

**STATE OF ARKANSAS
SECURITIES DEPARTMENT**

IN THE MATTER OF
CITY CYCLES, INC.

ORDER PROVIDING A
TRANSACTIONAL EXEMPTION
FROM REGISTRATION
NO. 99-072-S

FINDINGS OF FACT

1. On December 10, 1999, a letter was received by the Arkansas Securities Commissioner requesting that the proposed offering and sale of fifty percent (50%) of the shares of the capital stock (the "Stock") of City Cycles, Inc. (the "Company"), to Craig Zeidiker and Brendon Quirk (the "Transaction"), be determined to be an exempt transaction pursuant to Ark. Code Ann. § 23-42-504(a)(12).

2. The Company is a corporation organized under the laws of the State of Arkansas. The Stock consists of 120 shares of the capital stock of the Company owned by Anthony Karkins, Patrick Barron, and Bruce Thalheimer (the "Sellers").

3. The buyers will be Craig Zeidiker and Brendon Quirk (the "Buyers"). The Buyers currently own fifty percent (50%) of the outstanding stock and at the completion of the Transaction will own one hundred percent (100%) of the outstanding stock of the Company.

4. An exemption from registration has been requested pursuant to the Commissioner's discretionary authority under Ark. Code Ann. § 23-42-504(a)(12). The Sellers and the Buyers have fully and completely been involved in the negotiation of an agreement for the sale of the Stock, and they have been, or had the opportunity to be represented in these

negotiations by counsel. The Buyers have had access to financial and other information concerning the parties as is necessary to make an informed investment decision. Based upon the foregoing, the Transaction is not the type the Arkansas Securities Act (the "Act") was designed to protect by requiring registration.

CONCLUSIONS OF LAW

1. Under Section 23-42-504(a)(12) of the Act, the Commissioner may by order exempt certain transactions from Sections 23-42-501 and 23-42-502 of the Act as not being necessary or appropriate in the public interest for the protection of investors.
2. It is not necessary or appropriate in the public interest for the protection of investors for the Sellers or the Buyers to be required to register the Transaction under the Act for the purposes of the contemplated offering.
3. It is not necessary or appropriate in the public interest for the protection of investors for the Sellers or the Buyers to be required to engage the services of a registered agent for the purpose of making sales of the securities.

OPINION

In recognition of the representations made by the Sellers, it appears registration of this Transaction is unnecessary in this instance.

This order does not exempt the Sellers or the Buyers from the antifraud provisions of the Act.

ORDER

IT IS THEREFORE ORDERED that securities offered or sold in Arkansas for the proposed Transaction, if offered and sold in compliance with the representations made in the

letter of December 10, 1999, and the attached exhibits, and in accordance with the Findings of Fact stated herein, shall be exempted from Sections 23-42-501 and 23-42-502 of the Act.

WITNESS MY HAND AND SEAL this 13th day of December 1999.


MAC DODSON
SECURITIES COMMISSIONER

December 10, 1999

Mac Dodson
Securities Commissioner
Arkansas Securities Department
Heritage West Building
Little Rock, Ar 72201

Dear Commissioner Dodson,

Anthony Karkins, Patrick Barron, and Bruce Thalheimer are involved in a transaction whereby they are selling 50% of the shares of City Cycle, Inc. back to the managing shareholders. The selling shareholders are not involved in the day to day management of the business.

We are requesting you to enter an order pursuant to Ark. Code Ann. S 23-42-504 (a) (12) determining the transaction is exempt.

The buyers are represented by counsel, and have access to all information regarding the corporation.

Enclosed are copies of the Articles of Incorporation and Bylaws of the corporation and an order for your convenience.



