareholders of the Company on the following consolidated financial statements:

- Balance sheets as at December 31, 2009 and December 31, 2008; and,
- Statements of loss, comprehensive loss and deficit, and cash flows for each of the years in the three year period ended December 31, 2009.

Toronto, Ontario
November 1, 2010

(signed) Meyers Norris Penny LLP
Chartered Accountants
Licensed Public Accountants

NO FEAR RETAIL STORES, INC. AUDITOR'S CONSENT

We have read the prospectus of Gatorz Inc. ("Gatorz") dated November 1, 2010 relating to the issue and sale of up to 10,000,000 common shares of Gatorz. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above-mentioned prospectus of our report to the directors of No Fear Retail Stores, Inc. ("No Fear") of the balance sheets of No Fear as at August 31, 2009 and 2008 and the related Statements of Operations, Stockholder's Equity and Cash Flows for each of the three years in the period ended August 31, 2009. Our report is dated February 9, 2010, except for Notes 1, 5, 11, 12 and 13, as to which the date is July 30, 2010.

San Diego, California
November 1, 2010

(signed) McGladrey & Pullen, LLP
Independent Registered Public
Accounting Firm

INDEX TO FINANCIAL STATEMENTS

APPENDIX B1

GATORZ INC.

(Expressed in U.S. Dollars)

Interim Consolidated Financial Statements

June 30, 2010

(Unaudited)

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Gatorz Inc.
(Expressed in U.S. Dollars)

Interim Consolidated Statement of Loss and Deficit
For the three month and six month periods ended June 30

	For the three months ended 2010	2009	For the six months ended 2010	2009
Revenue	**569,074**	507,978	**912,820**	841,673
Cost of sales	**275,438**	248,156	**431,377**	413,142
GROSS PROFIT	**293,636**	259,822	**481,443**	428,531
EXPENSES				
Salaries and wages	**144,407**	168,559	**268,121**	297,982
Advertising and promotion	**14,534**	77,106	**36,271**	115,086
General and office	**33,990**	43,017	**59,769**	83,600
Professional fees	**32,588**	17,793	**48,256**	50,293
Occupancy costs	**4,501**	16,511	**9,000**	33,234
Foreign exchange loss	**1,732**	3,830	**1,089**	11,059
Bad debts	**10,000**	1,151	**10,000**	1,401
Shipping and warehousing	**2,676**	8,186	**6,060**	14,001
	244,428	336,153	**438,566**	606,656
INCOME (LOSS) FROM OPERATIONS	**49,208**	(76,331)	**42,877**	(178,125)
OTHER EXPENSES				
Interest expense	**27,991**	25,576	**57,772**	49,127
Amortization of capital assets	**-**	3,285	**1,791**	6,570
Amortization of intangible assets	**5,422**	5,422	**10,844**	10,844
	33,413	34,283	**70,407**	66,541
NET INCOME (LOSS)	**15,795**	(110,614)	**(27,530)**	(244,666)
Deficit – Start of Period	**(5,132,331)**	(4,458,135)	**(5,072,144)**	(4,310,354)
Interest on convertible debenture	**(15,315)**	(16,049)	**(32,177)**	(29,778)
Deficit – End of Period	**(5,131,851)**	(4,584,798)	**(5,131,851)**	(4,584,798)
LOSS PER SHARE				
- **Basic**	**Nil**	($0.003)	**Nil**	($0.007)
- **Fully Diluted**	**Nil**	($0.003)	**Nil**	($0.007)
Weighted Average Number of Shares			40,903,646	35,143,889

See accompanying notes to the financial statements

GATORZ INC.
(Expressed in U.S. Dollars)

Consolidated Balance Sheet

	June 30, 2010 *(Unaudited)*	December 31, 2009
ASSETS		
CURRENT		
Cash and cash equivalents	**196,796**	210,338
Accounts receivable	**380,626**	271,757
Inventory	**262,676**	268,855
Deferred transaction costs	**226,885**	-
Prepaid expenses and sundry	**23,780**	28,171
	1,090,763	779,121
Capital assets (Note 4)	**-**	1,792
Intangible assets (Note 5)	**47,244**	58,087
Investment in No Fear Retail (Note 9)	**732,000**	-
TOTAL ASSETS	**1,870,007**	839,000
LIABILITIES		
CURRENT		
Lines of credit (Note 6)	**99,860**	97,029
Accounts payable and accrued liabilities	**1,326,812**	968,138
Current portion of long-term debt (Note 8)	**694,588**	697,379
	2,121,260	1,762,546
LONG_TERM DEBT (Note 8)	-	**-**
	2,121,260	1,762,546
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**4,206,197**	3,474,197
Convertible debenture	**495,843**	495,843
Contributed surplus	**178,558**	178,558
Deficit	**(5,131,851)**	(5,072,144)
	(251,253)	(923,546)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,870,007**	839,000

Approved on behalf of the Board of Directors:

(signed) *"Scott Samuel"*
Scott Samuel: Director, Chairman of the Board of Directors

(signed) *"Mark Alden"*
Mark Alden: Director, Chairman of the Audit Committee

Gatorz Inc.
(Expressed in U.S. Dollars)

Interim Consolidated Statement of Cash Flows
For the three month and six month periods ended June 30

	For the three months ended		For the six months ended	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (loss) from operations	**15,795**	(110,614)	**(27,530)**	(244,666)
Items not affecting cash:				
Amortization of capital assets	**-**	3,285	**1,792**	6,570
Amortization of intangible assets	**5,422**	5,422	**10,844**	10,844
	21,217	(101,907)	**(14,894)**	(227,252)
Changes in non-cash operating assets and liabilities:				
Accounts receivable	**(102,035)**	(7,686)	**(108,869)**	724
Inventory	**38,712**	35,891	**6,176**	106,662
Deferred transaction costs	**(169,289)**	-	**(226,885)**	-
Prepaid expenses	**(5,271)**	(9,176)	**4,391**	(12,557)
Accounts payable	**247,338**	144,542	**358,675**	184,651
	9,455	163,571	**33,488**	279,480
Cash flow from operating activities	**30,672**	61,664	**18,594**	52,228
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	**(1,406)**	(1,318)	**(2,790)**	(10,429)
Interest paid on convertible debenture	**(15,316)**	(16,049)	**(32,177)**	(29,778)
Repayment (increase) of line of credit	**55**	(535)	**2,831**	672
Cash flow from financing activities	**(16,667)**	(17,902)	**(32,136)**	(39,535)
Increase (decrease) in cash	**14,005**	43,762	**(13,542)**	12,693
Cash, beginning of period	**182,791**	82,497	**210,338**	113,566
Cash, at end of period	**196,796**	126,259	**196,796**	126,259

During the first quarter the Corporation issued 7,500,000 common shares to Simo Holdings Inc. in exchange for 900,000 common shares of No Fear Retail owned by Simo Holdings. This non-monetary transaction had no commercial substance and as required by GAAP under section 3831.06 was recorded at the carrying value of the Gatorz Inc shares ($0.0976).

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of the Business

Gatorz Inc. was incorporated under the *Canada Business Corporations Act* on September 1, 2005. On January 23, 2007, the Corporation completed the acquisition of Reno Wilson Inc. (doing business as Gatorz Eyewear) that constituted the Corporation's Qualifying Transaction. On July 11, 2007, the Corporation changed its name to Gatorz Inc. and its trading symbol on the TSX Venture Exchange to "GTZ".

Currency Presentation

All amounts in these consolidated financial statements are in United States Dollars unless otherwise stated.

2. GOING CONCERN

These financial statements have been prepared on a going-concern basis that contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

As of June 30, 2010, the Corporation had an accumulated deficit of $5,131,851 (December 31, 2009 - $5,072,144) and a working capital deficiency of $1,030,497 (December 31, 2009 - $923,546).

The Corporation's ability to continue as a going concern is dependent upon its ability to achieve profitable operation and generate funds and/or on borrowing from third parties or shareholders, sufficient to meet current and future obligations or completion of the business combination with No Fear (Note 13).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited interim consolidated financial statements, which have been prepared in accordance with Canadian generally, accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, all adjustments (consisting of normal or recurring accruals) considered necessary for fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

These interim consolidated financial statements follow the same accounting policies as the annual financial statements of the Company. Accordingly, these interim consolidated financial statements should be read in conjunction with the Corporation's year end audited financial statements and notes thereto.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred transaction costs

These costs relate directly to the proposed transaction with No Fear Retail by the corporation and include legal and accounting fees. Upon completion of a transaction, the deferred transaction costs incurred will be charged against retained earnings.

Financial instruments

The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments outstanding at June 30, 2010:

Cash	Held for trading
Investment in No Fear Retail	Available for sale
Accounts receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long term debt	Other financial liabilities

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	Carrying value	Fair value
Held for trading	$ 196,796	$196,796
Loans and receivables	$ 380,626	$380,626
Available for sale	$ 732,000	$732,000
Other financial liabilities	$ 2,121,260	$2,121,260

The Corporation initially measures all its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

(a) Held for trading financial assets are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net income. Interest and dividends earned from held-for-trading assets are also included in income for the period.
(b) Available for sale financial assets are measured at fair value at the balance sheet date with any unrealized gain or loss recorded as other comprehensive income under shareholder's equity and realized gain or loss recognized immediately in net income. Investments in equity instruments that do not have a quoted market price in an active market whose fair value cannot be reliably measured are measured at cost. Accordingly, the subsequent measurement of the Investment in No Fear Retail is at cost.
(c) Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in net income.
(d) Other financial liabilities are measured at amortized cost using the effective interest method.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value June 30	Net Book Value December 31
Equipment	**39,472**	**39,472**	**-**	1,792

5. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net Book Value June 30	Net Book Value December 31
Patents and trademarks-cost	**75,311**	**36,399**	**38,912**	41,421
Tooling design	**50,000**	**41,668**	**8,332**	16,666
	125,311	**78,067**	**47,244**	58,087

6. LINES OF CREDIT

The Corporation has a $100,000 revolving line of credit of which $99,860 (December 31, 2009-$97,029) was utilized as at June 30, 2010. Bank advances on the credit line are payable on demand and bear interest at 3.5% over the U.S. reference rate.

7. COMMITTMENTS

The Corporation has a commitment to pay $14,400 per annum in 2010 for rental of its office space that is located in No Fear's premises.

8. LONG-TERM DEBT

	June 30 2010	December 31 2009
Third party loan bearing interest at 9.65% per annum, repayable in monthly blended payments of $2,085. The loan matures on July 10, 2010 and is secured by personal guarantees of certain shareholders, along with a collateral lien on all real and personal property. The lender has verbally agreed to extend the loan past maturity. Documentation is being put in place.	**299,270**	302,061
Third party loan, unsecured, bearing interest at 12% per annum, payable on demand	**75,000**	75,000
Loan from a shareholder, bearing interest at 10% per annum paid monthly together with a principal repayable of $7,813 starting June 17, 2008. The loan matures on March 17, 2011 and is secured with a collateral lien on all real and personal property. The Corporation ceased principal payments in January 2009. Although the loan is in default, the Corporation is operating under an informal forbearance agreement.	**320,318**	320,318
	694,588	697,379
Amounts payable within the next fiscal period	**694,588**	(697,379)
Long Term Debt	**-**	-

9. SHARE CAPITAL

The Corporation's share capital consisted of the following:

Authorized:
Unlimited number of Common Shares

Issued and outstanding:

	Number of shares	Amount
Balance at December 31, 2008	35,525,000	1,779,321
Private Placement	1,930,880	431,000
Share issuance costs	-	(18,766)
Convertible shareholder loan	2,298,352	839,581
Balance December 31, 2009	39,754,232	$3,474,197
Issuance of common shares to Simo Holdings pursuant to share exchange agreement	7,500,000	732,000
Balance June 30, 2010	47,254,232	$4,206,197

On October 6, 2009, the Corporation completed a non-brokered private placement for gross proceeds of $431,000 or CDN$482,720. As a result the Corporation issued 1,930,880 Common shares at a price of CDN$0.25 per share. Share issuance costs related to the private placement including legal costs were $18,766 in cash fees paid.

On November 16, 2009, the Corporation converted the outstanding shareholder convertible loans into Common shares. The conversion of the outstanding shareholder loans in the amount of $839,581 or CDN$919,341 at CDN$0.40 per share resulted in the issuance of an aggregate total of 2,298,352 Common shares.

The No Fear Transaction contemplates a two stage business combination which, in the first stage of the transaction, called for the parties to enter into agreements for the reciprocal exchange of stock and for the sharing of certain facilities and operations.

On August 25, 2009, Gatorz and No Fear entered into an Amended and Restated Share Exchange Agreement, (the "Exchange Agreement"), which was completed and shares were issued on February 28, 2010. Pursuant to the agreement the Company acquired 2.25% (900,000) of the issued and outstanding common shares of No Fear and Simo Holdings, Inc., the parent company of No Fear, acquired 15.9% (7,500,000) of the issued and outstanding common shares of Gatorz. The management has determined the fair value of these shares to be $732,000.

Escrowed Shares

As of June 30, 2010, Nil (December 31, 2009 – 3,170,520) common shares were held in escrow and were released as follows:

	Number
Common shares in Escrow December 31, 2009	3,170,520
January 25, 2010	(3,170,520)
Common shares in Escrow at June 30, 2010	-

9. SHARE CAPITAL (CONTINUED)

Stock Options

The Corporation has established a stock option plan for directors, officers, employees and technical consultants. Options to purchase common shares have been granted at exercise prices determined by reference to the market value on the date of grant.

A summary of the Corporation's outstanding stock options as at June 30, 2010 and December 31, 2009 is as follows:

	June 30, 2010		December 31, 2009	
	Number of Options	Weighted Average Exercise price	Number of Options	Weighted Average Exercise price
Outstanding, January 1	1,371,875	$0.35	1,388,125	$0.35
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	(16,250)	0.25
	1,371,875	0.35	1,371,875	0.35

As at June 30, 2010 and December 31, 2009, the Corporation had 446,875 fully vested options outstanding and exercisable with an exercise price of CDN$0.25 per share and expiry date of June 26, 2011. The Corporation also had 925,000 options outstanding with an exercise price of CDN$0.40 per shares and expiry date of January 23, 2012.

The impact of stock options, warrants and convertible debentures is anti-dilutive as the Corporation incurred losses.

10. FINANCIAL INSTRUMENTS

Fair Value

The Corporation's carrying value of cash and cash equivalents, accounts receivable, lines of credit, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long-term debt approximates the fair value due to the short term maturity and because the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms. The fair value of loan amounts from related parties cannot be reliably measured since there is no quoted price for such instruments.

The investment in No Fear Retail was initially recognized at fair value as determined by management. The subsequent measurement is recorded at cost as there is no active market for these shares.

10. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Corporation has a bank line of credit, which incurs interest at reference rate plus 3.5% and long-term debt, which incurs interest at fixed rates. The Corporation is therefore exposed to interest rate risk through fluctuations in the prime-lending rate. The Corporation does not feel that these risks are significant and has never used derivative instruments to reduce exposure to interest rate risk.

Based on the amount outstanding on the lines of credit at June 30, 2010, and assuming that all variables remain constant, a 1% change in the reference interest rate would result in an increase/decrease of approximately $1,000 in the interest paid by the Corporation per annum.

Credit Risk

The Corporation is exposed to credit risk from customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As at June 30, 2010 two customers represented 64% (December 31, 2009 – 65%) of the total accounts receivable.

Currency risk

The Corporation raises equity in Canadian dollars and its reporting and functional currency is US dollars. The Corporation is exposed to foreign exchange risk relating to certain transactions entered into in foreign currencies. Funds transferred from the Corporation to its legal subsidiary are subject to foreign exchange risk. Derivatives are not used to manage foreign exchange risk.

The Corporation had the following financial instruments denominated in Canadian dollars at the balance sheet dates:

(CAD$)	**June 30, 2010**	**December 31, 2009**
Cash/(bank indebtedness)	4,101	(24,755)
Accounts receivable	13,668	6,075
Accounts payable	295,621	106,589

For the three-month and six month periods ended June 30, 2010, a 5% decrease in the U.S. dollar relative to the Canadian dollar would not result in a material decrease (twelve month period ended December 31, 2009- $6,273) in the Corporation's net earnings.

12. TRANSACTIONS WITH RELATED PARTIES

During the three-month period ended June 30, 2010 and 2009, the Corporation recorded wages and salaries of $24,375 ($48,750 for the six-month period), $12,500 ($25,000 for six-month period) and $12,000 ($24,000 for six-month period) for each of the Chief Executive Officer, President, and Chief Financial Officer who are also shareholders of the Corporation.

On November 16, 2009, the Corporation converted the mandatory shareholder convertible loan of $839,581 which was owed to three shareholders of the Corporation, to common shares of the Corporation at CDN$0.40 per share and issued 2,298,352 common shares.

During the three-month and six-month periods ending the Corporation sold $119,650 and $147,700 respectively in product to No Fear retail stores. For the same periods the Corporation also paid No Fear Retail $4,200 and $8,400 respectively for rent and telephone costs.

13. SUBSEQUENT EVENTS

On April 26, 2010, Gatorz Inc. ("Gatorz") and Simo Holdings Inc. ("Simo Holdings") announced the signing of an agreement and plan of merger and reorganization (the "Merger Agreement"). The transactions contemplated by the Merger Agreement constitute the second stage of a transaction, the terms of which were originally announced by Gatorz on July 31, 2009 and set out in a binding term sheet executed on July 20, 2009. Simo Holdings currently beneficially owns 7,500,000 common shares of Gatorz, representing approximately 15.9% of the outstanding common shares of Gatorz as at June 30, 2010. Pursuant to the terms of the amended Merger Agreement as at July 29, 2010, among other things: (i) Simo Holdings will sell to Gatorz all of the shares of common stock it owns in No Fear Retail Stores, Inc. ("No Fear"), a subsidiary of Simo Holdings, in exchange for 99,075,000 common shares of Gatorz and 52,441,932 preference shares of Gatorz; and (ii) NF Acquisition Corporation, a wholly-owned subsidiary of Gatorz, will merge with and into No Fear. NF Acquisition Corp was incorporated on April 16, 2010 in the State of California to facilitate this transaction.

On July 30, 2010, the Corporation filed a preliminary prospectus in connection with the proposed marketed offering of common shares. The Corporation has engaged Octagon Capital Corporation to act as lead agent on the Offering. The price per share and the number of shares to be sold under the Offering will be determined in the context of market conditions.

GATORZ INC.

(Expressed in U.S. Dollars)

Consolidated Financial Statements

December 31, 2009

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Gatorz Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

"Kerry Lynch"	*"Patrick Westfall"*
Chief Executive Officer	Chief Financial Officer

MEYERS NORRIS PENNY LLP

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Gatorz Inc.

