

Foundation Medicine, Inc.  
Form S-8  
March 07, 2018

As filed with the Securities and Exchange Commission on March 7, 2018

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM S-8**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**FOUNDATION MEDICINE, INC.**

**(Exact Name of Registrant as Specified in its Charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**Foundation Medicine, Inc.**

**27-1316416**  
**(I.R.S. Employer**  
**Identification No.)**

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**150 Second Street**

**Cambridge, MA 02141**

**(617) 418-2200**

**(Address of Principal Executive Offices)**

**Foundation Medicine, Inc. 2013 Stock Option and Incentive Plan**

**(Full Title of the Plans)**

**Troy Cox**

**Chief Executive Officer**

**Foundation Medicine, Inc.**

**150 Second Street**

**Cambridge, MA 02141**

**(Name and Address of Agent For Service)**

**(617) 418-2200**

**(Telephone Number, Including Area Code, of Agent For Service)**

*Copy to:*

**Kingsley L. Taft, Esq.**

**Arthur R. McGivern, Esq.**

**Daniel A. Lang, Esq.**

**Goodwin Procter LLP**

**100 Northern Avenue**

**Boston, MA 02210**

**(617) 570-1000**

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

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

#### CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered <sup>(1)</sup>	Proposed Maximum Offering Price per Share <sup>(2)</sup>	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.0001 par value per share	1,461,671 shares <sup>(3)</sup>	\$80.88	\$118,219,950.48	\$14,718.39

- (1) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the Securities Act), this registration statement on Form S-8 (this Registration Statement) shall also cover any additional shares of common stock of the Registrant, par value \$0.0001 per share (the Common Stock), which become issuable under the Registrant's 2013 Stock Option and Incentive Plan (the Plan) by reason of any stock dividend, stock split, recapitalization or any other similar transaction effected without the receipt of consideration which results in an increase in the number of the Registrant's outstanding shares of Common Stock.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(h) of the Securities Act, and based on the average of the high and low sale prices of the Registrant's Common Stock, as quoted on the Nasdaq Global Select Market, on March 2, 2018.
- (3) Represents an automatic increase to the number of shares available for issuance under the Plan, consisting of an increase of 1,461,671 shares effective January 1, 2018. Shares available for issuance under the Plan were previously registered on registration statements on Form S-8 filed with the Securities and Exchange Commission on September 25, 2013 (Registration No. 333-191380), March 10, 2014 (Registration No. 333-194439),

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January 29, 2015 (Registration No. 333-201756) and March 3, 2017 (Registration No. 333-216413).

## **EXPLANATORY NOTE**

This Registration Statement on Form S-8 registers additional shares of Common Stock under the Registrant's 2013 Stock Option and Incentive Plan (the "Plan"). The number of shares of Common Stock reserved and available for issuance under the Plan is subject to an automatic annual increase on each January 1, which began in 2014, by an amount equal to four percent of the number of shares of Common Stock issued and outstanding on the immediately preceding December 31 or such lesser number of shares of Common Stock as determined by the Administrator (as defined in the Plan). Accordingly, on January 1, 2018, the number of shares of Common Stock reserved and available for issuance under the Plan increased by 1,461,671 shares. This Registration Statement registers these additional 1,461,671 shares of Common Stock. The additional shares are of the same class as other securities relating to the Plan for which the Registrant's registration statements filed on Form S-8 (Registration Nos. 333-191380, 333-194439, 333-201756 and 333-216413) on September 25, 2013, March 10, 2014, January 29, 2015 and March 3, 2017, respectively, are effective. The information contained in the Registrant's registration statements on Form S-8 (Registration Nos. 333-191380, 333-194439, 333-201756 and 333-216413) is hereby incorporated by reference pursuant to General Instruction E.

## **Part II**

### **INFORMATION REQUIRED IN THE REGISTRATION STATEMENT**

#### **Item 8. Exhibits.**

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this Registration Statement, which Exhibit Index is incorporated herein by reference.

