FRANCHISE DISCLOSURE DOCUMENT

Phoenix Franchising Group, LLC
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We offer franchises under this Franchise Disclosure Document for traditional inline performance centers that provide sports performance training products and services to the public, with a focus on children ages 8 through 18 (each a "Redline Performance Center") in accordance with the terms described in this Disclosure Document.

Each Redline Performance Center will conduct business under the name of “Redline Athletics®,” “Redline® Sports Performance Centers,” and/or “Redline®.”

The total investment necessary to begin operation of a Redline Performance Center is $373,496 to $578,996. This includes $66,196 to $78,396 that must be paid to the Franchisor or its affiliates.

This disclosure document (“Disclosure Document”) summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least fourteen (14) calendar days before you sign a binding agreement with, or make any payment to, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact T.J. O'Connor, Phoenix Franchising Group, LLC, 14000 North Hayden Road, Suite 101, Scottsdale, Arizona 85260, (480) 386-9708.

The terms of your contract will govern your franchise relationship. Don’t rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information on franchising. Call your state agency or visit your public library for other sources of information on franchising. There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: May 19, 2025, as Amended September 30, 2025

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the Franchisor or at the Franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the Franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Redline Franchised Business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the Franchisor and other franchisees can compete with you.
Does the Franchisor have a troubled legal history?	Items 3 and 4 tell you whether the Franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Redline Franchised Business franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the Franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the Franchisor or a limited group of suppliers the Franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from Franchisor. Even if the franchise agreement grants you a territory, the Franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state. Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out of State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in the county where the franchisor's principal place of business is located, which currently is Maricopa County, Arizona. Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate, or litigate with franchisor in Arizona than in your own state.

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even if your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

4. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

5. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

6. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the Franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere from the same or similar goods. This may reduce the anticipated profit of your franchise business.

7. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

ADDITIONAL DISCLOSURES
REQUIRED BY THE STATE OF MICHIGAN

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

(a) A prohibition of the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure each failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Redline Performance Center are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months' notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the Franchisor's then current reasonable qualification or standards.

(ii) The fact that the proposed transferee is a competitor of the Franchisor or sub-franchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(v) A provision that requires the franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision

(h) A provision which permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Attorney General's Department for the State of Michigan, Consumer Protection Division, Franchise Section, 670 Law Building, 525 W. Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Phoenix Franchising Group, LLC, an Arizona limited liability company ("Redline"), is offering prospective franchisees the opportunity to operate a traditional inline performance center that provide sports performance training products and services to the public, with a focus on ages 8 through 18 ("Redline Performance Center").

We also offer "Regional Developer" franchises pursuant to a separate disclosure document. The term "Regional Developer" means a Redline "Area Representative" franchise as that term is defined by the North American Securities Administrators Association ("NASAA") Multi-Unit Commentary. Regional Developers will recruit prospective franchises in a defined geographic area (a "Development Area") and provide certain sales and support services to the Redline Performance Centers located within the Development Area.

To simplify the language in this Disclosure Document, the terms, "we," "us," "Franchisor," or "Redline" mean Phoenix Franchising Group, LLC, the Franchisor (but not Franchisor's officers, directors, agents, or employees). "You" or "Franchise Owner" mean the person who buys a franchise from us. The term "Business(es)" means one or several Redline® Performance Centers. If you are a corporation, partnership or other entity, our Franchise Agreement ("Agreement") will also apply to your owners, officers, and directors. Unless otherwise indicated, the term "Franchised Business" means a Redline Performance Center.

The Franchisor, and any Parents, Predecessor and Affiliates

We are an Arizona limited liability company created on January 3, 2025. Our predecessor is Redline Athletics Franchising LLC, an Arizona limited liability company. Redline Athletic Franchising LLC's principal business address is 9260 E Raintree Dr., Suite 100, Scottsdale, AZ, 85260. We acquired certain assets of Redline Athletics Franchising LLC, including the intellectual property rights associated with the Marks and System as well as the right to offer franchises, pursuant to an Asset Purchase Agreement dated January 1, 2025. We have no parent.

Our principal business and mailing address is 14000 North Hayden Road, Suite 101, Scottsdale, AZ 85260. Our telephone number is (480) 386-9708. We do not maintain a sales office at any location other than our principal places of business. We operate under our corporate name, Phoenix Franchising Group, LLC. We do not do business or intend to do business under any other names. Our agents for service of process is disclosed in Exhibit A to this Disclosure Document. Our predecessor, either directly or through its affiliates, operated Redline Performance Centers since February 2013. We have never operated Redline Performance Centers. We have offered Redline Athletics franchises since January 2025. Neither we nor our affiliates offer franchises in any other line of business.