Bruce A. Thalheimer

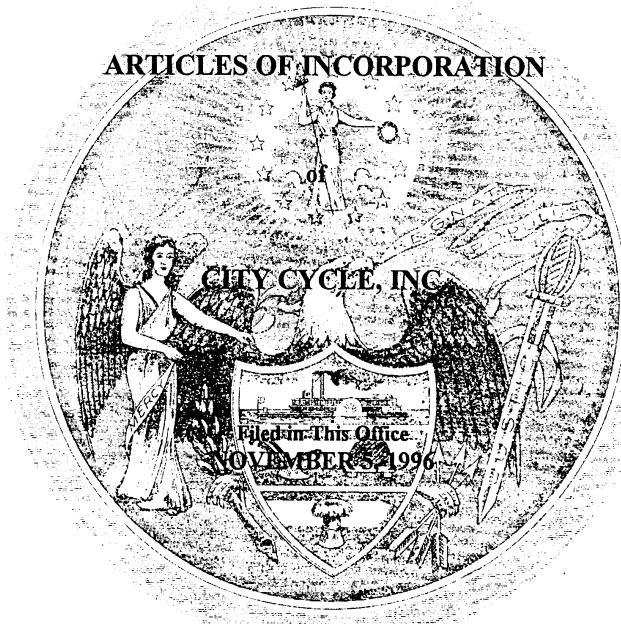
Secretary of State
State Capitol
Little Rock, Arkansas 72201-1094

STATE OF ARKANSAS
SECRETARY OF STATE

Sharon Priest
Secretary of State

To All to Whom These Presents Shall Come, Greetings:

I, Sharon Priest, Secretary of State of Arkansas, do hereby certify that the following and hereto attached instrument of writing is a true and perfect copy of



In Testimony Whereof, I have hereunto set my hand and affixed my official Seal. Done at my office in the City of Little Rock, this 5TH day of NOVEMBER 19 96

Sharon Priest

Secretary of State

ARTICLES OF INCORPORATION
OF
CITY CYCLE, INC.

I, the undersigned, in order to form a corporation for the purposes hereinafter stated, under and pursuant to the Arkansas Business Corporation Act, hereby certify as follows:

ARTICLE I

The name of the corporation is City Cycle, Inc.

ARTICLE II

The nature of the business or objects or purposes for which this corporation is granted, are as follows:

(A) To engage in the business of owning and operating a bicycle shop for sales and services of bicycles and sporting goods;

(B) To engage in or carry on any business whatsoever that this corporation may deem proper or convenient in connection with the operation of the business or otherwise that it may deem calculated, directly or indirectly, to improve the interest of this corporation.

(C) To conduct any other business not contrary to law and to engage in any lawful business activity for profit.

ARTICLE III

The period for which this corporation shall exist, unless at an earlier date it is voluntarily dissolved through proper

corporate action, shall be perpetual.

ARTICLE IV

The principal office of the corporation shall be located within Pulaski County, and it may have such branch office or offices elsewhere as may be thought necessary by its board of directors.

ARTICLE V

The name and address of the registered agent and registered office for service of this corporation is Thomas L. Barron, 212 Center Street, Suite 600, Little Rock, Arkansas 72201.

ARTICLE VI

The aggregate number of shares which the corporation shall have the authority to issue is Three Hundred (300) shares of common stock with a one dollar (\$1.00) par value per share of stock. Said shares authorized may be issued to the shareholders or a portion retained as Treasury stock to be determined at the first joint meeting of the Board of Directors, shareholders and officers.

ARTICLE VII

The amount of paid-in capital with which this corporation shall begin is Three Hundred Dollars and no cents (\$300.00).

ARTICLE VIII

The name and address of the incorporator is as follows:

Tony Karklins
4220 Kenyon
Little Rock, Arkansas 72205

ARTICLE IX

The number of directors constituting the initial Board of Directors shall be six (6). The director(s) shall have the option of electing an additional director in the event the number of shareholders shall become more than six, but are not required to do so.

ARTICLE X

The President, Vice-President, Secretary and Treasurer of the corporation shall have the authority on behalf of the corporation to enter into any contract between the corporation and all of its shareholders (a) imposing restrictions on the future transfer, hypothecation or other disposition of its shares; (b) granting purchase options to the corporation or its shareholders; or (c) requiring the corporation or its shareholders to purchase such shares upon stated contingencies. In addition, any and all of such restrictions, options or requirements may be imposed on all shares of the corporation, issued and unissued, upon the unanimous resolution of the Board of Directors and the consent of all stockholders as of the date of the Board's resolution.

ARTICLE XI

No contract entered into by this corporation shall be invalid or unenforceable because of the interest of any director in the contract either directly or indirectly.

ARTICLE XII

The purpose for which this corporation is organized and the powers which it has hereunder are not in diminution or limitation of the general powers granted to and required by corporations under the Act first hereinabove referred to, but are in addition to the general powers provided by such Act.