We have audited the consolidated balance sheets of Gatorz Inc. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Toronto, Ontario
March 10, 2010

Chartered Accountants
Licensed Public Accountants

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
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Gatorz Inc.
(Expressed in U.S. Dollars)

Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the year ended December 31

	2009	2008
Revenue	**1,666,138**	1,987,752
Cost of sales	**969,282**	1,216,671
GROSS PROFIT	**696,856**	771,081
EXPENSES		
Salaries and wages	**567,107**	684,761
Advertising and promotion	**244,819**	355,400
General and office	**158,576**	271,467
Professional fees	**98,688**	112,799
Occupancy costs	**66,256**	63,252
Directors fees	**37,000**	29,000
Bad debts	**29,369**	73,786
Shipping and warehousing	**21,041**	25,886
	1,222,856	1,616,351
LOSS FROM OPERATIONS	**(526,000)**	(845,270)
OTHER EXPENSES		
Short term interest and bank charges	**(97,582)**	(26,773)
Foreign exchange loss	**(24,383)**	(13,015)
Write off of leasehold improvements	**(11,344)**	**-**
Interest on long term debt	**-**	(49,115)
Amortization of capital assets	**(13,140)**	(18,152)
Amortization of intangible assets	**(21,688)**	(16,667)
	(168,137)	(123,722)
NET LOSS AND COMPREHENSIVE LOSS	**(694,137)**	(968,992)
Deficit – Start of Period	**(4,310,354)**	(3,284,804)
Interest on convertible debenture	**(67,653)**	(56,558)
Deficit – End of Period	**(5,072,144)**	(4,310,354)
LOSS PER SHARE		
- **Basic & Fully diluted**	**($0.02)**	($0.03)
Weighted Average Number of Shares	**36,268,196**	32,719,246

See accompanying notes to the financial statements

Gatorz Inc.
(Expressed in U.S. Dollars)

Consolidated Balance Sheets
At December 31

	2009	**2008**
ASSETS		
CURRENT		
Cash and cash equivalents	**210,338**	113,566
Accounts receivable	**271,757**	236,376
Inventory	**268,855**	532,000
Prepaid expenses and sundry	**28,171**	50,996
	779,121	932,938
CAPITAL ASSETS (Note 4)	**1,792**	26,278
INTANGIBLE ASSETS (Note 5)	**58,087**	79,775
TOTAL ASSETS	**839,000**	1,038,991
LIABILITIES		
CURRENT		
Lines of credit (Note 6)	**97,029**	98,917
Accounts payable and accrued liabilities	**968,138**	803,556
Current portion of long-term debt (Note 9)	**697,379**	174,067
	1,762,546	1,076,540
LONG-TERM DEBT (Note 9)	**-**	536,441
	1,762,546	1,612,981
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 10)	**3,474,197**	2,222,382
Convertible debenture (Note 12)	**495,843**	495,843
Convertible shareholder loans (Note 7)	**-**	839,581
Warrants (Note 10)	-	36,500
Contributed surplus (Note 11)	**178,558**	142,058
Deficit	**(5,072,144)**	(4,310,354)
	(923,546)	(573,990)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**839,000**	1,038,991

Going concern (Note 2)
Commitments (Note 8)
Subsequent event (Note 18)

Approved on behalf of the Board of Directors:

(signed) *"Scott Samuel"*
Scott Samuel: Director, Chairman of the Board of Directors

(signed) *"Mark Alden"*
Mark Alden: Director, Chairman of the Audit Committee

See accompanying notes to the financial statements

Gatorz Inc.
(Expressed in U.S. Dollars)

Consolidated Statements of Cash Flows
For the year ended December 31

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from operations	**(694,137)**	(968,992)
Items not affecting cash:		
Write off of capital assets	**11,344**	-
Amortization of capital assets	**13,140**	18,152
Amortization of intangible assets	**21,688**	16,667
	(647,965)	(934,173)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	**(35,381)**	17,781
Inventory	**263,145**	58,691
Prepaid expenses	**22,825**	20,412
Accounts payable and accrued liabilities	**164,584**	42,584
	415,173	139,468
Net cash used in operating activities	**(232,792)**	(794,705)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	-	(50,000)
Purchase of capital assets	-	(5,443)
Cash used in investing activities	-	(55,443)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	**(13,129)**	(59,706)
Advances of long-term debt	**-**	375,000
Interest paid on convertible debenture	**(67,653)**	(56,558)
Proceeds from private placement	**431,000**	490,000
Fees for private placement	**(18,766)**	(10,440)
Increase in lines of credit	**(1,888)**	(72)
Cash provided by financing activities	**329,564**	738,224
Net increase (decrease) in cash	**96,772**	(111,924)
Cash, beginning of period	**113,566**	225,490
Cash, end of period	**210,338**	113,566
Interest paid	97,500	69,092
Income tax paid	-	-

See accompanying notes to the financial statements

Significant non-cash transactions are disclosed in Notes 7 and 10 to these financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of the Business

Gatorz Inc. ("Corporation") was incorporated under the *Canada Business Corporations Act* on September 1, 2005. On January 23, 2007, the Corporation completed the acquisition of Reno Wilson Inc. (doing business as Gatorz Eyewear) that constituted the Corporation's Qualifying Transaction. On July 11, 2007, the Corporation changed its name to Gatorz Inc. and its trading symbol on the TSX Venture Exchange to "GTZ".

Currency Presentation

All amounts in these consolidated financial statements are in United States Dollars unless otherwise stated.

2. GOING CONCERN

These financial statements have been prepared on a going-concern basis that contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

For the year ended December 31, 2009, the Corporation had losses of $694,137 (2008 - $968,992), working capital deficiency of $923,546 (2008 - $498,990) and an accumulated deficit of $5,072,144 (2008 - $4,310,354).

The Corporation's ability to continue as a going concern is dependent upon its ability to achieve profitable operation and generate funds and/or on borrowing from third parties or shareholders, sufficient to meet current and future obligations or completion of the business combination with No Fear (Note 18).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of presentation</u>

These financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles, reflect the accounting policies set out below.

<u>Basis of consolidation</u>

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Reno Wilson Inc.

All significant inter-company accounts have been eliminated on consolidation.

<u>Segmented Information</u>

The Corporation presently manages its activities in one reportable segment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets and intangible assets, allowances for doubtful accounts and obsolete inventory, and stock based compensation. Option pricing models require the input of highly speculative assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. Actual results could differ from these estimates.

Accounts Receivable

The Corporation carries its accounts receivable at net realizable value. If a customer's ability to pay has been determined to be an issue, then the Corporation will provide an allowance for the amount that is estimated to be uncollectible.

Inventory

Inventory consists of finished goods and are valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Cost includes all costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less selling costs. The total expense recognized during the period resulting from the write down of inventory to net realizeable value was $127,300 (2008 - $129,300).

Prepaid expenses

Prepaid expenses are comprised of deposits on inventory purchases, advertisements and insurance.

Intangible assets

The patents related to sunglasses are being amortized on a straight-line basis over their estimated useful lives of fifteen years. Tooling designs for the production of sunglass frames are being amortized on a straight-line basis over their estimated useful lives of three years.

Intangibles are reviewed for impairment to recognize the concurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	5 years	Straight-line method
Leasehold improvements	5 years	Straight-line method

The Corporation annually reviews its capital assets to recognize impairments. For assets acquired or brought into use during the year, amortization is calculated from the month following that which additions come into operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Sales are recognized when the products are shipped, at which time title passes to the customer.

Stock-based compensation

Stock options issued by the Corporation are accounted for in accordance with the fair value based method of accounting. The fair value of options issued to directors, officers, employees and technical consultants to the Corporation is charged to earnings with an offsetting amount recorded to share capital. The fair value of warrants issued to agents in conjunction with convertible debenture offering is charged to contributed surplus with an offsetting amount recorded to share capital. Fair value is measured using the Black Scholes option pricing model.

Interest on convertible debenture

The convertible debenture requires the mandatory conversion into equity and as such is categorized as shareholders equity. The interest paid on the debenture is accounted for as a distribution and is shown as an increase in the shareholder deficit.

Foreign currency translation

Accounts in foreign currencies have been translated into United States dollars using the temporal method. Under this method monetary assets and liabilities have been translated at the period end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the period, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Loss per share

Loss per Common share is calculated using the weighted-average number of Common shares issued and outstanding during each year. Basic and fully diluted loss per share, are the same, as the effect of potential issues of shares under stock option arrangements would be anti-dilutive. For the year ended December 31, 2009, there is no difference between net loss and comprehensive loss.

Future income taxes

The liability method is used in accounting for future income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Corporation does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive loss

Comprehensive loss includes all changes in equity of the Corporation, except those resulting from investments by owners and distributions to owners. Comprehensive loss is the total of net loss and other comprehensive loss. Other comprehensive loss comprises expenses and losses that, in accordance with Canadian generally accepted accounting principles, require recognition, but are excluded from net loss. The Corporation does not have any items giving rise to other comprehensive loss, nor is there any accumulated balance of other comprehensive loss. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net loss for the period.

Financial instruments

The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments outstanding at December 31, 2009 and 2008:

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Lines of credit	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long term debt	Other financial liabilities

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	Carrying value	Fair value
Held-for-trading	$ 210,338	$ 210,338
Loans and receivables	$ 271,757	$ 271,757
Other financial liabilities	$ 1,762,546	$ 1,762,546

The Corporation initially measures all its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

(a) Held for trading financial assets are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net income. Interest and dividends earned from held-for-trading assets are also included in income for the period.

(b) Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in net income.

(c) Other financial liabilities are measured at amortized cost using the effective interest method.

The Corporation is required to present information about its financial assets and liabilities with respect to the hierarchy of the valuation techniques the Corporation utilized to determine the fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At December 31, 2009, the Corporation's financial assets and liabilities would be classified as follows:

	December 31, 2009	Significant Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	**210,338**	210,338	-	-
Accounts receivable	**271,757**	-	-	271,757
	482,095	210,338	-	271,757
Liabilities:				
Lines of credit	**97,029**	97,029	-	-
Accounts payable and accrued liabilities	**968,138**	-	-	968,138
	1,065,167	97,029	-	968,138

Current accounting changes

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants issued CICA 3064 Goodwill and intangible assets to replace existing CICA 3062 Goodwill and other intangible assets and CICA 3450 Research and development costs.

The objectives of these amendments are to reinforce a principle-based approach to the recognition of costs as assets in accordance with the definition of an asset and the recognition criteria in CICA 1000, as well as to clarify the application of the concept of matching revenues and expenses to eliminate the current practice of recognizing as assets items that do not meet the definition and recognition criteria. The changes incorporate guidance on the definition of intangible assets and recognition of internally developed intangibles from current International Financial Reporting Standard IAS 38 Intangible assets and the withdrawn CICA 3450.

The adoption of these changes did not have a material impact on the Corporation's consolidated financial statements.

Fair value measurements

In June 2009, the Canadian Institute of Chartered Accountants amended Section 3862 *Financial Instruments – Disclosures* to include enhanced disclosures relating to fair value measurements. The amendment establishes new requirements for disclosing fair value measurements recognized in the balance sheet using a three-tier fair value hierarchy based on the lowest level input that is significant to that fair value measurement.

This amendment is effective for annual financial statements relating to fiscal years ending after September 30, 2009. The adoption of these changes did not have a material impact on the Corporation's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liquidity risk

In June 2009, the Canadian Institute of Chartered Accountants amended Section 3862 Financial Instruments – Disclosures to include enhanced disclosures relating to liquidity risk in response to current market conditions. The amendment establishes new requirements for disclosing maturity analysis for derivative and non-derivative financial liabilities based on how the Corporation manages its liquidity risk.

This amendment is effective for annual financial statements relating to fiscal years ending after September 30, 2009. The adoption of these changes did not have a material impact on the Corporation's consolidated financial statements.

Future accounting changes

Business combinations

CICA Handbook Section 1582 *Business Combinations* replaces corresponding Section 1581 and establishes new standards for the accounting for business combinations. The new standard requires that the acquisition method (formerly, the purchase method) continue to be applied to business combinations, the acquirer recognize and measure the acquiree as a whole, and the assets and liabilities assumed be recognized and measured at their fair values as of the acquisition date.

This standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Consolidated Financial Statements

CICA Handbook Section 1601 *Consolidated Financial Statements*, together with Section 1602 *Non-Controlling Interests,* replaces Section 1600 *Consolidated Financial Statements.* Section 1601 establishes standards on the preparation of consolidated financial statements while Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

These standards should be applied to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises, such as investment funds and other reporting issuers. From that date forward, the financial statements, including comparative information, will be reported in accordance with IFRS. The Canadian Securities Administrator (the "CSA") issued CSA Staff Notice 52-320, which requires management to provide progress updates on the entity's IFRS changeover plan at each interim and annual reporting period up until the changeover date.

The Corporation is developing a changeover plan to adopt IFRS on January 1, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Harmonizing of Canadian and International Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for the publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended November 30, 2011. While the Corporation has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Equipment	**39,472**	**37,680**	**1,792**	9,683
Leasehold improvements	-	-	-	16,596
	39,472	**37,680**	**1,792**	26,278

5. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Patents and trademarks-cost	**75,311**	**33,889**	**41,421**	46,442
Tooling design	**50,000**	**33,334**	**16,666**	33,333
	125,311	**67,224**	**58,087**	79,775

6. LINES OF CREDIT

The Corporation has a $100,000 revolving line of credit of which $97,029 (December 31, 2008 - $98,917) was utilized as at December 31, 2009. Bank advances on the credit line are payable on demand and bear interest at 3.5% over the U.S. reference rate.

7. CONVERTIBLE SHAREHOLDER LOANS

The amounts due to former shareholders of the legal subsidiary are non-interest bearing, have no set repayment terms, are unsecured, rank ahead of common shares prior to conversion, and require mandatory conversion to common shares of the Corporation at the current market price but not less than CDN$0.40 at the time the Corporation elects to effect the mandatory conversion, in equity, not cash, at any time prior to December 31, 2010. The Corporation has elected to convert the shareholder loans to equity at CDN$0.40 per common share. The conversion resulted in the issuance of 2,298,352 Common shares.

8. COMMITMENTS

The Corporation has a commitment to pay $14,400 in 2010 for rental of its office space.

9. LONG-TERM DEBT

	2009	2008
Third party loan bearing interest at 9.65% per annum, repayable in monthly blended payments of $2,085. The loan matures on July 10, 2010 and is secured by personal guarantees of certain shareholders, along with a collateral lien on all real and personal property.	**302,061**	307,378
Third party loan, unsecured, bearing interest at 12% per annum, repayable on demand.	**75,000**	75,000
Loan from a shareholder, bearing interest at 10% per annum paid monthly together with a principal repayable of $7,813 starting June 17, 2008. The loan matures on March 17, 2011 and is secured by a collateral lien on all real and personal property. The Corporation ceased principal payments in January 2009. Although the loan is in default, the Corporation is operating under an informal forbearance agreement.	**320,318**	328,130
	697,379	710,508
Amounts payable within the next fiscal period	**(697,379)**	(174,097)
	-	536,411

10. SHARE CAPITAL

The Corporation's share capital consisted of the following:

Authorized:
Unlimited number of Common shares

Issued and outstanding:

	Number of shares	Amount
Balance at December 31, 2007	30,625,000	$1,779,321
Private Placement	4,900,000	490,000
Share issuance costs	-	(46,939)
Balance December 31, 2008	35,525,000	2,222,382
Private Placement	1,930,880	431,000
Share issuance costs	-	(18,766)
Convertible Shareholder Loans	2,298,352	839,581
Balance, December 31, 2009	39,754,232	$3,474,197

On July 28, 2008 the Corporation completed a non-brokered private placement for gross proceeds of $490,000. As a result the Corporation issued 4,900,000 units ("Units") at a price of $0.10 per Unit. Each Unit consisted of one Common share in the capital of the Corporation (a "Common share") and one half of one Common share purchase warrant (a "Warrant"). Each whole Warrant is exercisable into one Common share at an exercise price of $0.20 for a period of six months following the closing of the Offering. Share issuance costs related to the private placement, including legal fees and warrant costs, were $10,439 in cash fees paid and $36,500 in stock based fees that have been offset against share capital. The Warrants expired un-exercised on January 28, 2009.

10. SHARE CAPITAL (Continued)

On October 6, 2009, the Corporation completed a non-brokered private placement for gross proceeds of $431,000 or CDN$482,720. As a result the Corporation issued 1,930,880 Common shares at a price of CDN$0.25 per share. Share issuance costs related to the private placement including legal costs were $18,766 in cash fees paid.

On November 16, 2009, the Corporation converted the outstanding shareholder convertible loans into Common shares (Note 7). The conversion of the outstanding shareholder loans, in the amount of $839,581 or CDN$919,341 at CDN$0.40 per share resulted in the issuance of an aggregate total of 2,298,352 Common shares.

Escrowed Shares

As of December 31, 2009, a total of 3,170,520 (December 31, 2008 – 9,511,560) Common shares were held in escrow and are scheduled for release as follows:

	Number
Common shares in Escrow December 31, 2008	9,511,560
January 25, 2009	(3,170,520)
July 25, 2009	(3,170,520)
Common shares in Escrow at December 31, 2009	3,170,520
January 25, 2010	(3,170,520)
Common shares in Escrow at December 31, 2010	-

Stock Options

The Corporation has established a stock option plan for directors, officers, employees and technical consultants. Options to purchase Common shares have been granted at exercise prices determined by reference to the market value on the date of grant.

A summary of the Corporation's outstanding stock options as at December 31, 2009 and 2008 is as follows:

		2009		**2008**
	Number of Options	Weighted Average Exercise price	Number of Options	Weighted Average Exercise price
Outstanding, January 1	1,388,125	$0.35	1,960,000	$0.33
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	(16,250)	0.25	(571,875)	0.27
	1,371,875	$0.35	1,388,125	$0.35

As of December 31, 2009, the Corporation had 446,875 (2008 – 463,125) fully vested options outstanding and exercisable with an exercise price of $0.25 per share and expiry date of June 26, 2011. The Corporation also had 925,000 (2008 – 925,000) options outstanding with an exercise price of CDN$0.40 per share and expiry date of January 23, 2012.

The impact of stock options, warrants and convertible debentures is anti-dilutive as the Corporation incurred losses in 2009 and 2008.

11. CONTRIBUTED SURPLUS

Balance at December 31, 2007	142,058
Warrants issued with private placement	36,500
Balance at December 31, 2009 and 2008	178,558

12. CONVERTIBLE DEBENTURE

On January 23, 2007, the Corporation completed a brokered private placement of subordinated, unsecured, 12% mandatory convertible debentures ("Debentures") for gross proceeds of $495,843 or CDN$572,500. The Debentures are convertible into units of the Corporation ("Conversion Units") by the holder thereof at a conversion price of CDN$0.40 for the first two years, CDN$0.44 in the third year, CDN$0.49 in the fourth year and CDN$0.54 in the fifth year. The Corporation also has the right to redeem the Debentures through conversion into Conversion Units at any time after December 30, 2007 based on certain closing trading policies of the Common shares of the Corporation. The Debentures, if not converted or redeemed, will be forced into mandatory conversion into Conversion Units at the end of the fifth year. Each Conversion Unit consists of one Common share of the Corporation ("Conversion shares") and one half Common share purchase warrant of the Corporation, each whole share purchase warrant (a "Warrant") entitling the holder thereof to purchase an additional Common share of the Corporation (a "Warrant share") at a price of CDN$0.60 per Warrant share until the earlier of the maturity date of the Debenture and two years after the date the Debenture is converted.