Our predecessor's former affiliate, Redline Athletics, Inc. ("Redline Inc."), granted five (5) licenses in the State of California the right to use the "Redline Athletics®" name. One (1) of the licensees has since become a franchise. Redline Inc. also operates a facility under the Redline Athletics® Mark in San Juan Capistrano, California, although that facility is not a franchise. We do not have any direct contractual relationships with Redline Inc. or the other licensees.

Our Business

We grant franchises for the right to operate under the name "Redline Athletics®," "Redline®," "Redline® Sports Performance Centers," and other marks designated by Franchisor from time to time (collectively referred to as the "Marks"). We refer to our proprietary and confidential system for the operation of Redline®

and Regional Developer franchises, together with the Marks, as “the System.” You must offer all products and services that we may specify and may not offer any products or services we have not authorized. We are not currently engaged in any other business. We have not conducted business in any other lines of business and do not offer franchises under any other names.

Redline Performance Center(s) offer specialized programs to develop core stability, speed improvement, running form, agility, and strength training. Our core offering are semi-private, instructor lead classes that focus on injury prevention, speed/agility, age-appropriate strength development, and recovery. Each Redline Performance Center will provide skills instruction for various sports, including baseball, softball, football, basketball, and more. At this time, no products are being sold at Redline Performance Centers although we reserve the right to require you to sell products in the future. The services that we currently designate for offer and sale at Redline Performance Centers include our proprietary, designated, and approved sports training products and programs, and other products and services we may designate or approve from time to time (“products and services”). The products and services form part of our proprietary program which we call the “Redline Program” or “Our Program.” You must operate your Redline Performance Center in accordance with the standards and procedures designated by Franchisor, and according to Franchisor’s Operations Manual, or other notices we send you from time to time (“the Operations Manual”).

Redline Performance Center franchisees are authorized to also offer adult classes, boot camps, school fundraising events, and other branded classes, seminars, team training, 1-on-1 lessons, camps, clinics, home school programs, rentals, and events inside or outside the Redline Performance Center (the "Outside Modules").

You will be provided with online access to the Operations Manuals after you sign your Franchise Agreement. A copy of the Table of Contents for the Operations Manual is attached as Exhibit C.

Market and Competition

The market for Redline Performance Centers includes individuals and/or entities who need or desire sports training, products, and services. The competition for Redline Performance Centers include other businesses offering similar products and services to individuals and/or entities. The market for the sports training industry is well established and competitive. These competitors may include other sports training facilities, health clubs, athletic programs, athletic clubs, and/or franchises.

Laws and Regulations

Many states and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of a Redline Performance Center. For example, state licensing and certification requirements may apply to persons who perform fitness, teaching, or services involving children and adults. In all cases, you must also comply with laws that apply generally to all businesses. You should investigate these laws and consult with a legal advisor about whether these and/or other requirements apply to your franchise. In addition to laws and regulations that apply to businesses generally, your Redline Performance Center may be subject to federal, state, and local occupational safety and health regulations, the Equal Employment Opportunity Act, the Americans with Disabilities Act, and similar local and state rules and regulations. There may be other laws and regulations in your city, state, or county that may apply to the operations of your Redline Performance Center. We require all franchisees to conduct criminal background checks on any persons, including but not limited to, trainers and other staff that will be working with minors.

ITEM 2
BUSINESS EXPERIENCE

Chance J. Pearson - Chief Executive Officer

Mr. Pearson has been our founder and Chief Executive Officer since our formation in January 2025. Mr. Pearson was the Chief Executive Officer of Redline Athletics Franchising, LLC in Phoenix, Arizona from January 2019 through January 2025.

T.J. O'Connor – President of Development

Mr. O'Connor has been our President of Development since our formation in January 2025. From June 2019 through January 2025, Mr. O'Connor was the Vice President of Development for Redline Athletics Franchising, LLC in Phoenix, Arizona.

Brad Hinkle – Vice President of Operations

Mr. Hinkle has been our Vice President of Operations since January 2025. From January 2015 through January 2025, Mr. Hinkle was the Vice President of Operations for Redline Athletics Franchising, LLC based in Phoenix, Arizona.