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
4.1	<u>Seventh Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed on April 7, 2015).</u>
4.2	<u>Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed on October 2, 2013).</u>
4.3	<u>Form of Common Stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-190226) filed on September 12, 2013).</u>
4.4	<u>Second Amended and Restated Investors' Rights Agreement, by and between the Registrant and the Investors named therein, dated as of June 20, 2013 (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-190226) filed on July 29, 2013).</u>
4.5	<u>Amendment to Second Amended and Restated Investors' Rights Agreement, by and between the Registrant and the Investors named therein, dated January 11, 2015 (incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K filed on January 12, 2015).</u>
4.6	<u>Investor Rights Agreement, by and between the Registrant and Roche Holdings, Inc., dated January 11, 2015 (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed on January 12, 2015).</u>
5.1*	<u>Opinion of Goodwin Procter LLP.</u>
23.1*	<u>Consent of KPMG LLP, independent registered public accounting firm.</u>
23.3	<u>Consent of Goodwin Procter LLP (included in Exhibit 5.1).</u>
24.1	<u>Power of attorney (included on signature page).</u>
99.1	<u>2013 Stock Option and Incentive Plan and forms of agreements thereunder (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-190226) filed on September 12, 2013).</u>

\* Filed herewith.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cambridge, Commonwealth of Massachusetts, on the 7th day of March, 2018.

**FOUNDATION MEDICINE, INC.**

By: /s/ Troy Cox  
 Troy Cox  
*Chief Executive Officer and Director*

**POWER OF ATTORNEY AND SIGNATURES**

KNOW ALL BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints each of Troy Cox, Robert W. Hesslein and Jason Ryan as such person's true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such person in such person's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement on Form S-8, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that any said attorney-in-fact and agent, or any substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following person in the capacities and on the date indicated.

<b>Name</b>	<b>Title</b>	<b>Date</b>
/s/ Troy Cox	Chief Executive Officer and Director	March 7, 2018
Troy Cox	<i>(Principal Executive Officer)</i>	
/s/ Jason Ryan	Chief Financial Officer	March 7, 2018
Jason Ryan	<i>(Principal Financial and Accounting Officer)</i>	
/s/ Michael J. Pellini	Chairman of the Board	March 7, 2018
Michael J. Pellini, M.D.		
/s/ Alexis Borisy	Director	March 7, 2018
Alexis Borisy		

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/s/ Michael R. Dougherty                      Director    March 7, 2018

Michael R. Dougherty

/s/ Sandra Horning                              Director    March 7, 2018

Sandra Horning, M.D.

/s/ Evan Jones                                      Director    March 7, 2018

Evan Jones

/s/ Daniel O Day                                  Director    March 7, 2018

Daniel O Day

/s/ Michael D. Varney                              Director    March 7, 2018

Michael D. Varney, Ph.D.

/s/ Krishan Yeshwant                              Director    March 7, 2018

Krishna Yeshwant, M.D.

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Gain (Loss) from discontinued operations

-

(439,775)

-

	23,751
NET LOSS	
	\$
	(3,157,113)
	\$
	(884,827)
	\$
	(88,280)
	\$
	(59,285)

WEIGHTED AVERAGE SHARES

493,271,409

47,422,242

920,680,426

47,231,044

NET LOSS PER SHARE

(0.006)

(0.019)

(0.000)

(0.001)

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

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**FRANCHISE CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

For the Nine Months Ended

March 31,  
2007

March 31,  
2006

**CASH FLOWS FROM OPERATING  
ACTIVITIES:**

Net Loss	\$	(3,157,113)	\$	(884,827)
Adjustments to reconcile net loss to net cash used				
by operating activities:				
Dividends paid		432,377		582,053
Financing costs		-		137,473
Settlement costs		2,578,766		-
Decrease in prepaid expenses		-		5,497
Increase (decrease) in accounts payable and accrued liabilities		(3,943)		14,360
Net Cash Used by Operating Activities		(149,913)		(145,444)