13. RELATED PARTY TRANSACTIONS

The related party transactions disclosed in these consolidated financial statements were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. CAPITAL MANAGEMENT

For capital management purposes, the Corporation defines capital as the aggregate of its cash, shareholders equity and total debt. Total debt includes bank indebtedness and long-term debt.

The Corporation's principal objectives in managing capital are:

a) To ensure that it will continue to operate as a going concern;
b) To be flexible in order to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to shareholders;
c) To maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
d) To provide an adequate rate of return to its shareholders; and
e) To comply with financial covenants required under its various borrowing facilities.

The Corporation manages its capital structure and adjusts it in the light of changes in economic conditions. In order to maintain or adjust its capital structure, the Corporation may issue new debt or repay existing debt, or issue new shares. Financing decisions are generally made on a specific transaction basis and depend on such things as the Corporation's needs, capital markets and economic conditions at the time of the transaction.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the size of the Corporation.

15. FINANCIAL INSTRUMENTS

Fair Value

The Corporation's carrying value of cash and cash equivalents, accounts receivable, lines of credit, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of third party long-term debt approximates the fair value due to their short term maturity and because the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms. The fair value of amounts of loans from related parties cannot be reliably measured since there is no quoted price for such instruments.

Interest rate risk

The Corporation has a bank line of credit, which incurs interest at reference rate plus 3.5% and long-term debt, which incurs interest at fixed rates. The Corporation is therefore exposed to interest rate risk through fluctuations in the prime-lending rate. The Corporation does not feel that these risks are significant and has never used derivative instruments to reduce exposure to interest rate risk.

Based on the amount outstanding on the lines of credit at December 31, 2009, and assuming that all other variables remain constant, a 1% change in the reference interest rate would result in an increase/decrease of approximately $1,000 (2008 - $1,000) in the interest paid by the Corporation per annum.

Credit Risk

The Corporation is exposed to credit risk from customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As of December 31, 2009, two customers represented 65% of the total accounts receivable (2008 – no single customer represented more than 15% of the total accounts receivable).

Currency risk

The Corporation raises equity in Canadian dollars and its reporting and functional currency is US dollars. The Corporation is exposed to foreign exchange risk relating to certain transactions entered into in foreign currencies. Funds transferred from the Corporation to its legal subsidiary are subject to foreign exchange risk. Derivatives are not used to manage foreign exchange risk.

The Corporation had the following financial instruments denominated in Canadian dollars at the balance sheet dates:

(CAD$)	**December 31, 2009**	December 31, 2008
Cash/(bank indebtedness)	**(24,755)**	8,180
Accounts receivable	**6,075**	2,258
Accounts payable	**106,589**	75,908

For the year ended December 31, 2009, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of $6,273 (2008 - $2,829) in the Corporation's net earnings.

15. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation.

16. INCOME TAXES

A reconciliation of income taxes (recoverable) at statutory rates with the reported income taxes (recovery) is as follows:

	December 31, 2009	December 31, 2008
Net loss for the year before taxes	**$ (694,137)**	$ (968,992)
Computed taxes recovered at statutory rates	**(271,684)**	(382,901)
Change in rates	**49,389**	114,523
Change in valuation allowance	**367,079**	302,690
Change in foreign exchange rate	**(193,079)**	176,685
Other	**48,295**	(210,998)
Income tax (recovery)	**$ -**	$ -

The Corporation has a potential future income tax asset of $1,326,878 (2008 - $959,799). The significant components of the Corporation's future income tax asset are as follows:

	December 31, 2009	December 31, 2008
Non-capital losses carry forward	**$ 1,235,227**	$ 845,013
Financing fees	**91,651**	114,786
Less: valuation allowance	**(1,326,878)**	(959,799)
Future income tax asset	**$ -**	$ -

The Corporation has available for deduction against future taxable income non-capital losses of $3,155,937 (2008 - $2,138,443). These losses, if not utilized, will expire commencing 2025 (see table below). In assessing the ability of future tax assets to be realized, management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which the unused tax losses and temporary differences become deductible. The Corporation does not consider it more likely than not that the unused tax losses and deductible temporary differences will be used and a future income tax asset will be recovered. The Corporation has reduced the value of the potential future income tax asset to $Nil through the application of a valuation allowance of $1,326,878 (2008 - $959,799) as the Corporation does not have any current source of income against which the unused tax losses can be applied.

The non-capital loss carry forwards can be offset against income in future years and expire as follows:

2025	$ 92,601
2026	50,070
2027	1,038,430
2028	1,104,256
2029	870,580
	$ 3,155,937

17. ECONOMIC DEPENDENCE

The Corporation currently receives substantially all of its sunglass frames from a single manufacturer and is therefore exposed to the risks that impact the manufacturer.

18. SUBSEQUENT EVENTS

Two Stage Business Combination with No Fear Retail

On July 31, 2009, the Corporation entered into a two-stage business combination (the "Proposed Transaction") with No Fear Retail Stores, Inc. ("No Fear Retail").

The first stage of the Proposed Transaction involves a minority equity swap, integration of physical operations and a private placement. The Corporation issued 7,500,000 (17.5%) Common shares of the Corporation in return for 2.25% of the issued and outstanding shares of common stock of No Fear Retail.

The second stage of the Proposed Transaction involves the completion of a reverse takeover of the Corporation by No Fear Retail Stores whereby the current shareholders of No Fear Retail will acquire 75% of the Corporation and the current shareholders of the Corporation will hold 25% (subject to certain restrictions) of the remaining issued and outstanding Common shares.

On March 5, 2010 the Corporation completed the first stage of the transaction with No Fear Retail by issuing 7,500,000 Common shares of the Corporation and receiving 900,000 Common shares of No Fear Retail.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.

APPENDIX B3

GATORZ INC.

(Expressed in U.S. Dollars)

Consolidated Financial Statements

December 31, 2008

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Gatorz Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

"Kerry Lynch"	*"Patrick Westfall"*
Chief Executive Officer	Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Gatorz Inc.

We have audited the consolidated balance sheet of Gatorz Inc. as at December 31, 2008 and 2007 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The comparative year figures were audited by Horwath Orenstein LLP, the predecessor firm of Meyers Norris Penny LLP, who issued an unqualified opinion on these financial statements for the year January 1, 2007 to December 31, 2007 dated April 15, 2008.

Meyers Norris Penny LLP

Toronto, Ontario
March 20, 2009

Chartered Accountants
Licensed Public Accountants

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GATORZ INC.

(Expressed in U.S. Dollars)

Consolidated Statement of Loss, Comprehensive Loss and Deficit

Year ended December 31

	2008	2007
SALES	**1,987,752**	1,785,260
Cost of sales	**1,216,671**	921,497
GROSS MARGIN	**771,081**	863,763
EXPENSES		
Salaries and wages	**684,761**	573,955
Advertising and promotion	**355,400**	448,492
General and office	**285,098**	285,016
Professional fees	**112,799**	104,715
Bad debts	**73,786**	27,213
Occupancy costs	**63,252**	60,448
Directors' fees	**29,000**	36,677
Shipping and warehousing	**25,886**	30,619
One time management bonus	-	90,000
Stock based compensation	-	44,901
	1,629,982	1,702,036
LOSS FROM OPERATIONS	**(858,901)**	(838,273)
OTHER INCOME (EXPENSES)		
Interest on long term debt	(**49,115)**	(33,157)
Short term interest and bank charges	**(13,142)**	(30,446)
Foreign exchange loss	(**13,015)**	(71,207)
Amortization of capital assets	(**18,152)**	(11,356)
Amortization of intangible assets	**(16,667)**	(5,021)
	(110,091)	(151,187)
NET LOSS AND COMPREHENSIVE LOSS	**(968,992)**	(989,460)
Deficit – start of period	**(3,284,804)**	(2,610,772)
Interest on mandatory convertible debenture	**(56,558)**	(60,379)
Reverse takeover adjustment	-	375,807
Deficit – end of period	**(4,310,354)**	(3,284,804)
LOSS PER SHARE		
Basic	**(0.03)**	(0.04)
Fully diluted	**(0.03)**	(0.04)
Weighted average number of shares	**32,719,246**	27,545,486

The impact of stock options, warrants and convertible debentures is anti-dilutive as the Corporation incurred losses in 2008 and 2007.

GATORZ INC.

(Expressed in U.S. Dollars)

Consolidated Balance Sheet

Year ended December 31

	2008	2007
ASSETS		
CURRENT		
Cash	**113,566**	225,490
Accounts receivable	**236,376**	254,157
Inventory	**532,000**	590,691
Prepaid expenses and sundry	**50,996**	71,408
	932,938	1,141,746
CAPITAL ASSETS (Note 4)	**26,278**	33,930
INTANGIBLE ASSETS (Note 5)	**79,775**	51,498
TOTAL ASSETS	**1,038,991**	1,227,174
LIABILITIES		
CURRENT		
Bank indebtedness (Note 6)	**98,917**	98,989
Accounts payable and accrued liabilities	**803,556**	760,972
Current portion of long-term debt (Note 9)	**99,067**	12,836
	1,001,540	872,797
LONG TERM DEBT (Note 9)	**536,441**	307,378
	1,537,981	1,180,175
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**2,222,382**	1,779,321
Mandatory convertible debenture (Note 12)	**495,843**	495,843
Convertible shareholder loans (Note 7)	**914,581**	914,581
Contributed surplus (Note 11)	**178,558**	142,058
Deficit	**(4,310,354)**	(3,284,804)
	(498,990)	46,999
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,038,991**	1,227,174

Approved on behalf of the Board of Directors:

"Scott Samuel"
Director, Chairman of the Board of Directors

"Mark Alden"
Director, Chairman of the Audit Committee

See accompanying notes to the financial statements

GATORZ INC.

(Expressed in U.S. Dollars)

Consolidated Statement of Cash Flows

Year ended December 31

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from operations	**(968,992)**	(989,460)
Items not affecting cash:		
Stock-based compensation	**-**	45,566
Amortization of capital assets	**18,152**	11,356
Amortization of intangible assets	**16,667**	5,021
	(934,173)	(927,517)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	**17,781**	(124,601)
Inventory	**58,691**	(161,291)
Prepaid expenses and sundry	**20,412**	(32,987)
Deferred revenue	**-**	(15,730)
Accounts payable and accrued liabilities	**42,584**	(15,948)
	(794,705)	(1,278,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	**(50,000)**	-
Purchase of capital assets	**(5,443)**	(11,797)
	(55,443)	(11,797)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	**(59,706)**	(213,525)
Issuance of convertible debentures	**-**	495,843
Interest on mandatory convertible debentures	**(56,558)**	(60,379)
Proceeds from issuance of share capital	**490,000**	1,520,406
Stock issuance costs	**(10,440)**	(210,655)
Business acquisition due to reverse takeover	**-**	223,240
Repayment of shareholder loan	**-**	(18,800)
Repayment of bank indebtedness	**(72)**	(150,000)
Receipt (repayment) of loan payable	**375,000**	(75,000)
	738,224	1,511,130
Increase (decrease) in cash	**(111,924)**	221,259
Cash, beginning of year	**225,490**	4,231
Cash, end of year	**113,566**	225,490
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	62,092	66,958
Income tax paid	-	-

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of the Business

Gatorz Inc. (formerly known as IBF 1 Corp. or the "Corporation") was incorporated under the *Canada Business Corporations Act* on September 1, 2005 and was classified as a Capital Pool Company as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). On January 23, 2007, the Corporation completed the acquisition of Reno Wilson Inc. (doing business as Gatorz Eyewear) that constituted as the Corporation's Qualifying Transaction. On July 11, 2007, the Corporation changed its name to Gatorz Inc. and its trading symbol on the TSX Venture Exchange to "GTZ".

Currency Presentation

All amounts in these consolidated financial statements are in United States Dollars unless otherwise stated.

2. GOING CONCERN

These financial statements have been prepared on a going-concern basis that contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

As of December 31, 2008, the Corporation had an accumulated deficit of $4,310,354 (2007 - $3,284,804).

The Corporation's ability to continue as a going concern is dependant upon its ability to achieve profitable operation and generate funds and/or on borrowing from third parties or shareholders, sufficient to meet current and future obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles, reflect the accounting policies set out below:

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned legal subsidiary. This acquisition was accounted for as a reverse takeover as control of the Corporation was acquired by the shareholders of the legal subsidiary. The transaction which occurred January 23, 2007 was effective January 1, 2007.

All significant inter-company accounts have been eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Estimates are used when accounting for items and matters such as allowance for accounts receivable and accrued liabilities.

Segmented information

The Corporation presently manages its activities in one reportable segment.

Accounts Receivable

The Corporation carries its accounts receivable at net realizable value. If a customer's ability to pay has been determined to be an issue, then the Corporation will provide an allowance for the amount that is estimated to be uncollectible.

Inventory

Inventories are valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Prepaid expenses

Prepaid expenses are comprised of deposits on inventory purchases, advertisements and planning costs for shows to be held in the future. These expenses will be recognized during the period in which the particular shows take place.

Intangible assets

The patents related to sunglasses are being amortized on a straight line basis over their estimated useful lives of fifteen years. Tooling designs for the production of sunglass frames are being amortized on a straight line basis over their estimated useful lives of three years.

Intangible assets are reviewed for impairment to recognize the concurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets *(continued)*

Equipment	5 years	Straight-line method
Leasehold improvements	5 years	Straight-line method

The Corporation annually reviews its capital assets to recognize impairments. For assets acquired or brought into use during the year, amortization is calculated from the month following that which additions come into operation.

Revenue recognition

Sales are recognized when the products are shipped, at which time title passes to the customer.

Stock-based compensation

Stock options issued by the Corporation are accounted for in accordance with the fair value based method of accounting. The fair value of options issued to directors, officers, employees and technical consultants to the Corporation is charged to earnings with an offsetting amount recorded to share capital. The fair value of warrants issued to agents in conjunction with additional issuance of equity is charged to contributed surplus with an offsetting amount recorded to share capital. Fair value is measured using the Black Scholes option pricing model.

Interest on convertible debenture

The convertible debenture requires the mandatory conversion into equity and as such is categorized as shareholders equity. The interest paid on the debenture is accounted for as a dividend and is shown as an increase in the shareholder deficit.

Foreign currency translation

Accounts in foreign currencies have been translated into United States dollars using the temporal method. Under this method monetary assets and liabilities have been translated at the period end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the period, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Corporation does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Current accounting changes

Comprehensive loss

Comprehensive loss includes all changes in equity of the Corporation, except those resulting from investments by owners and distributions to owners. Comprehensive loss is the total of net loss and other comprehensive loss. Other comprehensive loss comprises expenses and losses that, in accordance with Canadian generally accepted accounting principles, require recognition, but are excluded from net loss. The Corporation does not have any items giving rise to other comprehensive loss, nor is there any accumulated balance of other comprehensive loss. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net loss for the period.

General standards of financial statement presentation

CICA Handbook Section 1400 General Standards of Financial Statement Presentation has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. This amendment is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. These changes did not have a material impact on the Corporation's financial statements.

Capital disclosures

In December 2006, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures about capital. Section 1535 Capital Disclosures establishes standards for disclosing what an entity regards as capital and an entity’s objectives, policies and processes for managing its capital. The Section also prescribes disclosure regarding whether an entity has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance.

This new Section is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Corporation's adoption of this new standard has no material impact on its financial statements.

(Expressed in U.S. Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Current accounting changes *(continued)*

Inventories

CICA Handbook Section 3031 Inventories replaces corresponding Section 3030 and establishes new standards for the measurement and disclosure of inventories. The new Section prescribes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Corporation's adoption of this new standard has no material impact on its financial statements.

Financial instruments

The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments outstanding at December 31, 2008:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long term debt	Other financial liabilities

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	Carrying value	Fair value
Held-for-trading	$ 113,566	$ 113,566
Loans and receivables	$ 236,376	$ 236,376
Other financial liabilities	$ 1,537,981	$ 1,537,981

The Corporation initially measures all its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

(a) Held for trading financial assets are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net income. Interest and dividends earned from held-for-trading assets are also included in income for the period.

(b) Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in net income.

(c) Other financial liabilities are measured at amortized cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Current accounting changes *(continued)*

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants issued CICA 3064 Goodwill and intangible assets to replace existing CICA 3062 Goodwill and other intangible assets and CICA 3450 Research and development costs.

The objectives of these amendments are to reinforce a principle-based approach to the recognition of costs as assets in accordance with the definition of an asset and the recognition criteria in CICA 1000, as well as to clarify the application of the concept of matching revenues and expenses to eliminate the current practice of recognizing as assets items that do not meet the definition and recognition criteria. The changes incorporate guidance on the definition of intangible assets and recognition of internally developed intangibles from current International Financial Reporting Standard IAS 38 Intangible assets and the withdrawn CICA 3450.

Entities electing CICA 1300 Differential Reporting subsequent to adoption of CICA 3064 Goodwill and Intangible assets are now required to perform impairment testing at initial adoption of the differential reporting option.

Future accounting changes

New Standards

CICA 3064 is effective for fiscal years beginning on or after October 1, 2008. The Corporation has not yet determined the effect of the new standards on its financial statements.

Harmonizing of Canadian and International Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for the publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended November 30, 2011. While the Corporation has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

GATORZ INC.

(Expressed in U.S. Dollars)

Notes to Consolidated Financial Statements

For the year ended December 31, 2008

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Equipment	**39,473**	**29,790**	**9,683**	17,532
Leasehold improvements	**26,232**	**9,637**	**16,595**	16,398
	115,706	**39,428**	**26,278**	33,930

5. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Patents and trademarks – cost	**75,311**	**28,869**	**46,442**	51,498
Tooling design	**50,000**	**16,667**	**33,333**	-
	125,311	**45,536**	**79,775**	51,498

6. LINES OF CREDIT

The Corporation has a $100,000 revolving line of credit of which $98,917 (2007-$98,989) was utilized as at December 31, 2008. Bank advances on the credit line are payable on demand and bear interest at 3.5% over the U.S. reference rate.

7. CONVERTIBLE SHAREHOLDER LOANS

The amounts due to former shareholders of the legal subsidiary are non-interest bearing, have no set repayment terms, are unsecured, rank ahead of common shares prior to conversion, and require mandatory conversion to common shares of the Corporation at the current market price but not less than $0.40 at the time the Corporation elects to effect the mandatory conversion, in equity, not cash, at any time prior to December 31, 2010. The fair value of the convertible shareholder loans at December 31, 2008 and December 31, 2007 was $914,581.

8. LEASE OBLIGATIONS

The Corporation has a long term lease with respect to its premises. The lease contains renewal options and provides for payment of utilities and maintenance costs. The current lease expires on December 31, 2009. The future minimum lease payments for 2009 are $66,044.