Rachel Elfata – Vice President of Operations

Ms. Elfata has been our Vice President of Operations since our formation in January 2025. From January 2024 through January 2025, Ms. Elfata was the Vice President of Operations for Redline Athletics Franchising, LLC in Phoenix, Arizona. From November 2010 through April 2025, Ms. Elfata owned and operated multiple Subway franchises throughout southern New Hampshire.

ITEM 3
LITIGATION

Predecessor Litigation Matters

In the Matter of Redline Athletics Franchising, LLC, Case No. 2021-0032. We entered into a Consent Order with the Securities Division of the Office of the Attorney General of Maryland on February 16, 2022. The Consent Order is based upon a complaint made by the Maryland Attorney General's Office that our Franchise Disclosure Documents included inaccurate disclosures regarding: (i) the estimated amount of time it takes to open a new Redline Performance Center; (ii) the number of units in Maryland; and (iii) the execution of confidentiality clauses by former Redline franchisees. The Consent Order requires us to: (A) immediately and permanently cease and desist from the offer of franchises in violation of the Maryland Franchise Law; (B) diligently pursue an amendment to the Redline Franchising franchise offer under the Maryland Franchise Law with accurate disclosures; (C) provide a copy of the Consent Order and offer rescission to one (1) Maryland franchisee; and (D) notify three (3) former Maryland franchisees that they are not subject to any post-termination non-competition covenants.

Miles Christian Elsom v. Redline Athletics Franchising, LLC, AAA Case Number 01-24-0000-1447. Miles Christian Elsom ("Plaintiff") filed a demand for arbitration ("Demand") against Redline Athletics Franchising, LLC ("Redline") with the American Arbitration Association on January 11, 2024. Mr. Elsom alleges: (i) fraud in the inducement; (ii) breach of contract; (iii) breach of the implied covenant of good faith and fair dealing; (iv) fraud; (v) negligent misrepresentation or omission; and (vi) violation of the Colorado Consumer Protection Act. The Demand alleges that: (A) Redline did not provide an operations manual to

Plaintiff; (B) that the initial training program provided to Plaintiff was less than the 26.75 hours represented in Redline's franchise disclosure document; and (C) Lucas Cooper did not have at least two (2) years experience in his designated subject areas. Redline denies the claims and intends to vigorously defend itself against the claims made by Plaintiff.

Franchisor Litigation Matters.

None.

Other than the actions listed above, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

You must pay us an initial fee ("Initial Franchise Fee") upon signing your Franchise Agreement. The Initial Franchise Fee is fully earned and non-refundable in all or in part in consideration of administrative and other expenses incurred by us in entering into Franchise Agreement and for our lost or deferred opportunity to enter into Franchise Agreement with others. There is no financing available from us for the payment of the Initial Franchise Fee. The Initial Franchise Fee for a Redline Performance Center is $49,500.

Initial Franchises Fee must be paid by wire transfer, cash, or certified funds when you sign Franchise Agreement.

We offer you a discount if your purchase three (3) franchises. The Initial Franchise Fee for three (3) franchises is $99,500. We offer a veteran's discount of ten percent (10%) off of Initial Franchise Fees for the first franchise you purchase if you are a veteran.

We may discount or charge different Initial Franchise Fees: (i) if a prospect purchases multiple Redline Performance Centers; (ii) if we are unable to locate a Redline Performance Center in a particular area we consider desirable; (iii) for a Redline Performance Center who is also the owner of a regional developer franchise; or (iv) based on other subjective factors we deem important to the System. We reserve the right to modify the Initial Franchise Fees in the future to reflect the changing costs of doing business and changes in the value of a Redline Performance Center.

You will pay us a one-time Technology Set Up Fee of $799 120 days before opening or 30 days before presale begins whichever occurs first. The Technology Set Up Fee is used to cover our expenses associated with setting up your POS software, e-mail service, intranet, and other technology services that we provide to you.

You will pay us a Technology Fee of $799 per month. During the first three (3) months of operation, you will pay us $2,397 in Technology Fees. The Technology Fee is in addition to the Technology Set Up Fee.

You will pay us a Presale Management Fee during the first three (3) months of operating your Performance Center. The Presale Management Fee is $2,500 per month plus $70 per member secured by our presale assistance personnel. We estimate that the total Presale Management Fee you will pay us during the first three (3) months will be between $13,500 and $25,700The low estimated number of members included in the estimated Presale Management Fee is 85 members and the high estimated number of members included in the estimated Presale Management Fee is 257 members.