ARTICLE XIII

Pursuant to Section 1244 of the Internal Revenue Code, this corporation adopts the following plan:

- (A) The plan shall be effective upon the filing of these Articles of Incorporation with the Secretary of State of Arkansas.
- (B) This corporation is authorized to offer and issue One Thousand (1000) shares of Common Stock on or after the effective date hereof. The corporation may designate a portion of the total number of shares authorized to be Treasury stock for possible issuance at a later date.
- (C) This corporation shall offer and issue such shares of common stock on the effective date hereof until the first to occur of (i) two years after the adoption of this plan, or (ii) the date on which this corporation shall make a subsequent offer of any stock.
- (D) The maximum amount to be received by this corporation in consideration of the common stock to be issued hereunder shall be Five Hundred Thousand Dollars.
- (E) There are no offers to sell any other stock of the corporation outstanding, and the corporation shall offer and issue only such common stock described during the term hereof.

IN WITNESS WHEREOF, the undersigned hereby declare and certify
that the statements, matters and things set forth hereinabove are
true, and have accordingly hereunto set our hands this 5th day of
November, 1996.

Tony Karklins
TONY KARKLINS, Incorporator

VERIFICATION

STATE OF ARKANSAS)
) ss:
COUNTY OF PULASKI)

I, Tony Karklins, upon oath state:

That I have read the above and foregoing document and the
information contained therein is true and correct to the best of my
information, knowledge and belief.

Tony Karklins
TONY KARKLINS, Incorporator

Sworn to and subscribed
before me, this 5th day
of November, 1996.

Korid Cauer
NOTARY PUBLIC

My commission expires: 9-27-2003

BYLAWS
OF
CITY CYCLE, INC.

ARTICLE I
STOCK

1. CERTIFICATES. Certificates of stock shall be issued to each holder of fully paid stock in numerical order. Each certificate shall be signed by the President and attested by the Secretary. A record of each certificate shall be kept in the corporation's record book.

2. FORM. The form of the certificate to represent stock ownership in the corporation shall be fixed by the original incorporators and may be changed from time to time by the Board of Directors.

3. TRANSFERS. Shares of the corporation shall be transferred on its books only upon the surrender to the corporation of the share certificates duly endorsed.

4. LOST CERTIFICATES. The Board shall direct a new certificate to be issued in place of a certificate alleged to have been destroyed or lost if the owner makes an affidavit to that effect.

5. RESTRICTIONS ON TRANSFER. The President and Secretary of the corporation shall have the authority on behalf of the corporation to enter into any contract between the corporation and all of its shareholders (a) imposing restrictions on the future transfer (whether inter vivos, by inheritance or gift),

hypothecation or other disposition of its shares; (b) granting purchase options to the corporation or its shareholders; or (c) requiring the corporation or its shareholders to purchase such shares upon stated contingencies. In addition, any or all of such restrictions, options or requirements may be imposed on all shares of the corporation, issued and unissued, upon the unanimous resolution of the Board of Directors and the consent of all stockholders as of the date of the resolution.

ARTICLE II
STOCKHOLDERS

1. ANNUAL MEETING. The annual meeting of the stockholders of this corporation shall be held at such place within the continental limits of the United States as the directors shall designate, the date of the meeting to be the last business day of the corporation's fiscal year.

2. SPECIAL MEETINGS. Special meetings of the stockholders may be called at any time by the President, by resolution of the Board, or by any member of the Board of Directors.

3. NOTICE. Written notice of stockholders' meetings shall be given either personally or by mail, to each stockholder of record, not less than ten (10) nor more than fifty (50) days before the meeting is to be held. If a proposal to increase the authorized capital stock or bonded indebtedness is to be submitted, notice must be given not less than sixty (60) nor more than seventy-five (75) days before the meeting. In case of special meetings, the notice shall also include a statement of the purposes for which the meeting is called. Notice of any meeting or service of such notice

may be waived in writing before or after the meeting by a stockholder or by the attendance in person or by proxy of any stockholder at such meeting. No irregularity of notice of any regular or special meeting of the stockholders shall invalidate such meeting or any proceeding thereat.

4. QUORUM. A quorum at any meeting of the stockholders shall consist of a majority in interest in the stock issued and outstanding then entitled to vote, represented in person or by proxy. A majority of such quorum shall decide any question that may come before the meeting.