(Expressed in U.S. Dollars)

9. LONG-TERM DEBT

	2008	2007
Third party loan bearing interest at 9.61% per annum, repayable in monthly blended payments of $1,156. The loan matured on May 7, 2008 and is secured by personal guarantees of certain shareholders, along with a collateral lien on all real and personal property.	**-**	7,852
Third party loan bearing interest at 9.65% per annum, repayable in monthly blended payments of $2,085. The loan matures on July 10, 2010 and is secured by personal guarantees of certain shareholders, along with a collateral lien on all real and personal property.	**307,378**	312,362
Third party loan bearing interest at 10% per annum paid monthly together with a principal repayable of $7,813 starting June 17, 2008. The loan matures on May 17, 2011 and is with a collateral lien on all real and personal property.	**328,130**	-
	635,508	320,214
Amounts payable within the next fiscal period	**(99,067)**	(12,836)
	536,441	307,378

Principal repayment terms are approximately:

2009	99,067
2010	99,420
2011	146,678
2012	6,450
2013	6,880
Thereafter	277,013
	635,508

10. SHARE CAPITAL

The Corporation’s share capital consisted of the following:

Authorized:
Unlimited number of Common Shares

(Expressed in U.S. Dollars)

10. SHARE CAPITAL *(continued)*

Issued and outstanding:

	Number of shares		Amount
Balance at December 31, 2006	6,500,000	$	1,132,483
Issued to shareholders of legal subsidiary	18,000,000		
Reverse takeover accounting adjustment			
Eliminate the value of Gatorz Inc. shares			(1,132,483)
Add the value of legal subsidiary common shares			566,060
Share capital as of January 23, 2007	24,500,000		566,060
Shares issued as a result of private placement	6,050,000		1,520,406
Shares issued as fee to agent	75,000		18,750
Share issuance costs			(325,895)
Balance at December 31, 2007	30,635,439		1,779,321
Private Placement	4,900,000		490,000
Fair value of warrants			(36,500)
Share issuance costs			(10,439)
Balance December 31, 2008	35,525,000	$	2,222,382

On January 23, 2007, the Corporation completed the share exchange agreement with the legal subsidiary shareholders and issued 18,000,000 common shares of the Company.

On July 5, 2007, the Corporation announced the completion of brokered private placement offering (the “Offering”) of units (“Units”). The Corporation issued 6,050,000 units at a price of CDN$0.25 per Unit, for aggregate gross proceeds of CDN$1,512,500. Each unit consists of one common share in the capital of the Corporation (a “Common share”) and one common share purchase warrant (a “Warrant”). Each warrant is exercisable into one common share at a price of $0.40 for a period ending January 5, 2009, being 18 months following the closing of the offering. The common shares and underlying securities are subject to a four month hold period following closing of the offering, expiring on November 6, 2007. Share issuance costs related to the private placement, including legal fees, agent’s commissions, agent work fees and warrant costs, were $210,655 in cash fees paid and $115,240 in stock based fees that have been offset against share capital.

On July 5, 2007, the Corporation issued an additional 75,000 common shares to the agent as corporate finance fee with respect to the private placement.

(Expressed in U.S. Dollars)

10. SHARE CAPITAL *(continued)*

On July 28, 2008 the Corporation completed a non-brokered private placement for gross proceeds of $490,000. As a result the Corporation issued 4,900,000 units (“Units”) at a price of $0.10 per Unit. Each Unit consisted of one common share in the capital of the Corporation (a “Common Share”) and one half of one common share purchase warrant (a “Warrant”). Each whole Warrant is exercisable into one Common Share at an exercise price of $0.20 for a period of six months following the closing of the Offering. Share issuance costs related to the private placement, including legal fees and warrant costs, were $10,439 in cash fees paid and $36,500 in stock based fees that have been offset against share capital.

Escrowed Shares

As of December 31, 2008, a total of 9,511,560 (December 31, 2007 – 15,852,600) common shares were held in escrow and are scheduled for release as follows:

	Number of shares
Common shares in Escrow December 31, 2008	9,511,560
January 25, 2009	(3,170,520)
July 25, 2009	(3,170,520)
January 25, 2010	(3,170,520)
Common shares in Escrow at December 31, 2010	-.

Stock Options

The Corporation has established a stock option plan for directors, officers, employees and technical consultants. Stock Options to purchase common shares have been granted at exercise prices determined by reference to the market value on the date of grant.

A summary of the status of the Corporation’s stock options as at December 31, 2008 and December 31, 2007 are as follows:

	2008		2007	
	Number of Options	Weighted Average Exercise price	Number of Options	Weighted Average Exercise price
Outstanding, January 1	1,960,000	$0.33	940,000	$0.25
Granted during the period	-	-	1,065,000	0.40
Exercised during the period	-	-	-	-
Forfeited during the period	(571,875)	0.27	(45,000)	0.40
	1,388,125	$0.35	1,960,000	$0.33

(Expressed in U.S. Dollars)

10. SHARE CAPITAL *(continued)*

On January 23, 2007, the Corporation issued stock options to directors, officers and employees entitling the holders to purchase 1,035,000 common shares of the Corporation at an exercise price of CDN$0.40 and expiring on January 18, 2012. The fair value of the options granted at the time of granting was CDN$0.05 per option.

Warrants

On July 28, 2008, the Corporation granted 4,900,000 units to the agent that consists of one half common share purchase warrant for each unit purchased. The warrants have an exercise price of CDN$0.20 per share for a term of six months and allow for an aggregate purchase of 2,450,000 common shares. The fair value of the warrants granted at the time of the grant was $0.015 per warrant. The Corporation has recognized $36,500 as reduction to share capital and credit to contributed surplus. These warrants expired January 28, 2009.

The fair value of the options and warrants issued during 2008 and 2007 were estimated on the grant date using the Black Scholes option pricing model with the following assumptions:

Risk free interest rate (%)	3.5 to 4.5%
Expected volatility (%)	30 to 50%
Expected life (years)	0.5 to 5
Expected dividends	-

Option pricing models require the input of highly speculative assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Corporation's stock options and warrants.

11. CONTRIBUTED SURPLUS

Balance at December 31, 2006	-
Stock options granted	44,901
Warrants issued to Agent – private placement	12,987
Warrants issued with common shares as a unit	83,515
Warrant issued to agent – convertible debenture	655
Balance at December 31, 2007	142,058
Warrants issued with private placement	36,500
Balance at December 31, 2008	178,558

12. CONVERTIBLE DEBENTURE

On January 23, 2007, the Company completed a brokered private placement of subordinated, unsecured, 12% mandatory convertible debenture (“Debentures”) for gross proceeds of CDN$572,500 (US$495,843). The Debentures are convertible into units of the Corporation (“Conversion Units”) by the holder thereof at a conversion price of CDN$0.54 in the fifth year. The Corporation also has the right to redeem the Debentures through conversion into Conversion Units at any time after December 30, 2007 based on certain closing trading policies of the common shares of the Corporation. The Debentures, if not converted or redeemed, will be forced into mandatory conversion into Conversion Units at the end of the fifth year. Each Conversion Unit consists of one common share of the Corporation (“Conversion Shares”) and one half common share purchase warrant of the Company, each whole share purchase warrant (a “Warrant”) entitling the holder thereof to purchase an additional common share of the Company (a “Warrant Share”) at a price of CDN$0.60 per Warrant Share until the earlier of the maturity date of the Debenture and two years after the date the Debenture is converted. Haywood Securities Inc. (the “Agent”) acted as agent for the private placement. In connection with the private placement, the Corporation granted to the Agent a non-transferable broker warrant to acquire up to an aggregate of 85,875 common shares at a price of CDN$0.60 per share for a term of 18 months. The Agent also received an aggregate commission equal to 6% of the aggregate gross proceeds of the sale of the Debentures, and a further CDN$15,000 fee for acting as sponsor of the Qualifying Transaction.

On March 23, 2009, the Company announced that it would suspend interest payments to convertible unsecured debt holders starting with the March 31, 2009 payment. The action places the company in default of the terms of the debenture.

13. CAPITAL MANAGEMENT

For capital management purposes, the Corporation defines capital as the aggregate of its cash, shareholders equity and total debt. Total debt includes bank indebtedness and long term debt.

The Corporation's principal objectives in managing capital are:

a) To ensure that it will continue to operate as a going concern;
b) To be flexible in order to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to shareholders;
c) To maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
d) To provide an adequate rate of return to its shareholders; and
e) To comply with financial covenants required under its various borrowing facilities.

The Corporation manages its capital structure and adjusts it in the light of changes in economic conditions. In order to maintain or adjust its capital structure, the Corporation may issue new debt or repay existing debt, or issue new shares. Financing decisions are generally made on a specific transaction basis and depend on such things as the Corporation’s needs, capital markets and economic conditions at the time of the transaction.

13. CAPITAL MANAGEMENT *(continued)*

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the size of the Corporation.

14. FINANCIAL INSTRUMENTS

Fair Value

The Corporation's carrying value of cash, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms.

Interest rate risk

The Corporation has a bank line of credit, which incurs interest at reference rate plus 3.5% and long term debt, which incurs interest at fixed rates. The Corporation is therefore exposed to interest rate risk through fluctuations in the prime lending rate. The Corporation does not feel that these risks are significant and has never used derivative instruments to reduce exposure to interest rate risk.

Credit Risk

The Corporation is exposed to credit risk from customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation has a significant number of customers which minimizes concentration of credit risk.

Currency risk

The Corporation raises equity in Canadian dollars and its reporting and functional currency is US dollars. The Corporation is exposed to a foreign exchange risk relating to certain transactions entered into in foreign currencies. Funds transferred from the Corporation to its legal subsidiary are subject to foreign exchange risk. Derivatives are not used to manage foreign exchange risk.

The Corporation had the following financial instruments denominated in Canadian dollars at the balance sheet dates:

(CAD$)	December 31, 2008	December 31, 2007
Cash	8,180	107,325
Accounts receivable	2,258	4,679
Accounts payable	75,908	68,347

14. FINANCIAL INSTRUMENTS *(continued)*

Currency risk *(continued)*

For the year ended December 31, 2008, a 5% decrease in the U.S. dollar relative to the Canadian dollar would have resulted in a decrease of $2,829 in the Corporation's net earnings.

15. NON-CAPITAL TAX LOSSES CARRIED FORWARD

Canadian Parent

The Corporation has CAD $1,126,001 (2007: CAD $591,671) in Canadian non-capital losses available to claim against future taxable income. The non-capital losses (denominated in Canadian dollars) will expire as follows:

	CAD
2025	$ 97,324
2026	52,624
2027	441,723
2028	534,330
	$ 1,126,001

A reconciliation of income taxes at 2008 statutory rate of 33.5% (2007 – 36%) with the reported taxes is as follows:

(In Canadian Dollars)	**2008**	2007
Net income (loss)	(534,330)	(441,723)
Expected income tax recovery	(179,001)	(159,550)
Unrecognized benefit of non-capital losses carried forward	179,001	159,550
Total income tax recovery	-	-

U.S. Legal Subsidiary

The legal subsidiary has $1,238,972 (2007: $618,142) in non-capital losses. The tax status of the legal subsidiary has changed from an S Corp. to a C Corp. effective January 1, 2007. These tax losses can not be carried back due to change in the corporate status as mentioned above but can be carried forward 15 years and will be available for set off against future taxable income.

The potential income tax benefits arising from these losses and credits are not recorded as a future income tax asset due to the uncertainty of their realization.

16. RELATED PARTY TRANSACTION

The following is a summary of the Corporation's related party transactions:

	2008	2007
BIT Company		
Company owned by shareholder		
Payroll and tax services	**5,465**	4,965
	5,465	4,965

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. ECONOMIC DEPENDENCE

The Corporation currently receives substantially all of its sunglass frames from a single manufacturer and is therefore exposed to the risks that impact the manufacturer.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.

No Fear Retail Stores, Inc.

Financial Statements
May 31, 2010 (unaudited)
August 31, 2009 and 2008
(Expressed in United States Dollars)

(Expressed in United States Dollars)

Balance Sheets

	As of May 31, 2010 (unaudited)	As of August 31, 2009	As of August 31, 2008
Assets			
Current Assets			
Cash and cash equivalents	$ 656,988	$ 609,978	$ 632,250
Inventory	6,248,548	6,599,351	6,361,623
Related-party receivables	354,266	-	-
Prepaid expenses and other current assets	324,499	67,832	83,878
Construction allowances and other receivables	108,719	25,778	303,830
Deferred tax assets	400,534	400,534	420,701
Total current assets	8,093,554	7,703,473	7,802,282
Equipment and Leasehold Improvements, net	1,747,559	2,267,948	3,256,015
Goodwill	941,624	941,624	941,624
Intangible Assets, net	40,048	83,381	156,067
Deposits and Other Assets	142,779	120,730	156,084
Deferred Tax Assets	2,194,457	2,194,457	1,768,020
	$ 13,160,021	$ 13,311,613	$ 14,080,092
Liabilities and Stockholders' Equity			
Current Liabilities			
Line of credit	$ -	$ -	$ 1,699,871
Term loan	700,336	1,200,336	-
Notes payable	1,231,377	691,614	1,216,652
Related-party payables	692,013	1,086,806	2,613,508
Income taxes payable to Simo Holdings	1,887,429	2,163,325	1,598,289
Deferred royalty revenue	123,250	-	-
Accrued payroll expense	443,951	342,164	326,911
Other current liabilities	3,737,402	2,555,985	1,995,949
Total current liabilities	8,815,758	8,040,230	9,451,180
Deferred Lease Credits	682,188	764,809	987,554
Deferred Rent	580,594	596,253	653,519
Other Liabilities	112,365	233,223	27,600
Total liabilities	10,190,905	9,634,515	11,119,853
Commitments and Contingencies (Note 9)			
Stockholders' Equity:			
Common stock - $0.0001 par value; 100,000,000 shares authorized, 40,000,000 issued and outstanding	4,000	4,000	4,000
Additional paid-in capital	2,448,238	2,448,238	2,234,484
Retained earnings	516,878	1,224,860	721,755
Total stockholders' equity	2,969,116	3,677,098	2,960,239
	$ 13,160,021	$ 13,311,613	$ 14,080,092

See Notes to Financial Statements.

No Fear Retail Stores, Inc.
Financial Statements
(Expressed in United States Dollars)

Statements of Operations

	For the three months ended May 31, 2010	For the three months ended May 31, 2009	For the nine months ended May 31, 2010	For the nine months ended May 31, 2009	For the year ended August 31, 2009	For the year ended August 31, 2008	For the year ended August 31, 2007
	(unaudited)		(unaudited)				
Sales, net	$ 8,173,959	$ 9,043,912	$ 27,733,823	$ 28,884,565	$ 39,307,941	$ 40,228,880	$ 37,081,016
Cost of good sold	4,569,091	4,890,867	15,126,037	15,895,593	21,277,889	22,034,385	20,192,890
Gross Profit	3,604,868 .	4,153,045	12,607,786	12,988,972	18,030,052	18,194,495	16,888,126
Operating expenses:							
Selling	1,748,594	1,556,548	5,172,512	4,842,429	6,479,970	6,241,328	5,729,677
General and administrative	3,249,171	2,865,559	9,207,669	9,040,892	11,846,581	11,422,142	9,780,331
Impairment loss	-	-	-	-	110,551	304,740	-
Total operating expenses	4,997,765	4,422,107	14,380,181	13,883,321	18,437,102	17,968,210	15,510,008
Operating income (loss)	(1,392,897)	(269,062)	(1,772,395)	(894,349)	(407,050)	226,285	1,378,118
Other income (expense):							
Royalty income	295,418	358,270	987,125	1,079,996	1,465,317	-	-
Interest expense	(76,120)	(47,650)	(191,608)	(141,290)	(177,568)	(188,122)	(111,347)
Income from operations before income taxes	(1,173,599)	41,558	(976,878)	44,357	880,699	38,163	1,266,771
Income tax expense (benefit)	(432,001)	9,493	(268,896)	(11,392)	377,594	60,614	522,565
Net income (loss)	$ (741,598)	$ 32,065	$ (707,982)	$ 55,749	503,105	(22,451)	744,206

See Notes to Financial Statements.

(Expressed in United States Dollars)

Statements of Stockholder's Equity
Years ended August 31, 2009 and 2008
Nine Months ended May 31, 2010 (unaudited)

	Common Stock		Additional	Retained	Total Stockholders'
	Shares	Amount	Paid-in Capital	Earnings	Equity
Asset contribution and exchange transaction, September 1, 2006	40,000,000	$ 4,000	$ 2,234,484	$ -	$ 2,238,484
Net income	-	-	-	744,206	744,206
Balance at August 31, 2007	40,000,000	4,000	2,234,484	744,206	2,982,690
Net loss	-	-	-	(22,451)	(22,451)
Balance at August 31, 2008	40,000,000	4,000	2,234,484	721,755	2,960,239
Contribution of Intangibles by Parent	-	-	213,754	-	213,754
Net income	-	-	-	503,105	503,105
Balance at August 31, 2009	40,000,000	4,000	2,448,238	1,224,860	3,677,098
Net income (unaudited)	-	-	-	(707,982)	(707,982)
Balance at May 31, 2010 (unaudited)	40,000,000	$ 4,000	$ 2,448,238	$ 516,878	$ 2,969,116

See Notes to Financial Statements.