**CASH FLOWS FROM INVESTING  
ACTIVITIES**

Issuance of Loan Receivable		(1,500,000)		-
Net Cash Used by Investing Activities		(1,500,000)		-

**CASH FLOWS FROM FINANCING  
ACTIVITIES**

Common stock issued for cash		387,238		345,472
Proceeds from stock payable		1,293,431		-
Payment of notes		-		(200,000)
Net Cash Provided by Financing Activities		1,680,669		145,472

**INCREASE IN CASH AND  
EQUIVALENTS**

30,756 28

**CASH AND EQUIVALENTS,  
BEGINNING OF PERIOD**

(16) -

<b>CASH AND EQUIVALENTS, END OF PERIOD</b>	\$	30,740	\$	28
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**Non-Cash Financing Activities:**

Common stock issued for debenture conversions	\$	220,927	\$	137,229
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The accompanying notes are an integral part of these consolidated financial statements.

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**FRANCHISE CAPITAL CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED MARCH 31, 2007**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION**

Franchise Capital Corporation (the Company) a Nevada corporation, was incorporated on July 6, 2001. The Company was formerly named Cortex Systems, Inc. In December of 2004 the Company changed its name to Franchise Capital Corporation, to more accurately reflect its business of developing and franchising casual dining restaurants. The Company acquired the rights to four franchise concepts. Effective December 24, 2004, the Company became an internally managed, closed end investment company electing to be treated as a business development company under the Investment Company Act of 1940, as amended.

In August 2006, the Company abandoned its business model and liquidated all of its investment holdings. On March 13, 2007, the Company held a shareholder meeting at which the Company's shareholders voted to withdraw the Company's election to be a business development company as defined by the 1940 Act. On March 13, 2007, the Company filed for N-54C to formally withdraw the Company's BDC status.

On January 12, 2007 the Company executed a definitive share exchange agreement with TTR HP, Inc. (dba Aero Exhaust, Inc.) pursuant to which the Company agreed to exchange shares of its common stock to acquire 100% of the total issued and outstanding stock of Aero. Once the share exchange is complete, the Company anticipates that the shareholders of Aero will become the majority shareholders of the Company. The share exchange is expected to be consummated at the end of the second quarter of 2007.

Following the share exchange, the Company's business will be that of Aero Exhaust. Aero designs and manufactures performance exhaust systems for both street and race applications. Aero Exhaust has been issued U.S. and Australian patents on its innovations and development in the exhaust industry, and its mufflers are available worldwide through major retailers, mass merchant centers, automotive aftermarket supply stores and wholesalers. Aero Exhaust mufflers are an exclusive National Association for Stock Car Auto Racing (NASCAR) Performance product and carry the NASCAR brand on product, packaging and related media.

*Withdrawal as a Business Development Company*

On December 23, 2006, the Company filed an election with the U.S. Securities and Exchange Commission to become a business development company pursuant to Section 54 of the Investment Company Act of 1940. On August 26, 2005, the Board of Directors unanimously approved the proposal to withdraw the Company's election to be treated as a business development company ( BDC ) as soon as practicable so that it could begin conducting business as an

operating company rather than as a business development company subject to the Investment Company Act. On March 13, 2007, the holders of a majority of the outstanding shares of the Company's common stock approved the proposal to withdraw the Company's election to be treated as a BDC, and on March 13, 2007, a Notification of Withdrawal was filed with the Securities and Exchange Commission. The change in the Company's status eliminates the Company's ability to utilize the fair value method of accounting for subsidiaries that is required of investment companies (see below). In addition, certain financial statement disclosures such as the Statement of Changes in Net Assets and the Schedule of Investments are no longer required or applicable.

*Significant change in method of accounting*

The election to withdraw the Company's election as a BDC under the Investment Company Act has resulted in a significant change in the Company's required method of accounting. Investment company financial statement presentation and accounting utilizes the fair value method of accounting for recording ownership in portfolio or subsidiary companies. This treatment requires that BDCs value their investments at market value as opposed to historical cost. With the Company's withdrawal from the Investment Company Act, the required financial statement presentation and accounting for securities held will be either the equity method or consolidation of accounting depending on the classification of the investment and the Company's ownership percentage.