5. PROXIES. A stockholder may vote at any meeting of the stockholders by being present in person or by giving to some other person present at the meeting a written proxy.

6. VOTING. In the election of Directors the holder of each share of stock then entitled to vote shall be entitled to cast votes equal to the number of Directors to be elected. Directors shall be elected at the annual meeting of stockholders. In all other matters to be determined at a stockholder's meeting the holders of shares of stock then entitled to vote shall be entitled to cast votes equal to the number of shares held.

7. INFORMAL ACTION BY SHAREHOLDERS. Unless otherwise provided by law, any action required to be taken at a meeting of the shareholders, or any other action which may be taken at a meeting of the shareholders, may be taken without a meeting if all shareholders consent in writing, setting forth the action taken, signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

ARTICLE III

DIRECTORS

1. GENERAL POWERS. The business and affairs of the corporation shall be managed by its Board of Directors.

2. NUMBER, TENURE AND QUALIFICATIONS. The number of Directors of the corporation shall be the same as the number stated in the Articles of Incorporation. Each Director shall hold office for the term for which he is qualified. Directors need not be residents of Arkansas nor shareholders of the corporation.

3. VACANCIES. If a vacancy occurs in the Board of Directors by reason of death or resignation, or if the shareholders fail to fill all of the vacancies in the Board at the annual meeting of shareholders or any other meeting, the vacancies shall be filled by the affirmative vote of a majority of the remaining members of the Board of Directors.

4. REMOVAL. A Director may be removed at any time, with or without cause, by a special stockholders' meeting called expressly for that purpose.

5. RESIGNATIONS. A Director may resign at any time by filing his written resignation with the Secretary.

6. MEETINGS. Meetings of the Board shall be held on call of any member after giving notice in writing or otherwise to all members at least twenty-four (24) hours prior thereto. Notice of any meeting or service of such notice may be waived in writing at or before the meeting.

7. QUORUM. A quorum of any meeting of the Board shall consist of a majority of the entire membership of the Board. A

majority of such quorum shall decide any question that may come before the board.

8. INFORMAL ACTION. Action taken by a majority of the Directors without a meeting in respect to any corporate matter shall be valid if, before or after such action, all Board members sign and file with the Secretary for inclusion in the corporate minute book a memorandum showing (a) the nature of the action taken, (b) the consent of each Board Member, and (c) the names of Directors approving and opposing such action.

9. PROXIES. Directors may not vote by proxy.

10. ELECTION OF OFFICERS. Officers of the corporation shall be elected by the Board of Directors and shall serve at the pleasure of the Board subject to any contracts of employment entered into by the corporation. The Board of Directors shall fix the compensation of all officers.

ARTICLE IV

OFFICERS

1. NUMBER. The officers of the corporation shall be a President, one or more Vice-Presidents, a Treasurer, A Secretary and such other officers as may be elected in accordance with these bylaws.

2. EXECUTION OF WRITTEN INSTRUMENTS. The Board of Directors may authorize any one or more officers and/or employees to execute contracts in the ordinary course of business and on behalf of the corporation.

3. REIMBURSEMENT OF PAYMENTS. Any payments made to an officer such as salary, commission, bonus, interest, or rent, or

entertainment expense incurred by him, which shall be disallowed by the Internal Revenue Service, shall be reimbursed by such officer to the corporation to the full extent of such disallowance. It shall be the duty of the Board of Directors to enforce payment.

ARTICLE V

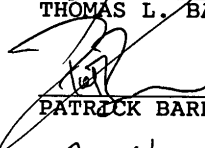
AMENDMENTS

Bylaws may be adopted, amended or repealed at any meeting of the Board of Directors by the vote of a majority thereof, unless the Articles of Incorporation provide for the adoption, amendment or repeal by the shareholders, in which event action thereon may be taken at any meeting of the shareholders by vote of a majority of the voting shares outstanding and a majority of the outstanding shares of any other class which may be substantially adversely affected by such action.


BOARD OF DIRECTORS:



THOMAS L. BARRON, President



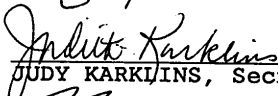
PATRICK BARRON, Vice-President



TONY KARKLINS, Vice-President



CRAIG ZEDIKER, Vice-President



JUDY KARKLINS, Secretary



MARCEL KARKLINS, Treasurer