(Expressed in United States Dollars)

Statements of Cash Flows

	For the three months ended May 31, 2010	For the three months ended May 31, 2009	For the nine months ended May 31, 2010	For the nine months ended May 31, 2009	For the year ended August 31, 2009	For the year ended August 31, 2008	For the year ended August 31, 2007
	(unaudited)		(unaudited)				
Cash Flows from Operating Activities							
Net income (loss)	$ (741,598)	$ 32,065	$ (707,982)	$ 55,749	$ 503,105	$ (22,451)	$ 744,206
Adjustments to reconcile net income (loss) to net cash provided by operating activities							
Depreciation	242,529	352,578	718,666	996,891	1,298,123	1,244,730	1,146,721
Construction allowances received	-	113,465	-	318,402	446,011	342,000	192,165
Impairment loss	-	-	-	-	110,551	304,740	-
Amortization of intangible assets	13,333	17,369	43,333	57,687	72,686	91,800	91,800
Deferred rent	(43,461)	3,504	(15,659)	31,682	(57,266)	49,019	128,665
Deferred lease credits	(95,503)	(36,069)	(82,621)	71,148	(222,745)	268,069	142,257
Deferred taxes	-	-	-	-	(192,516)	(532,369)	(494,986)
Loss (gain) on sale of equipment	-	1,846	18,617	(2,770)	251,522	31,288	-
Amortization of debt discount	-	-	-	-	-	35,903	81,799
Changes in assets and liabilities							
Inventory	427,255	(781,010)	350,803	(294,851)	(237,728)	(712,806)	(501,736)
Prepaid expenses and other assets	(317,736)	(33,508)	(278,716)	(29,026)	51,400	(83,654)	129,396
Construction allowances and other receivables	(26,250)	12,462	(82,941)	(147,044)	(180,487)	6,437	(116,134)
Income taxes payable to parent	(432,001)	9,493	(275,896)	(20,892)	565,036	580,734	1,017,555
Accrued payroll expenses	118,934	(111,829)	101,787	(178,109)	15,253	10,698	115,526
Other liabilities	544,903	327,640	1,060,559	804,818	765,659	1,053,964	172,229
Related-party receivables/payables	757,821	1,041,486	(750,213)	(700,253)	(1,510,084)	(1,592,639)	(1,161,674)
Deferred royalty revenue	(254,988)	(320,325)	123,250	142,109	-	-	-
Net cash provided by operating activities	193,238	629,167	222,987	1,105,541	1,678,520	1,075,463	1,687,789
Cash Flows from Investing Activities							
Purchases of equipment and leasehold improvements	(33,043)	(108,607)	(137,476)	(244,741)	(261,946)	(1,872,077)	(1,325,720)
Purchase of equipment and leasehold improvements from Parent	-	(135,547)	-	(135,547)	(189,311)	-	-
Proceeds from sale of equipment	-	-	-	-	-	1,007	-
Net cash used in investing activities	(33,043)	(244,154)	(137,476)	(380,288)	(451,257)	(1,871,070)	(1,325,720)
Cash Flows from Financing Activities							
Net borrowings on line of credit	-	-	-	200,465	200,465	1,699,871	-
Payments on term loan	(150,000)	(250,000)	(500,000)	(250,000)	(700,000)	-	-
Payments on notes payable	(10,000)	(120,000)	(170,000)	(640,000)	(750,000)	(615,000)	(266,077)
Borrowings on notes payable	100,000	-	100,000	-	-	-	-
Cash borrowing on credit card advance	-	-	1,000,000	-	-	-	-
Payments on credit card advance	(240,775)	-	(468,501)	-	-	-	-
Cash advance on related-party payables	-	-	-	-	-	-	246,994
Net cash provided by (used in) financing activities	(300,775)	(370,000)	(38,501)	(689,535)	(1,249,535)	1,084,871	(19,083)
Net increase (decrease) in cash and cash equivalents	(140,580)	15,013	47,010	35,718	(22,272)	289,264	342,986
Cash and Cash Equivalents							
Beginning of Period	$ 797,568	$ 652,955	$ 609,978	$ 632,250	$ 632,250	$ 342,986	$ -
End of Period	$ 656,988	$ 667,968	$ 656,988	$ 667,968	$ 609,978	$ 632,250	$ 342,986

See Notes to Financial Statements.

(Expressed in United States Dollars)

Statements of Cash Flows, Continued

Additional Cash Flows Information:

	For the three months ended May 31,		For the nine months ended May 31,		For the year ended August 31,		
	2010	**2009**	**2010**	**2009**	**2009**	**2008**	**2007**
	(unaudited)		(unaudited)				
Supplemental Disclosure of Cash Flow Information							
Cash payments for interest	$ 76,120	$ 47,649	$ 191,608	$ 141,290	$ 191,776	$ 119,812	$ 22,925
Supplemental schedule of noncash investing and financing activities							
Notes payable incurred for leasehold improvements	$ 78,264	$ -	$ 78,264	$ 224,962	$ 224,962	$ 742,815	$ 88,837
Leasehold improvements financed from landlord allowance	$ -	$ -	$ -	$ 12,528	$ 12,528	$ 426,375	$ 236,459
Beginning inventory acquired through revolving note (related-party payable)	$ -	$ -	$ -	$ -	$ -	$ -	$5,147,081
Transfers of equipment from Parent, net of accumulated depreciation	$ -	$ -	$ (1,154)	$ -	$ -	$ (2,975)	$ -
Decrease of related-party payables and transfers of equipment to Parent	$ -	$ 16,613	$ -	$ 16,613	$ 16,618	$ 29,229	$ -
Contribution of intangibles by Parent	$ -	$ -	$ -	$ -	$ 213,754	$ -	$ -

See Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: No Fear Retail Stores, Inc. (No Fear), a California corporation, was incorporated in July 2006 to operate the retail stores of Simo Holdings, Inc., formerly known as No Fear, Inc. (Simo Holdings), a California corporation, which was incorporated in 1990.

On September 1, 2006, Simo Holdings transferred the operations of its retail store business, including all related assets (except cash and inventory) and subject to all related liabilities and commitments, to No Fear, in exchange for 40,000,000 shares of No Fear common stock. No Fear is owned 97.75% by Simo Holdings and 2.25% by Gatorz Inc. (Note 13). Simo Holdings provides management and other corporate services to No Fear. At May 31, 2010, No Fear operated 54 retail stores throughout California and in Arizona, Nevada, North Carolina, Oregon and Florida (Note 9).

Since calendar 2008, No Fear has been impacted by the weakness in the United States economy and, in particular reduced consumer spending in No Fear's primary geographic markets in California, Arizona and Nevada. As a result, its sales and performance metrics have declined. After several years of positive comparable store sales, No Fear, like many of its retail peers, experienced unprecedented declines in comparable store sales. In addition, the performance of new stores that opened during the economic downturn has not equalled performance of new stores that opened before the economic downturn. In order to address the challenging economic environment, No Fear has implemented cost cutting initiatives which have served to partially mitigate the impact of declining comparable store sales on profitability. No Fear has also slowed the pace of new store openings, reduced the cost of opening new stores and worked with its landlords to address situations where occupancy costs were unsustainable based on sales performance. Despite No Fear's efforts, its operating loss has increased significantly as a result of non-recurring expenses, store closures and penalties for late payment of sales taxes. There can be no assurance that No Fear will return to profitability at any point in the future or will be able to maintain its operations as a going concern. A prolonged economic downturn and associated weakness in consumer spending may continue to negatively affect No Fear's financial results in future periods. No Fear has entered into a merger agreement with a publicly traded company on the TSX Venture Exchange for a potential reverse merger and proposed marketed offering of common shares (Note 13). Should No Fear not complete the proposed offering or secure additional capital, it will be required to revisit its growth strategy and there can be no assurances it will be able to maintain its operations as a going concern.

Segment Reporting: Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information* as codified in Accounting Standards Codification (ASC) 280 establishes standards for reporting information about a company's operating segments. It also establishes standards about products and services, geographic areas and major customers. No Fear operates in and reports as a single reportable segment which is the operation of its retail stores which are only located in the United States. No Fear has no international sales. Net sales are generated through the sale of merchandise via retail stores and a website to consumers only. All of No Fear's identifiable assets are located in the United States.

Fiscal Year: No Fear's fiscal year is the 12 months ending on August 31. These financial statements were prepared for the three and nine months ended May 31, 2010 and 2009 (unaudited), and for the years ended August 31, 2009, 2008, and 2007.

Seasonality: No Fear's business is seasonal and historically No Fear has realized a higher portion of its net sales, net income and operating cash flows in the second and fourth fiscal quarters, attributable to the impact of the holiday selling season in the second quarter, and the summer selling season in the fourth quarter. As a result, No Fear's working capital requirements fluctuate during the year, increasing in the fall in anticipation of the holiday selling season. No Fear's business is also subject, at certain times, to calendar shifts which may occur during key selling times such as school holidays, Easter and regional fluctuations in the calendar during the back-to-school selling season.

Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued

A summary of No Fear's significant accounting policies is as follows:

Cash and cash equivalents: Cash and cash equivalents consist of cash on hand, cash in depository accounts and amounts in transit from banks for customer credit card transactions that process in less than seven days. Periodically, No Fear may have amounts on deposit at financial institutions that exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. In October 2008, the FDIC insurance limit was increased from $100,000 to $250,000. These changes to deposit insurance expire December 31, 2013. No Fear has not experienced any losses on its cash balances.

Inventory: Inventory and cost of goods sold consist primarily of apparel and accessories purchased for resale from Simo Holdings and other related parties (Note 7). Simo Holdings establishes prices at which No Fear purchases inventory. Inventory is valued using the cost method, which uses the lower of actual cost or market. Cost is determined using the first-in, first-out (FIFO) method. Market is determined based on the estimated net realizable value, which is generally the merchandise selling price. Inventory may be returned to Simo Holdings with full right of return, and no restocking fee is charged to No Fear. As a result of these terms, No Fear does not maintain a reserve for excess or obsolete inventory.

Equipment and leasehold improvements: Equipment and leasehold improvements acquired from Simo Holdings on September 1, 2006 are stated at the net carrying value at the time of the exchange. Equipment and leasehold improvements acquired subsequent to the initial exchange of assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to five years, or the remaining life on assets acquired in the exchange. Leasehold improvements and assets acquired under capital leases are amortized over the lesser of the estimated useful lives of the assets or related lease term. Gains and losses from the sale or retirement of equipment and leasehold improvements are charged to operations in the period incurred. Expenditures for repairs and maintenance are expensed as incurred.

Long-lived assets: In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, as codified in ASC 360, management evaluates the ongoing value of No Fear's equipment and leasehold improvements, including but not limited to, leasehold improvements and store fixtures associated with retail stores which have been open longer than one year. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Impairment losses are recorded on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. When events such as these occur, the impaired assets are adjusted to estimated fair value and an impairment loss is recorded.

Goodwill and other intangible assets: No Fear records as goodwill the excess of purchase price over the fair value of the identifiable intangible assets and tangible net assets acquired. Goodwill and other intangible assets acquired from Simo Holdings on September 1, 2006 are stated at the net carrying value at the time of the exchange. Intangible assets consist of goodwill, trademark license agreements and noncompete agreements. Trademark license and noncompete agreements are being amortized on a straight-line basis over periods of three to five years or the remaining life on assets acquired in the exchange. Amortizable intangibles are evaluated for impairment in accordance with ASC 360 as described above.

(Expressed in United States Dollars)

Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued

SFAS No. 142, *Goodwill and Other Intangible Assets*, as codified in ASC 350, prescribes a two-step process for impairment testing of goodwill, which is to be performed at least annually, as well as when an event triggering impairment may have occurred. The first step compares the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount exceeds fair value, then the second step of the impairment test is performed to measure the amount of any impairment loss. Fair value is determined based on estimated future cash flows, discounted at a rate that approximates No Fear's cost of capital. Such estimates are subject to change and No Fear may be required to recognize impairment losses in the future. No Fear evaluates the recoverability of goodwill annually or more frequently whenever events or changes in circumstances indicate that the assets might be impaired. No Fear has elected to perform impairment testing of goodwill at the end of each fiscal year. No impairment losses were recognized related to goodwill for the year ended August 31, 2009 and management has not noted any events that would result in impairment for the nine months ended May 31, 2010.

Leases: No Fear accounts for rent expense in accordance with SFAS No. 13, *Accounting for Leases* and Financial Accounting Standards Board (FASB) Technical Bulletin 85-3, *Accounting for Operating Leases with Scheduled Rent Increases*, as codified in ASC 840. Accordingly, rent expense under No Fear's store operating leases is recognized on a straight-line basis over the original term of each store's lease, inclusive of rent holiday and store construction periods, and excluding any lease renewal options.

Deferred lease credits represent the unamortized portion of construction allowances received from landlords related to No Fear's stores. Construction allowances are generally comprised of cash amounts received by No Fear from its landlords as part of negotiated lease terms. No Fear records a receivable and a deferred lease credit liability at the lease commencement date. The deferred lease credit is amortized as a reduction of rent expense over the term of the lease, and the receivable is reduced as amounts are received from the landlord.

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are based primarily on a percentage of sales in excess of a predetermined level. These amounts are excluded from minimum rent and are included in the determination of rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable.

Revenue recognition: Revenue is recognized upon the purchase of merchandise by customers. No Fear recognizes a liability upon the sale of, or addition of value on, gift cards. Gift card revenue is recognized when the gift card is redeemed for merchandise. The liability for gift cards is recorded in other current liabilities on the accompanying balance sheets and was approximately $292,000 (unaudited) at May 31, 2010, and $257,000 and $204,000 at August 31, 2009 and 2008, respectively. Revenue is recorded net of actual and estimated sales returns, discounts and promotions. No Fear accrues for estimated sales returns by customers based on historical sales return results. Sales return accrual activity was as follows:

	For the three months ended May 31,	For the nine months ended May 31,	For the year ended August 31,		
	2010	2010	2009	2008	2007
	(unaudited)	(unaudited)			
Beginning Balance	$ 49,318	$ 46,781	$ 48,491	$ 61,280	$ 47,362
Provisions	406,455	1,264,871	1,695,914	1,874,097	1,554,539
Usage	(406,623)	(1,262,502)	(1,697,624)	(1,886,886)	(1,540,621)
Ending Balance	$ 49,150	$ 49,150	$ 46,781	$ 48,491	$ 61,280

Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued

Advertising costs: Advertising costs are expensed to operations as incurred. Advertising expense for the three months ended May 31, 2010 and 2009 totaled approximately $37,000 and $38,000, respectively (unaudited) and for nine months ended May 31, 2010 and 2009 totaled approximately $109,000 and $112,000, respectively (unaudited). Advertising expense for the years ended August 31, 2009, 2008 and 2007 totaled approximately $149,000, $134,000 and $139,000, respectively.

Income taxes: Income taxes are accounted for under the asset and liability method in accordance with SFAS No. 109, *Accounting for Income Taxes*, as codified in ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

As permitted by tax regulations, No Fear does not file a separate tax return, but is included in a consolidated return filed by Simo Holdings. Accordingly, current income tax is reported as a liability owed to Simo Holdings. The current and deferred income tax amounts reflected in the accompanying financial statements have been calculated based on taxable income directly attributable to No Fear, prepared using the separate return method.

Deferred tax assets and liabilities are measured on an annual basis using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Income tax (benefit) provision: No Fear adopted the provision of ASC Subtopic 740-10-05 on accounting for uncertainty in income taxes on September 1, 2007. This guidance prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. As such, No Fear recognizes the financial statement benefits of a tax position only if it is more-likely-than-not to be sustained upon examination by taxing authorities. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. No Fear has a policy of recognizing interest and penalties related to unrecognized tax benefits within income tax expense in the statement of operations and within deferred tax liability in the balance sheet. No Fear evaluated its tax positions and concluded there were no uncertain tax positions for the years ended August 31, 2009 and 2008.

Sales taxes: No Fear records sales taxes on a net basis (excluded from revenues).

Store preopening costs: Costs incurred in connection with the opening of a new store are expensed as incurred.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made by management include, but are not limited to, the fair value and recoverability of intangible and tangible long-term assets, as well as sales returns and allowances. Actual results could differ from those estimates.

Subsequent events: No Fear has evaluated subsequent events through November 1, 2010, the date on which the financial statements were issued. See Note 13 for a discussion of subsequent events.

Reclassifications: Certain reclassifications have been made to the financial statements as of and for the year ended August 31, 2009, in order to conform to the presentation used for the financial statements as of May 31, 2010. These reclassifications had no effect on results of operations or stockholders' equity as previously reported.

Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued

Unaudited financial statements: The financial statements as of May 31, 2010 and for the three and nine months ended May 31, 2010 and 2009 are unaudited. In the opinion of management, the unaudited financial statements include all adjustments, consisting on normal recurring adjustments, necessary for the fair presentation of the financial position and results of operations as of such date and for such periods. Results of interim periods are not necessarily indicative of the results to be expected for the entire fiscal year.

Recent accounting pronouncements: In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51 (codified in ASC Topic 810), as amended by Accounting Standards Update (ASU) 2010-02, Accounting and Reporting Decreases and Ownership in a Subsidiary – a Scope Clarification, which requires recognition of a noncontrolling interest (minority interest) as equity in the financial statements and separate from the parent's equity. It also amends certain consolidation for consistency with the requirements of ASC Topic 805, Business Combinations. The provisions also include expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. This ASC became effective for No Fear on September 1, 2009, and had no effect on No Fear's financial position and results of operations.

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, Determination of the Useful Life of Intangible Assets (codified in ASC Topic 350). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years, and should be applied prospectively to intangible assets acquired after the effective date. Early adoption is not permitted. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives and should be applied to all intangible assets recognized as of, and subsequent to, the effective date. The adoption of FSP FAS 142-3 did not have a material effect on the financial statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (codified in ASC Topic 855) as amended by ASU 2010-09, Amendment to Certain Recognition and Disclosure Requirements, which provides guidance on management's assessment of subsequent events. The new standard clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or available to be issued. The adoption of SFAS No. 165 did not have a material effect on the financial statements.

In June 2009, ASU 2009-01, Topic 105—Generally Accepted Accounting Principles amendments based on Statement of Financial Accounting Standards No. 168—The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the Codification) was issued. This ASU amends the FASB ASC for the issuance of SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. The ASC is the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. On the effective date of SFAS No. 168, the ASC superseded all then-existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in the ASC became nonauthoritative. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Following SFAS No. 168, the FASB does not issue new standards in the form of Statements, FSB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it issues Accounting Standards Updates. Adoption of the ASC did not impact No Fear's practice of preparing financial statements in conformity with GAAP.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (codified in ASC 810 10). SFAS No. 167 amends FIN 46(R) to require an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This Statement requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This Statement is effective for fiscal years beginning after November 15, 2009. No Fear is currently evaluating the impact of the adoption of SFAS No. 167 on its financial statements.

(Expressed in United States Dollars)

Note 2. Fair Value Measurements

The fair value of No Fear's financial and non-financial assets and liabilities are determined in accordance with the fair value hierarchy established in ASC Topic 820, *Fair Value Measurements and Disclosures.* ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy of ASC Topic 820 requires an entity to maximize the use of observable inputs when measuring fair value and classifies those inputs into three levels:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 prices that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

No Fear's financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, related-party payables, term loan and notes payable. These financial assets and liabilities are stated at cost, which approximate their fair values.

Note 3. Supplementary Balance Sheet Information

Equipment and leasehold improvements:

Equipment and leasehold improvements consist of the following:

	As of May 31, 2010 (unaudited)	As of August 31, 2009	As of August 31, 2008
Leasehold Improvements			
Cost	$ 3,724,590	$ 3,623,151	$ 3,940,860
Accumulated Depreciation	2,387,343	1,930,956	1,414,805
Net book value	1,337,247	1,692,195	2,526,055
Furniture and fixtures			
Cost	1,190,496	1,178,830	908,718
Accumulated Depreciation	904,433	736,471	445,077
Net book value	286,063	442,359	463,641
Computer equipment and related software			
Cost	536,851	482,235	428,403
Accumulated Depreciation	449,807	384,290	241,198
Net book value	87,044	97,945	187,205
Vehicles			
Cost	12,623	30,040	46,632
Accumulated Depreciation	3,366	11,633	14,971
Net book value	9,257	18,407	31,661
Assets not yet placed in service	27,948	17,042	47,453
	$ 1,747,559	$ 2,267,948	$ 3,256,015

(Expressed in United States Dollars)

Note 3. Supplementary Balance Sheet Information, Continued

Depreciation expense for the three months ended May 31, 2010 and 2009 was approximately $243,000 and $353,000, respectively (unaudited) and for the nine months ended May 31, 2010 and 2009 was approximately $719,000 and $997,000, respectively (unaudited). Depreciation expense for the years ended August 31, 2009, 2008 and 2007 was approximately $1,298,000, $1,245,000 and $1,147,000, respectively.