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*Effect*

As an operating company, the Company must consolidate its financial statements with subsidiaries, thus eliminating the fair value reporting required by BDC's. As a result, in accordance with FAS 154, the accompanying financial statements have been presented on an operating and consolidated basis for all periods presented on a retrospective basis. The effect on the March 31, 2007 financial statements was negligible since all material investment holdings were either liquidated in prior periods or written off.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred material operating losses, has continued operating cash flow deficiencies and has working capital deficit at March 31, 2007. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company believes that the share exchange with Aero Exhaust will be successful and result in the Company's achieving profitability in the short term; however, the Company has not consummated this transaction and there is no guarantee that Aero's operations will prove profitable. The accompanying financial statements do not include any adjustments that might result from this uncertainty. These financial statements should be read in conjunction with the Company's annual report for the year ended June 30, 2006 as filed on Form 10-K.

NOTE 2 COMMON STOCK

Between February and April 2007, the Company converted 100% of the Series C Preferred Stock into shares of common stock. This conversion resulted in the issuance of 1,232,500 shares of restricted common stock. As of March 31, 2007, there were 139,875 shares of preferred stock outstanding, which were converted into 139,875 shares of common stock in April 2007.

In November 2006, the Company agreed to settle litigation with Golden Gate Investors on the past-due convertible debenture which had a principle balance due of \$220,927. Under the terms of the settlement, the Company placed 850,000,000 shares of its restricted common stock into an escrow account for satisfaction of the debenture. Golden Gate is allowed to withdraw the shares from escrow provided that their overall holdings in the Company do not exceed 4.9% of all issued and outstanding common stock. The debenture obligation is reduced by 80% of the average of the five lowest closing bid prices of the Company's common stock over a 90-day period prior to the share withdrawal multiplied by the number of shares being withdrawn. The difference between the value of the shares issued into escrow and the value of the debenture payable was \$2,578,766 and has been recorded as settlement costs in the accompanying financial statements. Under the terms of this settlement, as of March 31, 2007, 699,282,442 shares have been released from escrow and the debenture balance has been reduced to \$155,096.

In connection with the debenture settlement with Golden Gate, Golden Gate entered into a stock purchase agreement which required Golden Gate to purchase \$100,000 of the Company's restricted common stock for every \$10,000 in debenture redeemed through the escrow. As of March 31, 2007, the Company sold 387,238 shares of restricted common stock under the agreement for proceeds of \$287,238. The Company also received \$1,680,669 from Golden

Gate as an advance on future stock purchases under the agreement.

### NOTE 3 - SUBSEQUENT EVENTS

In November 2006, the Company agreed to settle litigation with Golden Gate Investors on the past-due convertible debenture which had a principle balance due of \$220,927. Under the terms of the settlement, the Company placed 850,000,000 shares of its restricted common stock into an escrow account for satisfaction of the debenture. Golden Gate is allowed to withdraw the shares from escrow provided that their overall holdings in the Company do not exceed 4.9% of all issued and outstanding common stock. Subsequent to March 31, 2007, the Company released an additional 87,274,720 shares from escrow, leaving a total of 616,551,055 remaining in escrow and an unconverted debenture balance of \$92,854 as of May 23, 2007.

In connection with the debenture settlement with Golden Gate, Golden Gate entered into a stock purchase agreement which required Golden Gate to purchase \$100,000 of the Company's restricted common stock for every \$10,000 in debenture redeemed through the escrow. Subsequent to the quarter ended March 31, 2007, the Company received an additional \$300,000 from Golden Gate as an advance on future stock purchases under the agreement, of which 1,290,769 shares of restricted common stock were subsequently purchased for \$1,290,769, leaving a total stock payable as of May 23, 2007 of \$689,900.

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## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, estimate, intend, continue, believe, anticipate or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we make in future filings of our Annual Report on Form 10-KSB, Quarterly Reports on Form 10-QSB and Current Reports on Form 8-K.