Other current liabilities: Other current liabilities consist of the following:

	As of May 31, 2010 (unaudited)	As of August 31, 2009	As of August 31, 2008
Accounts payable and accrued expenses	$ 1,607,156	$ 1,193,632	$ 1,177,075
Deferred revenue (gift cards)	292,494	257,081	204,038
Accrued rent, store closure	963,049	185,000	-
Accrued store credit	91,657	76,480	75,473
Sales taxes payable	731,172	749,613	322,327
Accrued percentage rent	2,193	47,115	168,545
Accrued sales returns and other accruals	49,681	47,064	48,491
	$ 3,737,402	$ 2,555,985	$ 1,995,949

Note 4. Intangible Assets and Goodwill

Intangible assets consist of the following:

	As of May 31, 2010 (unaudited)	As of August 31, 2009	As of August 31, 2008
Subject to amortization:			
Trademark license agreements	$ 238,834	$ 238,834	$ 238,834
Noncompete agreements	100,833	100,833	100,833
	339,667	339,667	339,667
Accumulated amortization	(299,619)	(256,286)	(183,600)
	$ 40,048	83,381	156,067
Not subject to amortization, goodwill	$ 941,624	$ 941,624	$ 941,624

Amortization expense recognized on all amortizable intangibles was approximately $13,000 and $17,000 for the three months ended May 31, 2010 and 2009, respectively (unaudited), $43,000 and $58,000 for the nine months ended May 31, 2010 and 2009, respectively (unaudited), and $73,000, $92,000 and $92,000 for the years ended August 31, 2009, 2008 and 2007, respectively. Amortization expense is included in general and administrative expenses in the accompanying statements of operations.

As of August 31, 2009, approximate future amortization expense is as follows:

Years Ending August 31,	Amount
2010	$ 53,000
2011	30,000
Total minimum amortization expense	$ 83,000

(Expressed in United States Dollars)

Note 5. Term Loan

In December 2007, No Fear entered into an agreement for a $2,000,000 line of credit with a bank. The line of credit was secured by substantially all No Fear's assets, bears interest at the bank's prime rate plus 1 percent and was scheduled to mature on December 15, 2008. All indebtedness under the line of credit was guaranteed by No Fear's chief executive officer and president.

In December 2008 and January 2009, No Fear was granted 30-day extensions on the facility. In February 2009, the line of credit was converted to an installment note, payable in monthly installments of principal and interest through February 2010, with interest at the bank's prime rate (3.25% as of May 31, 2010 and August 31, 2009, and 5.00% as of August 31, 2008) plus 1.25 percent. The term loan is secured by substantially all No Fear's assets and is guaranteed by No Fear's chief executive officer and president. In August 2009, No Fear and the bank entered into a loan revision agreement under which the amounts of the remaining monthly installments payable under the note were decreased, the term of the note was extended to August 2010 and interest on the loan was increased to the bank's prime rate plus 1.75 percent. In December 2009, No Fear and the bank entered into a loan revision agreement under which the amount of the remaining monthly installments payable under the note were decreased, the term of the note was extended to December 2010 and the interest on the loan was increased to the bank's prime rate plus 2.25 percent. The loan requires No Fear to comply with various financial and nonfinancial covenants including (i) a maximum ratio of total senior liabilities to tangible net worth plus subordinated debt, (ii) a minimum tangible net worth plus subordinated debt and (iii) a minimum net income at fiscal year end. At August 31, 2009 and at May 31, 2010, No Fear was not in compliance with certain financial and nonfinancial covenants, which the bank subsequently waived.

Note 6. Notes Payable

Notes payable consist of the following:

	As of May 31, 2010 (unaudited)	As of August 31, 2009	As of August 31, 2008
Acquisition note payable [a]	$ 365,000	$ 445,000	$ 500,000
Construction promissory notes, bearing interest at 8%, due on demand	234,878	246,614	591,652
Credit card advance [b]	531,499	-	-
Other	100,000	-	125,000
	$ 1,231,377	$ 691,614	$ 1,216,652

[a] No Fear had an acquisition note payable due on June 12, 2008. On June 12, 2008, No Fear refinanced the note payable with the same creditor. The refinanced note bears interest at 12% and is due upon 30-day written notice from the seller.

[b] In November 2009, No Fear entered into a credit card receivables advance agreement with an institution. The agreement allows No Fear to receive advances on No Fear's future credit card receivables as limited by the institution. In November 2009, No Fear received a $500,000 advance and is making daily installment payments in the amount of $2,192 as required by the agreement until a total of $570,000 is repaid. In December 2009, No Fear received a second $500,000 advance and is making installment payments on each business day in the amount of $2,192 as required by the agreement until a total of $570,000 is repaid. The facility is subordinate to the term loan and is secured by a second lien on substantially all of No Fear's assets.

Note 7. Related-Party Transactions

Trademarks: As discussed in Note 1, No Fear was a wholly owned subsidiary of Simo Holdings until March 4, 2010. Through August 31, 2008, Simo Holdings owned sole rights to certain licenses and trademarks, including all No Fear-branded products sold by No Fear's retail stores and, effective September 1, 2008, assigned to No Fear all right, title and interest to the No Fear trademark and related trademarks in the United States of America. The trademarks, which had no carrying value for financial statements, have certain associated deferred tax benefits in the amount of approximately $214,000 which were recorded to additional paid-in capital as a noncash contribution of intangibles by Simo Holdings. As a result of the assignment of the No Fear trademarks, No Fear receives royalty income from Simo Holdings. These royalties consist of funds from the license to PepsiCo, Inc. for a No Fear-branded energy drink and wholesale sale of No Fear-branded product. The agreement with No Fear MX, Inc., a wholly owned subsidiary of Simo Holdings, for the production of No Fear-branded motocross equipment is currently royalty free through August 2010.

Inventory: No Fear purchases its entire inventory from Simo Holdings. Simo Holdings has purchasing and vendor relationships with its affiliates for certain third-party products. Proprietary branded goods are purchased at Simo Holdings' wholesale selling price and third party-branded merchandise is purchased at Simo Holdings' cost. No Fear has full right of return on all unsold inventory purchased from Simo Holdings and its subsidiaries.

In September 2006, No Fear entered into a noninterest-bearing revolving line of credit in the amount of $6,000,000 with Simo Holdings for the purchase of inventory. The line of credit is secured by all of the assets of No Fear and is subordinate to the bank term loan (Note 5). Borrowings and payments on the line of credit are recorded in the accompanying balance sheets as related-party payables.

Operating expenses: Simo Holdings, from time to time, may pay certain operating expenses and purchases and leasehold improvements on behalf of No Fear. The amounts paid by Simo Holdings are recorded in the accompanying balance sheets as related-party payables.

Management fees: Simo Holdings allocates certain expenses to No Fear in the form of management fees directly related to the operations of No Fear, including expenses for facilities, payroll and payroll-related expenses, legal and accounting, and other miscellaneous expenses. No Fear and Simo Holdings believe the allocations reflect reasonable utilization of the services provided and the benefits received.

(Expressed in United States Dollars)

Note 7. Related-Party Transactions, Continued

Related-party payables (receivables) consist of the following:

Balance at August 31, 2006	$	5,455,379
Inventory purchases		26,794,456
Inventory returns		(5,925,999)
Operating expenses		11,643,108
Management fees		540,000
Royalty income earned		-
Royalty income received		-
Payments		(34,274,543)
Balance at August 31, 2007	$	4,232,401
Inventory purchases		29,313,442
Inventory returns		(5,939,098)
Operating expenses		1,132,360
Management fees		722,556
Royalty income earned		-
Royalty income received		-
Payments		(26,848,153)
Balance at August 31, 2008	$	2,613,508
Inventory purchases		26,178,220
Inventory returns		(4,796,727)
Operating expenses		34,661
Management fees		713,460
Royalty income earned		(1,465,317)
Royalty income received		152,229
Payments		(22,343,228)
Balance at August 31, 2009	$	1,086,806

	For the three months ended May 31,		For the nine months ended May 31,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Beginning balance, net	$ (420,075)	$ 871,768	$ 1,086,806	$ 2,613,508
Inventory purchases	6,580,446	6,941,037	21,044,265	19,480,748
Inventory returns	(1,810,113)	(1,080,216)	(6,059,652)	(3,733,208)
Operating expenses	26,507	146,578	565,411	691,329
Management fees	193,581	179,760	550,311	539,280
Royalty income earned	(295,418)	(358,270)	(987,125)	(1,079,996)
Royalty income received	40,430	37,945	115,789	109,017
Payments	(3,977,611)	(4,841,960)	(15,978,058)	(16,724,036)
Ending balance, net	$ 337,747	$ 1,896,642	$ 337,747	$ 1,896,642
Related party receivable	$ (354,266)	$ -	$ (354,266)	$ -
Related party payable	692,013	1,896,642	692,013	1,896,642
	$ 337,747	$ 1,896,642	$ 337,747	$ 1,896,642

(Expressed in United States Dollars)

Note 8. Income Taxes

Income tax expense consists of the following:

	For the year ended August 31,		
	2009	2008	2007
Current provision:			
Federal	$ 456,187	$ 469,217	$ 809,108
State	113,923	123,766	208,447
	570,110	592,983	1,017,555
Deferred provision:			
Federal	(166,955)	(483,828)	(432,792)
State	(25,561)	(48,541)	(62,198)
	(192,516)	(532,369)	(494,990)
Income Tax Expense	$ 377,594	$ 60,614	$ 522,565

Income tax expense differs from the amount computed by applying a combined federal and state statutory rate of 39 percent to income from operations as follows:

	For the year ended August 31,		
	2009	2008	2007
Income tax expense at federal income tax rate	$ 299,435	$ 14,866	$ 430,704
State income taxes, net of federal benefit	50,900	4,555	75,376
Nondeductible expenses	42,001	15,804	7,914
Change in blended state tax rates	-	28,649	-
Other adjustments	(14,742)	(3,260)	8,571
	$ 377,594	$ 60,614	$ 522,565

The net deferred tax assets consist of the following:

	As of August 31,	
	2009	2008
Current deferred tax assets:		
Inventory	$ 258,047	$ 248,751
Other	142,487	171,950
	400,534	420,701
Noncurrent deferred tax assets:		
Deferred rent	384,987	255,537
Deferred lease credits	299,054	386,151
Long-lived assets	1,491,994	1,126,332
Other	18,422	-
	2,194,457	1,768,020
Total deferred tax assets	$ 2,594,991	$ 2,188,721

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 ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax-planning strategies in making this assessment.

(Expressed in United States Dollars)

Note 9. Commitments and Contingencies

Leases: At May 31, 2010, No Fear leased 54 store premises under operating leases that generally have initial terms of 10 years. Most of these store leases provide for base rentals and require the payment of a percentage of sales as additional rent when sales exceed specified levels. Additionally, some of these store leases contain construction allowances and/or rent holidays. In recognizing landlord incentives and minimum rent expense, No Fear amortizes the charges on a straight-line basis over the lease term.

A summary of approximate fixed minimum and contingent rent expense for all operating leases is as follows:

	Three months ended May 31,		Nine months ended May 31,		Years ended August 31,		
	2010	2009	2010	2009	2009	2008	2007
	(unaudited)		(unaudited)				
Store rent:							
Fixed minimum	$ 1,095,000	$ 896,000	$ 3,126,000	$ 2,706,000	$ 3,524,000	$ 3,135,000	$ 2,514,000
Contingent	7,000	72,000	42,000	208,000	33,000	117,000	282,000
Total store rent, excluding common area maintenance charges, real estate taxes and certain other expenses	1,102,000	968,000	3,168,000	2,914,000	3,557,000	3,252,000	2,796,000
Allocated office rent	18,000	19,000	54,000	63,000	71,000	74,000	61,000
Total rent expense	$ 1,120,000	$ 987,000	$ 3,222,000	$ 2,977,000	$ 3,628,000	$ 3,326,000	$ 2,857,000

These leases generally provide for periodic rent adjustments and generally require No Fear to pay executory costs such as property taxes, insurance and maintenance expenses. These expenses are not included above and totaled approximately $506,000 and $505,000 for the three months ended May 31, 2010 and 2009, respectively (unaudited), approximately $1,469,000 and $1,513,000 for the nine months ended May 31, 2010 and 2009, respectively (unaudited), and $2,023,000, $1,766,000 and $1,338,000 for the years ended August 31, 2009, 2008 and 2007, respectively.

As of August 31, 2009, approximate future minimum rental payments under operating leases, including lease commitments for unopened stores, are as follows:

Years Ending August 31,	Amount
2010	$ 3,155,000
2011	2,795,000
2012	2,447,000
2013	2,085,000
2014	1,813,000
Thereafter	4,025,000
Total minimum lease payments	$ 16,320,000

In August 2009, No Fear was served with a complaint for breach of one of its store leases by the landlord of that location. The complaint requests approximately $126,000 for unpaid rent, late charges, interest and general damages. The parties agreed, subject to execution of a final settlement agreement, to settle their outstanding dispute in June 2010 (Note 13).

In October 2009, No Fear was served with a complaint for breach of one of its store leases by the landlord of that location. The complaint requests damages in an unspecified amount, but in excess of $50,000. No Fear intends to vigorously defend against this claim and does not believe it will suffer a material adverse effect on its financial position, results of operations or liquidity at this time as a result of this complaint (Note 13).

(Expressed in United States Dollars)

Note 9. Commitments and Contingencies, Continued

Litigation: No Fear is, from time to time, subject to legal proceedings and claims which arise in the normal course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not have a material adverse effect on No Fear's financial position, results of operations or liquidity.

Note 10. Common Stock

No Fear is authorized to issue 100,000,000 shares of common stock, with a par value of $0.0001 per share. No Fear had 40,000,000 shares issued and outstanding at May 31, 2010 and August 31, 2009, 2008 and 2007, respectively.

Each share of common stock is entitled to one vote. The holders of common stock are also entitled to receive noncumulative dividends whenever funds are legally available and when declared by the board of directors. To date, no dividends have been declared.

Note 11. Capital Risk Management

No Fear's objectives when managing capital is to safeguard the entity's ability to continue as a going concern and continue to provide returns and benefits for its shareholders. No Fear's capital is defined as line of credit, term loans, notes payable, related-party payables and stockholders' equity as presented on the balance sheet. No Fear's capital is as follows:

	As of May 31, 2010	As of August 31,	
		2009	2008
	(unaudited)		
Loans	$ 1,931,713	$ 1,891,950	$ 2,916,523
Related-party payables	692,013	1,086,806	2,613,508
Stockholders' equity	2,969,116	3,677,098	2,960,239
	$ 5,592,842	$ 6,655,854	$ 8,490,270

No Fear does not establish quantitative return on capital criteria for management or internally imposed restrictions, but rather promotes year-over-year sustainable profitable growth. No Fear may adjust its capital mix in order to manage its capital structure.

Note 12. Reconciliation Between United States and Canadian Generally Accepted Accounting Principles

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States and from practices prescribed by the Securities and Exchange Commission (collectively US GAAP) which differ in certain respects with accounting principles generally accepted in Canada (Canadian GAAP). No additional material measurement and presentation differences exist between US GAAP and Canadian GAAP with respect to these financial statements. No Fear has included additional disclosure in these financial statements below in order to comply with Canadian GAAP.

(Expressed in United States Dollars)

Note 12. Reconciliation Between United States and Canadian Generally Accepted Accounting Principles, Continued

Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and involve uncertainties and the exercise of significant judgement. The fair value of financial assets and financial liabilities approximates their carrying value due to their short term maturity. The classification of the financial instruments as well as their carrying values is shown in the following table:

May 31, 2010 (unaudited)	Held for trading	Loans and receivables	Other financial liabilities	Total carrying value
Financial assets				
Cash	$ 656,988	$ -	$ -	$ 656,988
Related-party receivables	-	354,266	-	354,266
Construction allowances and other receivables	-	108,719	-	108,719
	$ 656,988	$ 462,985	$ -	$ 1,119,973
Financial liabilities				
Term loan	$ -	$ -	$ 700,336	$ 700,336
Notes payable	-	-	1,231,377	1,231,377
Related-party payables	-	-	692,013	692,013
Income taxes payable to Simo Holdings	-	-	1,887,429	1,887,429
Deferred royalty revenue	-	-	123,250	123,250
Accrued payroll expense	-	-	443,951	443,951
Other current liabilities	-	-	3,737,402	3,737,402
	$ -	$ -	$ 8,815,758	$ 8,815,758

August 31, 2009	Held for trading	Loans and receivables	Other financial liabilities	Total carrying value
Financial assets				
Cash	$ 609,978	$ -	$ -	$ 609,978
Construction allowances and other receivables	-	25,778	-	25,778
	$ 609,978	$ 25,778	$ -	$ 635,756
Financial liabilities				
Term loan	$ -	$ -	$ 1,200,336	$ 1,200,336
Notes payable	-	-	691,614	691,614
Related-party payables	-	-	1,086,806	1,086,806
Income taxes payable to Simo Holdings	-	-	2,163,325	2,163,325
Accrued payroll expense	-	-	342,164	342,164
Other current liabilities	-	-	2,555,985	2,555,985
	$ -	$ -	$ 8,040,230	$ 8,040,230

Note 12. Reconciliation Between United States and Canadian Generally Accepted Accounting Principles, Continued

August 31, 2008	Held for trading	Loans and receivables	Other financial liabilities	Total carrying value
Financial assets				
Cash	$ 632,250	$ -	$ -	$ 632,250
Construction allowances and other receivables	-	303,830	-	303,830
	$ 632,250	$ 303,830	$ -	$ 936,080
Financial liabilities				
Line of credit	$ -	$ -	$ 1,699,871	$ 1,699,871
Notes payable	-	-	1,216,652	1,216,652
Related-party payables	-	-	2,613,508	2,613,508
Income taxes payable to Simo Holdings	-	-	1,598,289	1,598,289
Accrued payroll expense	-	-	326,911	326,911
Other current liabilities	-	-	1,995,949	1,995,949
	$ -	$ -	$ 9,451,180	$ 9,451,180

Financial risk management

Financial risk is the risk to No Fear's earnings that arises from fluctuations in market risk (including interest rate risk, foreign currency risk), credit risk and liquidity risk. No Fear's business practices seek to minimize any potential adverse effects on No Fear's financial performance. No Fear's financial instruments that are included in the balance sheets are comprised of cash and cash equivalents, construction allowances, related party receivables and other receivables, accounts payable and accrued liabilities, term loan, notes payable and related-party payables. As of the balance sheet date, there are no significant differences between the carrying value of these items and their estimated fair values because they are short-term in nature.

Market risk

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. No Fear's exposure to interest rate fluctuations is primarily related to the term loan which bears interest at a floating rate that is reset periodically. No Fear does not use any derivative financial instruments to reduce its exposure to interest rate risk.

The potential effect of a 100 basis points increase or decrease in interest rates on No Fear's net income (unaudited) assuming all other variables remain constant would be $3,000 and $7,000 for the three months ended May 31, 2010 and 2009, respectively, $5,000 and $7,000 for the nine months ended May 31, 2010 and 2009, respectively and $6,000, $3,000 and $0 for the years ended August 31, 2009, 2008 and 2007, respectively.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. No Fear has no financial instruments related to currency risk. All operations of No Fear are in U.S. dollars and No Fear reports in U.S. dollars.

Note 12. Reconciliation Between United States and Canadian Generally Accepted Accounting Principles, Continued

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will default on its obligations. No Fear's maximum exposure to credit risk consists of the carrying value of its cash and construction allowances and other receivables. No Fear places its cash with an FDIC insured financial institution.

Credit risk with respect to construction allowances and other receivables is mitigated through (i) construction allowances with multiple landlords and (ii) the sales to thousands of different individual retail customers. No exposure to any single landlord with respect to construction allowances is material and no customer accounted for more than 1% of total sales. As a result, No Fear was not exposed to any particular credit risk concentration for the three and nine months ended May 31, 2010 and 2009, and the years ended August 31, 2009, 2008 and 2007, respectively.

Liquidity risk

Liquidity risk is the risk that No Fear is not able to meet its financial obligations as they become due. No Fear finances its operations through a combination of the cash flows from operating activities, notes payable and advances from its Parent. No Fear's goal is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. As of May 31, 2010 (unaudited), No Fear had a $700,336 term loan with a maturity of December 1, 2010, $1,231,377 in notes payable to three parties with maturities under one year and $4,181,353 in accounts payable and accrued liabilities. All financial liabilities have contractual maturities of one year or less as of May 31, 2010.

Financial Assets

Held for trading

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets can be designated by No Fear upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net earnings during the period.

Held-to-maturity

Financial assets that have a fixed maturity date and which No Fear has a positive intention and the ability to hold to maturity are classified as held-to-maturity, which are subsequently re-measured at amortized cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets in return for a promise to pay on a specified date, or on demand, usually with interest. Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

Note 12. Reconciliation Between United States and Canadian Generally Accepted Accounting Principles, Continued

Available-for-sale

Available-for-sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available-for-sale are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

Financial liabilities

Held for trading

Financial liabilities that are held with the intention of generating profits in the near term and derivative contracts that are financial liabilities, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial liabilities can be designated and effective hedging instrument, are classified as held for trading. In addition, other financial liabilities can be designated by No Fear upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net earnings during the period.

Other liabilities

Non-derivative financial liabilities that have not been designated as held for trading are classified as other liabilities which are subsequently re-measured at amortized cost using the effective interest rate method.

No Fear has classified its financial instruments as follows:

Financial instrument	Classification
Cash and cash equivalents	Held for trading
Related party receivable	Loans and receivables
Construction allowances and other receivables	Loans and receivables
Line of credit	Other liabilities
Term loan	Other liabilities
Notes payable	Other liabilities
Related party payables	Other liabilities
Deferred royalty revenue	Other liabilities
Accrued payroll expense	Other liabilities
Other current liabilities	Other liabilities

International Financial Reporting Standards

The Canadian Institute of Chartered Accountants (CICA) plans to converge Canadian Generally Accepted Account Principles with International Financial Reporting Standards (IFRS) effective January 1, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The transition from Canadian GAAP to IFRS will be applicable in the first quarter ended November 30, 2011, when No Fear will prepare both the current and comparative financial information using IFRS. The quarter ended November 30, 2010 will require the initial IFRS decisions to be implemented to allow for comparability in the following year. Parallel financial statements (using Canadian GAAP and IFRS) will therefore begin in the quarter ended November 30, 2010. The impact of the transition to IFRS on No Fear's financial statements is not yet determinable.

Note 13. Subsequent Events

Store closures: In August 2009, No Fear was served with a complaint for breach of one of its store leases by the landlord of that location. In June 2010, the parties agreed, subject to a final settlement agreement which was executed in July 2010, to settle their outstanding dispute and release each other from all obligations under the lease based on a periodic payment schedule amounting to $350,000 through March 2011.

In October 2009, No Fear was served a complaint for breach of one of the leases by the landlord of that location. In October 2010, the parties agreed, subject to a final settlement agreement which has not been executed, to settle their outstanding dispute for $100,000 and release each other from all obligations under the lease based on a periodic payment schedule through May 2011.

No Fear management closed one store in August 2010, and one store in September 2010. Net sales from these stores totaled approximately $191,000 and $651,000 for the three and nine months ended May 31, 2010, respectively, and approximately $99,000 and $281,000 for the three and nine months ended May 31, 2009, respectively. The store closed in August was operated under a one year lease that expired on the day that the store was closed. The store closed in September was operated under a one year lease that would have expired in January 2011. No impairment has been recorded in relation to store closures as there was no significant book value recorded for leasehold improvements.

New stores: Since May 31, 2009, No Fear has opened two additional retail stores in Texas.

Gatorz: No Fear has entered into a merger agreement with a publicly traded company on the TSX Venture Exchange for a potential reverse merger. Consummation of the transaction contemplated by the merger agreement is subject to a number of conditions, including financing and regulatory approval. The first stage of the transaction, including a minority equity swap and integration of physical operations, was completed March 4, 2010, resulting in Gatorz owning 2.25 percent of No Fear's common shares. On August 4, 2010, Gatorz announced that it filed a preliminary prospectus in connection with the proposed marketed offering of common shares.

Litigation: In June 2010, Simo Holdings and No Fear were named in litigation by a third party seeking repayment of loans made to Simo Holdings. As No Fear is not a party to the loans, No Fear believes the claims asserted against it in the lawsuit are without merit and will defend itself vigorously in the lawsuit. Further, Simo Holdings has agreed to defend and fully indemnify No Fear in connection with the lawsuit.

Royalties: In July 2010, No Fear and PepsiCo, Inc. agreed to terminate the license agreement for the "No Fear" branded energy drink based on a staged transition of territories, all of which will be terminated no later than December 31, 2011. As outlined in the termination agreement, No Fear received an advance in its fourth fiscal quarter on future royalties due under the license agreement. The advance will be accounted for as deferred royalty revenue and amortized over the remainder of the agreement.

Term loan: In June 2010, the term loan was amended to lower the tangible net worth covenant to not less than $2,000,000 as measured on a quarterly basis; and to eliminate the covenant for the ratio of total senior liabilities to tangible net worth plus subordinated debt.

Note 13. Subsequent Events, Continued

Notes payable: As discussed in Note 6, No Fear entered into a credit card receivables advance agreement with an institution in November 2009. The agreement allows No Fear to receive advances on No Fear's future credit card receivables as limited by the institution. In August 2010, No Fear received an additional $500,000 advance and is making additional daily installment payments in the amount of $2,192 as required by the agreement until a total of $570,000 is repaid.

Related party transactions: In September 2010, No Fear began purchasing proprietary and third party branded products from unaffiliated vendors. No Fear no longer purchases its products from Simo Holdings and does not have return rights on unsold inventory. As a result, in subsequent periods No Fear will maintain a reserve for excess or obsolete inventory.

APPENDIX B5

Gatorz Inc.

Unaudited Pro Forma Consolidated Financial Statements
June 30, 2010

(Expressed in United States Dollars)

Gatorz Inc
Unaudited Pro Forma Consolidated Financial Statements
June 30, 2010
(Expressed in United States Dollars)

Balance Sheet

	Gatorz Inc. as of June 30, 2010	No Fear Retail Stores, Inc. as of May 31, 2010	Unaudited Pro Forma Adjustments	Note 2	Gatorz Inc. Unaudited Pro Forma Consolidated as of June 30, 2010
Assets					
Current Assets					
Cash	$196,796	$656,988	$3,440,500	(b)	$3,046,021
			(240,835)	(b)	
			(800,000)	(e)	
			(207,428)	(f)	
Construction allowances and other receivables	380,626	108,719	(163,437)	(c)	301,628
			(24,280)	(c)	
Inventory	262,676	6,248,548	(72,375)	(d)	6,438,849
Related-party receivables	-	354,266	-		354,266
Prepaid expenses and other current assets	250,665	324,499	(226,885)	(e)	32,073
			(316,206)	(e)	
Future tax assets	-	400,534	-		400,534
Total current assets	1,090,763	8,093,554	1,389,054		10,573,371
Equipment and Leasehold Improvements, net	-	1,747,559	-		1,747,559
Goodwill	-	941,624	4,431,690	(a)	5,373,314
Intangible Assets	47,244	40,048	1,462,756	(a)	1,550,048
Deposits and Other Assets	732,000	142,779	(732,000)	(i)	142,779
Future Tax Assets	-	2,194,457	-	(a)	2,194,457
Total Assets	$1,870,007	$13,160,021	$6,551,500		$21,581,528

See accompanying notes to unaudited pro forma consolidated financial statements.

Gatorz Inc
Unaudited Pro Forma Consolidated Financial Statements
June 30, 2010
(Expressed in United States Dollars)

Balance Sheet, Continued

	Gatorz Inc. as of June 30, 2010	No Fear Retail Stores, Inc. as of May 31, 2010	Unaudited Pro Forma Adjustments	Note 2	Gatorz Inc. Unaudited Pro Forma Consolidated as of June 30, 2010
Liabilities & Shareholder's Equity					
Current Liabilities					
Line of credit	$99,860	$700,336	-		$800,196
Notes payable	694,588	1,231,377	-		1,925,965
Related-party payables	-	692,013	(163,437)	(c)	528,576
Income taxes payable to parent	-	1,887,429	-		1,887,429
Deferred royalty revenue	-	123,250	-		123,250
Accrued payroll expense	-	443,951	-		443,951
Other current liabilities	1,326,812	3,737,402	101,298	(a)	4,390,713
			(24,280)	(c)	
			(316,206)	(e)	
			(226,885)	(e)	
			(207,428)	(f)	
Total current liabilities	2,121,260	8,815,758	(836,938)		10,100,080
Deferred Lease Credits	-	682,188	-		682,188
Deferred Rent	-	580,594	-		580,594
Other Liabilities	-	112,365	-		112,365
Future Tax Liabilities	-	-	590,410	(a)	590,410
Total liabilities	2,121,260	10,190,905	(246,528)		12,065,637
Shareholders' Equity					
Share Capital	4,206,197	4,000	(4,206,107)	(a)	2,333,665
			(70,000)	(a)	
			3,440,500	(b)	
			(240,835)	(b)	
			(800,000)	(e)	
			(90)	(i)	
Compensation Options			70,000	(b)	70,000
Convertible Debenture	495,843	-	(495,843)	(a)	-
Contributed Surplus	178,558	2,448,238	(178,558)	(a)	2,448,238
Retained Earnings (Deficit)	(5,131,851)	516,878	9,875,818	(a)	4,663,988
			(72,375)	(d)	
			207,428	(f)	
			(731,910)	(i)	
	(251,253)	2,969,116	6,798,028		9,515,891
Total Liabilities and Shareholders' Equity	$1,870,007	$13,160,021	$6,551,500		$21,581,528

See accompanying notes to unaudited pro forma consolidated financial statements.

Gatorz Inc
Unaudited Pro Forma Consolidated Financial Statements
June 30, 2010
(Expressed in United States Dollars)

Income Statement

	Gatorz Inc. Twelve Months ended June 30, 2010	No Fear Retail Stores, Inc. Twelve Months ended May 31, 2010	Unaudited Pro Forma Adjustments	Note 2	Gatorz Inc. Unaudited Pro Forma Consolidated Twelve Months ended June 30, 2010
Sales, net	$1,737,285	$38,157,199	($141,912)	(d)	$39,671,841
			(80,731)	(g)	
Cost of goods sold	987,517	20,508,333	(69,537)	(d)	21,345,582
			(80,731)	(g)	
Gross Profit	749,768	17,648,866	(72,375)		18,326,259
Operating expenses:					
Selling	716,350	6,810,053	-		7,526,403
General and administrative	404,192	12,013,358	(207,428)	(f)	12,512,122
			302,000	(h)	
Impairment loss	-	110,551	-		110,551
- Total operating expenses	1,120,542	18,933,962	94,572		20,149,076
Operating income (loss)	(370,774)	(1,285,096)	(166,947)		(1,822,817)
Royalty income	-	1,372,446	-		1,372,446
Interest expense	(106,227)	(227,886)	-		(334,113)
Income (loss) from operations before income taxes	(477,001)	(140,536)	(166,947)		(784,484)
Income tax expense	-	120,090	-		120,090
Net income (loss)	($477,001)	($260,626)	(166,947)		(904,574)
Basic and fully diluted income (loss) per share (note 3)	($0.09)				($0.05)

See accompanying notes to unaudited pro forma consolidated financial statements.

Note 1. Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements of Gatorz Inc. ("Gatorz") has been prepared by management in accordance with Canadian generally accepted accounting principles. The unaudited pro forma consolidated financial statements have been prepared for inclusion in Gatorz' prospectus prepared for an offering of shares and a TSX Venture Exchange ("TSXV") filing statement prepared in connection with the reverse takeover acquisition of No Fear Retail Stores, Inc. ("No Fear"). The initial stage of the acquisition consists of a share exchange agreement between Gatorz, No Fear and Simo Holdings, Inc. ("Simo Holdings"), pursuant to which, on March 4, 2010, Gatorz issued to Simo Holdings 7,500,000 common shares (937,500 post-consolidation as described below) in exchange for the transfer by Simo Holdings of 900,000 common shares of No Fear. Immediately prior to the closing of the reverse takeover acquisition, Gatorz proposes to consolidate the currently outstanding common shares of Gatorz on the basis of one (1) new common share for every eight (8) old outstanding common shares of Gatorz. All per share numbers of Gatorz unless otherwise noted in the accompanying unaudited pro forma consolidated financial statements are presented on a post-consolidation basis. Pursuant to the merger agreement dated April 26, 2010 between Gatorz and No Fear, No Fear's majority shareholder, Simo Holdings will receive approximately 12,384,375 new common shares of Gatorz and 6,555,240 new preferred shares in exchange for all of the common shares of No Fear. As described in Note 2(b), Gatorz intends on completing a concurrent financing of a minimum of CAD$3,500,000. The acquisition and the financing are subject to regulatory approval. As a result, there are no assurances that the acquisition and the financing will be completed. Gatorz is a public company listed on the TSXV. Since the announcement of the first stage of the transaction on July 31, 2010, Gatorz' stock has been halted. No Fear is a retailer of action sports and casual youth lifestyle apparel and accessories targeting young adults and teens. The shareholders of No Fear are Simo Holdings (97.75%) and Gatorz (2.25%). Simo Holdings is majority owned by Mark Simo and Brian Simo.

The unaudited pro forma consolidated financial statements are derived from (i) the audited consolidated financial statements of Gatorz for the year ended December 31, 2009 and the unaudited interim financial statements for the six months ended June 30, 2009 and 2010, and (ii) the unaudited interim financial statements for the nine months ended May 31, 2009 and 2010 and the audited financial statements for the year ended August 31, 2009 of No Fear, together with other information available to the companies. See "*Notes 4 and 5*". In management's opinion, the unaudited pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the transactions described below. The unaudited pro forma financial information is presented for informational purposes only and is not intended to represent or to be indicative of the combined results of operations or financial position that Gatorz would have reported had the transaction been completed as of the dates described, and should not be taken as representative of the Gatorz' future results of operations or financial position.

The unaudited pro forma consolidated financial statements give effect to the proposed transactions and assumptions as if they had occurred as at June 30, 2010 for the balance sheet and at July 1, 2009 for the income statement. In preparing these unaudited pro forma financial statements, no adjustments have been made to reflect operating synergies and general and administrative cost savings that may result from combining the operations. The unaudited pro forma consolidated income statement for the twelve month period was prepared from (i) the income statement of Gatorz for the twelve months ended December 31, 2009 and the unaudited interim income statements for the periods ended June 30, 2009 and 2010, and (ii) the income statement of No Fear for the year ended August 31, 2009 and the unaudited interim income statements for the nine month periods ended May 31, 2009 and 2010. Accounting policies used in the unaudited consolidated pro forma financial statements are consistent with the policies used by Gatorz and No Fear in their financial statements.

(Expressed in United States Dollars)

Note 2. Pro Forma Adjustments and Assumptions

The unaudited pro forma adjustments reflected in the unaudited pro forma consolidated financial statements are as follows:

(a) Gatorz plans to issue 12,384,375 new common shares and 6,555,240 new preferred shares to purchase all of the issued and outstanding shares of No Fear held by Simo Holdings (39,100,000 shares) (the "Acquisition").

The unaudited pro forma consolidated financial statements assume a reverse takeover ("RTO") for accounting purposes, resulting in a capital transaction. Although, the legal parent in the acquisition is Gatorz, for accounting purposes, control is deemed to pass to the legal subsidiary, No Fear. The acquisition will be accounted for using the purchase method of accounting with the purchase price being allocated to the fair value of the acquired assets and liabilities and the excess will be recorded as goodwill. The purchase price of CAD$4,292,457 (US $4,219,485) was calculated by multiplying the offering price of CAD $0.80 (US $0.80) by the 4,969,279 shares outstanding not held by Simo Holdings and 132,523 shares that may be issued on conversion of Gatorz's convertible debenture assuming conversion at CAD $4.32 and includes estimated acquisition costs in the amount of CAD$211,015 (US $207,428). The assets acquired and liabilities assumed are to be recorded at their estimated fair values, which are based on preliminary management estimates and are subject to final valuation adjustments.

Under reverse takeover accounting, No Fear is deemed to have acquired the following net assets (liabilities) of Gatorz, recorded at their fair value as follows:

Purchase price	$4,219,485
Cash	$196,796
Other assets	893,967
Intangible assets	1,510,000
Accounts and notes payable	(2,121,260)
Future tax liability	(590,410)
Interest on convertible debenture	(101,298)
Net assets (liabilities)	(212,205)
Goodwill	4,431,690

The acquisition is subject to regulatory approval.

(b) Concurrently with the closing of the Acquisition, Gatorz will proceed with a public financing by way of prospectus by issuing a minimum of 4,375,000 new shares at CAD $0.80 per share for CAD $3,500,000 (US $3,440,500) in gross proceeds. In connection with the financing, Gatorz will pay an Agent's fee of 7.0% of the gross proceeds. In addition, Gatorz will grant an option to the Agent for the Offering to purchase that number of shares equal to 10% of the aggregate number of shares subscribed. The fair value of these options is estimated to be US $70,000, which has been treated as cost of the offering and charged to share capital. Gatorz has recorded US $240,835 as a share issuance cost based on the minimum public financing.

Note 2. Pro Forma Adjustments and Assumptions, Continued

(c) As of June 30, 2010, Gatorz has an outstanding receivable from Simo Holdings of $163,437 for product shipped to Simo Holdings and No Fear has an outstanding payable to Simo Holdings for the same amount to cover the cost of Gatorz product sold from Simo Holdings to No Fear. Simo Holdings transfers product it purchases from third party vendors to No Fear at cost. An adjustment of $163,437 has been made to eliminate the Gatorz' receivable and eliminate the No Fear's payable to Simo Holdings. Gatorz also has an outstanding payable to Simo Holdings for $24,280 for services performed by No Fear under a shared services agreement and No Fear has an outstanding receivable from Gatorz for the same amount. An adjustment of $24,280 has been made to eliminate Gatorz' payable and the No Fear receivable.