## Item 2. Management's Discussion and Analysis or Plan of Operation

### General

Franchise Capital Corporation (the Company) was formed as a Nevada corporation on July 6, 2001 under the name Cortex Systems, Inc. They were originally a development stage company that intended to establish memory clinics in several different locations in North America. Unfortunately, the Company was unable to successfully execute its business plan. In July of 2003, the Company changed its name to BGR Corporation. Along with the name change came a new management and ownership team. The intention of management is to acquire new innovative fast-casual restaurant concepts, develop them into a profitable working design, and franchise them across the country. The Corporation's partner, American Restaurant Development Company, is a professional restaurant designer, franchiser, and restaurant management company where principles have extensive experience in the industry. In December of 2004 the Company changed its name to Franchise Capital Corporation. The names Franchise Capital Corporation, "we", "our" and "us" used in this report refer to Franchise Capital Corporation.

On December 23, 2004, the company elected to be regulated as a Business Development Company (BDC) as outlined in the Investment Company Act of 1940 by filing a Form N-54A. As a BDC, the Company focused on investing and developing restaurant franchise companies and made several investments (discussed below). During the fourth quarter of 2006, the Company abandoned its business model and liquidated all of its investment holdings. On March 13, 2007, the Company held a shareholder meeting at which the Company's shareholders voted to withdraw the Company's election to be a business development company as defined by the 1940 Act. On March 13, 2007, the Company filed for N-54C to formally withdraw the Company's BDC status.

On January 12, 2007, the Company executed a definitive share exchange agreement with TTR HP, Inc. (dba Aero Exhaust, Inc. ) pursuant to which the Company agreed to exchange shares of its common stock to acquire 100% of the total issued and outstanding stock of Aero. Once the share exchange is complete, the Company anticipates that the shareholders of Aero will become the majority shareholders of the Company. The share exchange is expected to be consummated at the end of the second quarter of 2007.

Following the share exchange, the Company's business will be that of Aero Exhaust. Aero designs and manufactures performance exhaust systems for both street and race applications. Aero Exhaust has been issued U.S. and Australian patents on its innovations and development in the exhaust industry, and its mufflers are available worldwide through major retailers, mass merchant centers, automotive aftermarket supply stores and wholesalers. Aero Exhaust mufflers are an exclusive National Association for Stock Car Auto Racing (NASCAR) Performance product and carry the NASCAR brand on product, packaging and related media.

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## **RESULTS OF OPERATIONS**

*Three months ended March 31, 2007 compared to three months ended March 31, 2006*

During the quarter ended March 31, 2007, the Company experienced a net loss of \$88,280 compared to a net loss of \$59,285 for the same period in 2006. The Company attributes the \$28,995 decrease in net loss primarily to a \$23,751 gain from discontinued operations reported in the same period in 2006.

The Company generated no revenues for the three month period ended March 31, 2007 and March 31, 2006.

*Nine months ended March 31, 2007 compared to nine months ended March 31, 2006*

During the nine months ended March 31, 2007, the Company experienced a net loss of \$3,157,113 compared to a net loss of \$884,827 for the same period in 2006. The current loss is primarily due to settlement costs of \$2,578,766 related to debt reduction of \$220,927.

For the nine months ended March 31, 2007, the Company reported no revenue compared to \$1,750 for the same period in 2006. The prior period revenues were generated from consulting income.

#### Liquidity and Capital Resources

The Company's financial statements present an impairment in terms of liquidity. As of March 31, 2007 the Company had \$173,535 in current liabilities and \$30,740 in current assets. The Company has accumulated \$10,345,237 of net operating losses through March 31, 2007 which may be used to reduce taxes in future years through 2027. The use of these losses to reduce future income taxes will depend on the generation of sufficient taxable income prior to the expiration of the net operating loss carry forwards. The potential tax benefit of the net operating loss carry forwards have been offset by a valuation allowance of the same amount. The Company has not yet established revenues to cover its operating costs. Management believes that the share exchange with Aero Exhaust will be successful and result in the Company's achieving profitability in the short term; however, the Company has consummated this transaction and there is no guarantee that Aero's operations will prove profitable. In the event the Company is unable to generate profits and if suitable financing is unavailable, there is substantial doubt about the Company's ability to continue as a going concern.