(d) Gatorz product held for sale in No Fear's stores is accounted for as inventory on No Fear's financial statements at the wholesale cost paid to Gatorz. As a result of the transaction, Gatorz product held for sale in No Fear's stores will be held at Gatorz' cost. An adjustment in the amount of $141,912 has been made to eliminate the sales from Gatorz to No Fear that are held in inventory at No Fear as of May 31, 2010 and Gatorz' associated costs of goods sold in the amount of $69,537. In addition, in order to reduce the value of Gatorz inventory held by No Fear, an adjustment in the amount of $72,375 has been made to inventory to reflect the difference between No Fear's carrying cost and Gatorz' cost. A corresponding adjustment of $72,375 has been made to reduce retained earnings (deficit).

(e) Costs of the offering have been estimated to be $800,000 and therefore cash has been reduced by this amount with a corresponding decrease in share capital. Of the estimated costs, $226,885 and $316,206 have been recorded on the balance sheet as other current assets and accounts payable of Gatorz at June 30, 2010 and No Fear at May 31, 2010 respectively. An adjustment has been made to reduce the other current assets and accounts payable by a total of $543,091.

(f) In order to conform with the accounting policies of Gatorz, $207,428 of acquisition costs recorded as an expense by No Fear have been reversed and added to the purchase price. This amount was included in accounts payable and consequently an adjustment has been recorded to reduce cash and accounts payable by $207,428.

(g) An adjustment in the amount of $80,731 has been made to eliminate Gatorz' sales of product to No Fear that were sold by No Fear to third parties in the twelve months ended May 31, 2010 along with No Fear's associated cost of goods sold of those transactions.

(h) As a result of the transaction, Gatorz has recorded identifiable intangibles of $1,510,000 associated with the intangible assets of Gatorz. An adjustment in the amount of $302,000 has been made to general and administrative expenses to reflect amortization of the identifiable intangibles as if the transaction had occurred on the first day of the period. The intangible assets are amortized on a straight line basis over five years.

(i) As of June 30, 2010, Gatorz had an asset of $732,000 related to its investment in No Fear. As a result of the transaction, an adjustment in the amount of $732,000 has been made to eliminate Gatorz' investment. As No Fear is the acquiring entity for accounting purposes, a corresponding adjustment has been made to reduce share capital by $90, representing the paid up capital of 900,000 shares owned by Gatorz, and retained earnings by $731,910, representing the difference between the fair value of the shares and its paid up capital.

(Expressed in United States Dollars)

Note 3. Basic Income (Loss) per Share

The calculation of pro forma consolidated basic income (loss) per share in the unaudited pro forma consolidated income statements for the twelve months ended June 30, 2010 is based on the weighted average number of common shares of Gatorz outstanding for the twelve months ended June 30, 2010, plus the common shares issued had the transactions described in note 2 occurred.

	Twelve months ended June 30, 2010
Total weighted average shares outstanding	5,122,956
Shares issued on acquisition (note 2(a))	12,384,375
Pro forma weighted average shares outstanding – basic	17,507,331

Note 4. Gatorz Pro Forma Consolidated Income Statement

The Gatorz unaudited pro forma income statement for the twelve months ended June 30, 2010 has been prepared for the purpose of these unaudited pro forma consolidated financial statements and does not conform with the financial statements of Gatorz included in the prospectus and filing statement. The unaudited pro forma consolidated income statement for the twelve months ended June 30, 2010 has been constructed as follows:

	Twelve Months ended December 31, 2009	(Plus) Six Months ended June 30, 2010	(Minus) Six Months ended June 30, 2009	(Equals) Twelve Months ended June 30, 2010
	(audited)	(unaudited)	(unaudited)	(unaudited)
Sales, net	$1,666,138	$912,820	$841,673	$1,737,285
Cost of goods sold	969,282	431,377	413,142	987,517
Gross Profit	696,856	481,443	428,531	749,768
Operating expenses:				
Selling	832,967	310,452	427,069	716,350
General and administrative	460,444	140,749	197,001	404,192
Impairment loss	-	-	-	-
Total operating expenses	1,293,411	451,201	624,070	1,120,542
Operating income (loss)	(596,555)	30,242	(195,539)	(370,774)
Interest expense	(97,582)	(57,772)	(49,127)	(106,227)
Income (loss) from operations before income taxes	(694,137)	(27,530)	(244,666)	(477,001)
Income tax expense (benefit)	-	-	-	-
Net income (loss)	($694,137)	($27,530)	($244,666)	($477,001)

Gatorz Inc
Unaudited Pro Forma Consolidated Financial Statements
June 30, 2010
(Expressed in United States Dollars)

Note 5. No Fear Pro Forma Consolidated Income Statement

The No Fear unaudited pro forma income statement for the twelve months ended May 31, 2010 has been prepared for the purpose of these unaudited pro forma consolidated financial statements and does not conform with the financial statements of No Fear included in the prospectus and filing statement. The unaudited pro forma consolidated income statement for the twelve months ended May 31, 2010 has been constructed as follows:

	Twelve Months ended August 31, 2009 (audited)	(Plus) Nine Months ended May 31, 2010 (unaudited)	(Minus) Nine Months ended May 31, 2009 (unaudited)	(Equals) Twelve Months ended May 31, 2010 (unaudited)
Sales, net	$39,307,941	$27,733,823	$28,884,565	$38,157,199
Cost of goods sold	21,277,889	15,126,037	15,895,593	20,508,333
Gross Profit	18,030,052	12,607,786	12,988,972	17,648,866
Operating expenses:				
Selling	6,479,970	5,172,512	4,842,429	6,810,053
General and administrative	11,846,581	9,207,669	9,040,892	12,013,358
Impairment loss	110,551	-	-	110,551
Total operating expenses	18,437,102	14,380,181	13,883,321	18,933,962
Operating income (loss)	(407,050)	(1,772,395)	(894,349)	(1,285,096)
Royalty income	1,465,317	987,125	1,079,996	1,372,446
Interest expense	(177,568)	(191,608)	(141,290)	(227,886)
Income (loss) from operations before income taxes	880,699	(976,878)	44,357	(140,536)
Income tax expense (benefit)	377,594	(268,896)	(11,392)	120,090
Net income	$503,105	($707,982)	$55,749	($260,626)

Note 6. Pro Forma Share Capital

After giving effect to the pro forma assumptions in note 2, the issued and fully paid share capital of Gatorz would be as follows:

	Common Shares	
	Number	Amount
Balance, Gatorz, June 30, 2010	5,906,779	$4,206,197
Eliminate Gatorz' share capital on acquisition		(4,206,107)
Eliminate Gatorz' investment in No Fear (note 2(h))		(90)
Shares issued to acquire outstanding shares of No Fear (note 2(a))	12,384,375	-
Issuance of shares pursuant to concurrent financing (note 2(b))	4,375,000	3,440,500
Issuance costs pursuant to concurrent financing (notes 2(b) and 2(e))		
Cash commissions		(240,835)
Financing costs		(800,000)
Fair value of agent's warrants (note 2(b))		(70,000)
No Fear's share capital		4,000
Pro forma balance, June 30, 2010	22,666,154	2,333,665

AUDIT COMMITTEE CHARTER

1. ESTABLISHMENT OF COMMITTEE

1.1 Establishment of the Audit Committee Confirmed

The establishment of the audit committee of the board of directors of Gatorz Inc. is hereby confirmed with the purpose, constitutions and responsibilities herein set forth.

1.2 Certain Definitions.

In this mandate:

(a) "Board" means the board of directors of GATORZ Inc.;

(b) "Chair" means the chair of the Committee;

(c) "Committee" means the audit committee of the Board;

(d) "Director" means a member of the Board;

(e) "External Auditor" means the person occupying the office of auditor of the Corporation in accordance with the Canada Business Corporations Act;

(f) "Internal Auditor" means the person responsible for the internal audit function with respect to GATORZ Inc.;

(g) "Mandate" means this written mandate of the Committee and any such mandate for the Committee which the Board resolves from time to time shall be the mandate of the Committee;

(h) "MI 52-110" means Multilateral Instrument 52-110 – Audit Committees; and

(i) "IBF" means GATORZ Inc.

2. PURPOSE AND OBJECTIVE

2.1 Purpose

The Committee's purpose is to assist the Board in the discharge of its obligations in connection with:

(a) the integrity of the company's financial statements;

(b) the company's compliance with legal and regulatory requirements;

(c) the external Auditor's qualifications and independence; and

(d) the integrity of the company's internal control and management information systems.

2.2 Discharge of Responsibilities

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Sections 8 and 9 of this Mandate.

3. AUTHORITY AND OUTSIDE ADVISERS

The Board authorizes the Committee, within the scope of its responsibilities, to seek information it requires from any employee. The Board further authorizes the Committee to communicate directly with internal and external auditors in fulfillment of this mandate.

The Committee shall also have the authority to retain (and terminate) such outside legal, accounting or other advisors as it may consider appropriate and shall not be required to obtain the approval of the Board in order to retain or compensate such advisors. The Committee shall have sole authority to set and approve related fees and retention terms.

4. COMMITTEE MEMBERSHIP

4.1 Number of Members

The Committee shall consist of not fewer than three Directors, at least twenty-five percent of whom shall be Canadian residents. For greater certainty, every member of the Committee must be a Director.

4.2 Independence of Members

Unless otherwise determined by the Board and permitted by ML 52-110, the Committee shall be composed solely of Directors, half of whom a) have no direct or indirect material relationship with IBF which could, in the view of the Board, reasonably interfere with the exercise of such Director's independent judgment; and b) are otherwise independent as determined in accordance with ML 52-110.

4.3 Financial Literacy

(a) Requirement - Each member of the Committee shall be financially literate.

(b) Definition - "Financially literate" shall mean that the member is capable of understanding and interpreting financial statements and competent in the analysis of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues reasonably expected to be raised in the preparation and presentation of IBF's financial statements.

4.4 Accounting or Related Financial Experience

Each member should have education and experience that is relevant to his or her responsibilities as an audit committee member including:

(a) an understanding of generally accepted accounting principles and financial statements;

(b) ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the IBF's financial statements, or experience actively supervising one or more persons engaged in such activities;

(d) an understanding of internal controls and procedures for financial reporting; and

(e) an understanding of audit committee functions.

4.5 Annual Appointment of Members

The members of the Committee shall be appointed by the Board. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

4.6 Vacancy

The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors. When such vacancy is the result of the death, disability or resignation of a member of the Committee and where the Board is required to fill such vacancy, the Committee member so appointed shall be exempt from the independence and financial literacy requirements in Sections 4.2 and 4.3 respectively until the later of (i) the next annual general meeting of IBF or (ii) the date that is six months from the day the vacancy was created.

5. COMMITTEE CHAIR

5.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee (or if it fails to do so, the members of the Committee shall appoint the Chair from among its members). If, at any meeting, the Chair is not in attendance, then the Vice-Chair, if any, shall be responsible for chairing the meeting and for delivering a casting vote, as necessary.

5.2 Chair to be Appointed Annually

The designation of its Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5.3 Casting Vote

In case of an equality of votes, the Chair in addition to his original vote shall have a second or casting vote.

6. COMMITTEE MEETINGS

6.1 Quorum

A quorum of the Committee shall be a majority of its members (present in person or by telephone). No business shall be transacted by the Committee except at a meeting at which a quorum of the Committee is present.

6.2 Secretary

The Secretary of the Committee will be the Secretary of the Board, unless otherwise appointed by the Chair. The Secretary may, but need not, be a member of the Committee.

6.3 Time and Place of Meetings

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly. In addition, meetings may be called by any member of the Committee, CFO, or by the External Auditor on not less than 48 hours' notice unless such notice is waived by all members of the Committee and by the External Auditor.

6.4 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

6.5 Invitees

The External Auditor, the Chief Executive Officer and the Chief Financial Officer of the Corporation shall be entitled to receive notice of and to be heard at each meeting of the Committee, as nonvoting observers. The

Committee may additionally invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

6.6 Non-Management Sessions

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee reviews the interim financial statements, the Committee shall meet separately with each of:

(a) management; and

(b) the External Auditor.

In addition, at the conclusion of all other meetings of the Committee, the non-management directors shall meet without any member of management being present (including any Director who is a member of management).

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Director Fees Only

Members of the Committee, will be entitled to a fee of $1,000 for each Audit Committee meeting attended and the Chairman of the Committee will receive an additional $1,000 annually.

7.2 Other Payments

For greater certainty, no member of the Committee shall accept any consulting, advisory or other compensatory fee from the Corporation and its subsidiaries or affiliates unless approved by the Board.

8. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

8.1 Financial and Related Information

(a) Financial Reporting - The Committee shall only review annual and interim financial reports and related financial documents for release to the public after, if applicable, the External Auditor has reviewed such material.

(b) Annual Financial Statements - The Committee shall review and discuss with management and the External Auditor, Corporation's annual financial statements and related MD&A and report thereon to the Board before the Board approves those statements for release to the public.

(c) Interim Financial Statements - The Committee shall review and discuss with management and, if applicable the External Auditor, Corporation's interim financial statements and related MD&A before they are submitted to the Board of Directors for approval and release to the public.

(d) Annual and Interim Earnings – The Committee shall review and discuss with management and, if applicable, the External Auditor, the press releases relating to the Corporation's annual and interim earnings before such press releases are publicly disclosed.

(e) Accounting Treatment - The Committee shall review and discuss with management and the External Auditor on a timely basis:

i) major issues regarding accounting policies, principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;

ii) analyses prepared by management and, if applicable, the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative GAAP methods on the financial statements;

iii) the effect on the financial statements of the Corporation of regulatory and accounting initiatives and issues, as well as off-balance sheet transactions, structures, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Corporation;

iv) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;

v) any financial information or financial statements in prospectuses and other offering documents;

vi) the management certifications of the financial statements as may be required by applicable securities laws in Canada or otherwise, and all certifications and reports of any disclosure committee established by management from time to time;

vii) any other relevant reports or financial information submitted by the Corporation to any governmental body or to the public.

(f) Discussion of Accounting Treatments - The Committee shall have direct communication channels with the External Auditor to discuss and review specific issues as appropriate.

(g) Disclosure of Other Financial Information - The Committee shall review and discuss with management and the External Auditor:

i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases paying particular attention to any use of “pro forma” or “adjusted” non-GAAP, information; and

ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and

iii) the public disclosure of any other financial information extracted from financial statements other than the public disclosure referred to in (a), (b)and (c).

(h) Review of Communications - The Committee shall review with the External Auditor all material written communication between the External Auditor and management including, but not limited to, the management letter and any schedule of unadjusted differences.

(i) Assessment of Review Procedures – the Committee shall periodically assess the adequacy of the review procedures described in Section 8.1(h).

8.2 External Auditor

(a) Authority with Respect to External Auditor - As the representative of the Corporation’s shareholders, the Committee shall be directly responsible for overseeing the work of the External Auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. The Committee shall require the External Auditor to acknowledge in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.

(b) Selection of External Auditor – The committee shall have sole responsibility for recommending to the Board the External Auditor to be nominated to the Corporation shareholders for appointment and whether at any time the incumbent External Auditor should be removed from office. The Committee shall not recommend an External Auditor who is not a participating audit firm as defined in National Instrument 52-108 – Auditor Oversight.

(c) Compensation of External Auditor – The Committee shall have sole responsibility for recommending the compensation of the External Auditor to the Board.

(d) Competency of External Auditor - Once each year (and otherwise as the Chair may consider appropriate) the Committee shall review with the External Auditor its performance and that of the lead audit partner and obtain and review a report by the External Auditor describing:

i) the External Auditor's internal quality-control procedures;

ii) any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues;

iii) all material relationships between the External Auditor and Corporation (for the purposes of assessing the auditor's independence); and

iv) to review annually with the External Auditor its performance and that of its lead audit partner.

(e) Review of Audit Problems - The Committee shall review with the External Auditor any audit problems or difficulties and management's response.

(f) Independence - The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process:

i) The Committee shall require the External Auditor to submit on a periodic basis to the Committee, a formal written statement delineating all relationships between the External Auditor and the Corporation and that the Committee is responsible for actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and for recommending that the Board take appropriate action in response to the External Auditors' report to satisfy itself of the External Auditors' independence; and

ii) The Committee shall pre-approve any non-audit services provided by the External Auditor to the Corporation or any of its subsidiaries and may delegate such pre-approval authority to one or more of its independent members. The pre-approval of all such non-audit services by any member to whom such authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval.

iii) The Committee shall review and approve the Corporation's hiring policies with respect to partners, employees and former employees of present and former External Auditors.

8.3 Management Response

The Committee shall obtain management's response to significant remarks or findings of the External Auditor and shall follow-up as required on the status of the implementation of corrective measures.

8.4 Related Party Transactions

The Committee shall review and approve all related party transactions in which the Corporation is involved or which it proposes to enter into.

8.5 Risk Assessment, Risk Management and Internal Control

The Committee shall gain an understanding of the Corporation's business and shall discuss its major financial risk exposures and the steps management has taken to monitor and control such exposures. The Committee shall assess and evaluate management's internal control plan. The Committee shall obtain regular updates from management and legal counsel regarding compliance matters.

8.6 Other Matters

The Committee shall perform any other activities consistent with this Mandate, Corporation's bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

9. WHISTLE BLOWING AND ETHICS POLICY

9.1 Procedure

As soon as practicable the Committee shall put in place procedures for:(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, ethics or auditing matters; and (b) the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting, ethics or auditing matters.

10. REPORTING TO THE BOARD

10.1 Regular Reporting

The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate (provided that the Committee shall report to the Board at least four times per year) and shall ensure that the Board is made aware of matters that may significantly affect the financial condition or affairs of the Corporation.

11. EVALUATION OF COMMITTEE PERFORMANCE

11.1 Establish Process

In time, the Board shall establish a process for all committees of the Board for assessing the performance of such committees on a regular basis and, once established, the Committee shall follow such process in assessing its performance.

11.2 Amendments to Mandate

(a) Review by Audit Committee - The Committee shall recommend to the Board on an annual basis, any amendments it considers desirable to this mandate.

(b) Review by Board - The Board will review and reassess the adequacy of the Mandate on an annual basis and at such other times as it considers appropriate.

CERTIFICATE OF GATORZ INC.

Date: November 1, 2010

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

By: (Signed) KERRY LYNCH Chief Executive Officer	By: (Signed) PAT WESTFALL Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) SCOTT SAMUEL Director	By: (Signed) MARK ALDEN Director

CERTIFICATE OF THE REVERSE TAKEOVER ACQUIROR
NO FEAR RETAIL STORES, INC.

Date: November 1, 2010

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

By: (Signed) MARK SIMO Chief Executive Officer	By: (Signed) KEN AURIGEMMA Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) SCOTT BENJAMIN Director	By: (Signed) BRIAN SIMO Director

CERTIFICATE OF AGENT

Date: November 1, 2010

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

Octagon Capital Corporation

By: (Signed) JOHN PALUMBO

John Palumbo
President & Chief Executive Officer