#### **RISKS RELATED TO OUR BUSINESS**

**We Have Historically Lost Money and Losses May Continue in the Future**

We have historically lost money. The loss for the 2006 fiscal year was \$933,602 and future losses are likely to occur. Accordingly, we may experience significant liquidity and cash flow problems if we are not able to raise additional capital as needed and on acceptable terms. No assurances can be given we will be successful in reaching or maintaining profitable operations.

**We Will Need to Raise Additional Capital to Finance Operations**

Our operations have relied almost entirely on external financing to fund our operations. Such financing has historically come from a combination of borrowings and from the sale of common stock and assets to third parties. We will need to raise additional capital to fund our anticipated operating expenses and future expansion. Among other things, external financing will be required to cover our operating costs. We cannot assure you that financing whether from external sources or related parties will be available if needed or on favorable terms. The sale of our common stock to raise capital may cause dilution to our existing shareholders. Our inability to obtain adequate financing will result in the need to curtail business operations. Any of these events would be materially harmful to our business and may result in a lower stock price.

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**There is Substantial Doubt About Our Ability to Continue as a Going Concern Due to Recurring Losses and Working Capital Shortages, Which Means that We May Not Be Able to Continue Operations Unless We Obtain Additional Funding**

The report of our independent accountants on our June 30, 2006 financial statements include an explanatory paragraph indicating that there is substantial doubt about our ability to continue as a going concern due to recurring losses and working capital shortages. Our ability to continue as a going concern will be determined by our ability to obtain additional funding. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Our Common Stock May Be Affected By Limited Trading Volume and May Fluctuate Significantly**

Prior to this offering, there has been a limited public market for our common stock and there can be no assurance that an active trading market for our common stock will develop. As a result, this could adversely affect our shareholders' ability to sell our common stock in short time periods, or possibly at all. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations that could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. Substantial fluctuations in our stock price could significantly reduce the price of our stock.

### **Our Common Stock is Traded on the "Pink Sheets," Which May Make it More Difficult For Investors to Resell Their Shares Due to Suitability Requirements**

Our common stock is currently traded on the Pink Sheets where we expect it to remain for the foreseeable future. Broker-dealers often decline to trade in Pink Sheet stocks given that the market for such securities is often limited, the stocks are more volatile, and the risks to investors are greater. These factors may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

### **We Could Fail to Retain or Attract Key Personnel**

Our future success depends in significant part on the continued services of Steven Peacock, our Chief Executive. We cannot assure you we would be able to find an appropriate replacement for key personnel. Any loss or interruption of our key personnel's services could adversely affect our ability to develop our business plan. We have no employment agreements or life insurance on Mr. Peacock.

### **Nevada Law and Our Charter May Inhibit a Takeover of Our Company That Stockholders May Consider Favorable**

Provisions of Nevada law, such as its business combination statute, may have the effect of delaying, deferring or preventing a change in control of our company. As a result, these provisions could limit the price some investors might be willing to pay in the future for shares of our common stock.

### **Our Officers and Directors Have the Ability to Exercise Significant Influence Over Matters Submitted for Stockholder Approval and Their Interests May Differ From Other Stockholders**

Our Chairman of the Board of Directors has the ability to vote a majority of the Company's issued and outstanding common shares by virtue of the stock power contained within the escrow agreement with Golden Gate Investors. Accordingly, he may have significant influence in determining the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including issuing common and preferred stock, electing directors and appointing officers, and effecting recapitalizations of our equity, which could have a material impact on mergers, acquisitions, consolidations and the sale of all or substantially all of our assets, and also the power to prevent or cause a change in control. The interests of our Chairman may differ from the interests of the other stockholders.

### **Item 3. Controls and Procedures**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. As of the end of the period covered by this report, Steven Peacock, our chief executive officer/chief financial officer evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Mr. Peacock concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

It should be noted, however, that no matter how well designed and operated, a control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems (including faulty judgments in decision making or breakdowns resulting from simple errors or mistakes), there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Additionally, controls can be circumvented by individual acts, collusion or by management override of the controls in place.

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## **PART II.**

## **Other Information**

### **Item 1. Legal Proceedings**

None

### **Item 2. Changes in Securities**

Between February and April 2007, the Company converted 100% of the Series C Preferred Stock into shares of common stock. This conversion resulted in the issuance of 1,232,500 shares of restricted common stock. As of March 31, 2007, there were 139,875 shares of preferred stock outstanding, which were converted into 139,875 shares of common stock in April 2007.

In November 2006, the Company agreed to settle litigation with Golden Gate Investors on the past-due convertible debenture which had a principle balance due of \$220,927. Under the terms of the settlement, the Company placed 850,000,000 shares of its restricted common stock into an escrow account for satisfaction of the debenture. Golden Gate is allowed to withdraw the shares from escrow provided that their overall holdings in the Company do not exceed 4.9% of all issued and outstanding common stock. The debenture obligation is reduced by 80% of the average of the five lowest closing bid prices of the Company's common stock over a 90-day period prior to the share withdrawal multiplied by the number of shares being withdrawn. The difference between the value of the shares issued into escrow and the value of the debenture payable was \$2,578,766 and has been recorded as settlement costs in the accompanying financial statements. Under the terms of this settlement, as of March 31, 2007, 699,282,442 shares have been released from escrow and the debenture balance has been reduced to \$155,096.

In connection with the debenture settlement with Golden Gate, Golden Gate entered into a stock purchase agreement which required Golden Gate to purchase \$100,000 of the Company's restricted common stock for every \$10,000 in debenture redeemed through the escrow. As of March 31, 2007, the Company sold 387,238 shares of restricted common stock under the agreement for proceeds of \$287,238. The Company also received \$1,680,669 from Golden Gate as an advance on future stock purchases under the agreement.

### **Item 3. Defaults Upon Senior Securities**

None

**Item 4. Submission of Matters to Vote of Security Holders**

None

**Item 5. Other Information**

None

**Item 6. Exhibits**

The following exhibits are filed as part of this statement:

<b>Exhibit No.</b>	<b>Description</b>	<b>Location</b>
3.1	Articles of Incorporation	*
3.2	Bylaws	*
14	Code of Ethics adopted April 16, 2007	***
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	***
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	***
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	***
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	***
99(i)	Audit Committee Charter adopted December 23, 2004	**

\* Incorporated by reference from Franchise Capital Corporation's Registration Statement on Form SB-2 filed on October 29, 2001.

\*\* Incorporated by reference from Franchise Capital Corporation's Annual Report on Form 10-K for the Fiscal Year Ended June 30, 2005 filed on September 30, 2005.

\*\*\* Filed herewith.

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**SIGNATURE PAGE**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 6, 2007

/s/ Steven Peacock

Steven Peacock

Chief Executive Officer

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**EXHIBIT 31.1**

**SECTION 302**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Steven Peacock, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Franchise Capital Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2007

By: /s/ Steven Peacock

Steven Peacock, Chief Executive Officer

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**EXHIBIT 31.2**

**SECTION 302**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Steven Peacock, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Franchise Capital Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2007

By: /s/ Steven Peacock

Steven Peacock, Chief Financial Officer

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**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Franchise Capital Corporation (the "Company") on Form 10-Q for the period ending March 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven Peacock, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operation of the Company.

*/s/ Steven Peacock*

Steven Peacock

Chief Executive Officer

June 6, 2007

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**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Franchise Capital Corporation (the "Company") on Form 10-Q for the period ending March 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven Peacock, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operation of the Company.

*/s/ Steven Peacock*

Steven Peacock

Chief Financial Officer

June 6, 2007

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