Unless otherwise specified, all fees imposed by us are non-refundable.

ITEM 6
OTHER FEES*

Fee (1), (2)	Amount	Due Date	Remarks
Royalty Fee	7% of Gross Revenues (collected bi-monthly)	Collected on the 1st and 16th of each month, or the next business day if the 1st or 16th fall on a weekend or holiday.	Based on bi-monthly Gross Revenues (3).
Contribution to Franchisor’s Advertising Fund	Currently 2% of Gross Revenues. May be increased to 3% upon 30 days prior written notice to you	Collected on the 1st and 16th of each month, or the next business day if the 1st or 16th fall on a weekend or holiday.	Based on bi-monthly Gross Revenues (3).
Local or Regional Advertising Cooperatives (4)	Varies without limitation; based on a majority vote of the cooperative; expected to be approximately $500 per month	As required by the cooperative	The amounts contributed to the advertising cooperative may be used to satisfy your local advertising requirement. We have no cooperatives at this time. If a Franchisor-owned Performance center is involved in a cooperative, it will have the same voting rights as the other cooperative members and will not have a controlling vote unless it owns a majority of the Redline Performance Centers within the cooperative area.
Local Market Advertising	Between of $3,200 & 4,500 per month.	As incurred	
Late Charge	$50 Per Day	As incurred	Charged on any late payments of Royalty Fees, contributions to Franchisor’s advertising fund, amounts due for product purchases, or any other amounts due to our affiliates or us.
Audit Expenses	Cost of audit and inspection, plus any reasonable accounting and legal expenses	On demand	Payable if you fail to timely input financial data in your Redline Software or fail to submit required reports.
Interest	18% per annum	From the date payments are due and continues until outstanding balance and accrued interest are paid in full	Charged on any late payments of Royalty Fees, contributions to Franchisor’s advertising fund, amounts due for product purchases, or any other amounts due to our affiliates or us.
Accounting Fee	$100	On the 5th day of the month following the	Payable if you omit or fail to accurately input any information in your Redline

Fee (1), (2)	Amount	Due Date	Remarks
		omission or inaccuracy	Performance Center Management software.
Fee for Sale of Prohibited Products or Services	$100 per day	As incurred	Payable if you use, sell, or distribute non-authorized products or services in connection with your Redline Performance Center.
Technology Set Up Fee	$799	Lump Sum	Payable when we set up your Redline Software for you 120 days before opening or 30 days before presale begins whichever occurs first.
Technology Fee (5)	An amount set by us. Currently, the initial Technology Fee is $799, and the ongoing monthly Technology Fee is $799 per month. We have the right to increase the initial set up fee and Technology Fee in the future upon written notice to you.	Collected on the 1st of each month	Payable to cover the monthly cost of computer software and programs necessary to operate your franchise. You must pay us a Technology Fee beginning on the earlier of: (i) the first day of the month following your technology set up; and (ii) 12 months from the date that you execute the Franchise Agreement. The Technology Fee provides you with access, maintenance and support for required POS software, e-mail service, intranet, and other technology services that we determine, in our sole discretion, to provide to you. Currently, the Technology Fee is $799 per month. We may increase the Technology Fee upon thirty (30) days written notice to you provided that we may not increase the Technology Fee by more than ten percent (10%) per year.
Additional Training Fee	$250 per day per person	Upon invoice	Payable to us if you or your designated employees (Franchisee, DSP, & DBD) fail to attend and complete the initial in-person Franchise Training (3 days total) within 120 days of your soft opening. If you fail to attend any of the required training courses, we may charge you a non-attendance fee of $750 per person (Franchise, DSP, & DBD), per day (3 days total) of missed Franchise Training..
Insurance (6)	Amount of unpaid premiums and related costs	On demand	Payable if you fail to maintain required insurance coverage and we obtain coverage for you.
Renewal Fee	25% of the then current Initial Franchise Fee	Upon renewal	Payable upon renewal of your Franchise Agreement.
Remodeling, expansion,	At least $1,000 every 5 years	As incurred	Payable directly to vendors when you remodel, expand, redecorate, or

Fee (1), (2)	Amount	Due Date	Remarks
redecorating or refurnishing costs			refurnish the Redline Performance Center for your Redline Performance Center.
Transfer Fee	75% of our then-current Initial Franchise Fee	Upon submission of transfer package	Applies to any transfer of your Franchise Agreement, the franchise, or a controlling interest in the franchise.
Relocation Fee (7)	An amount set by us, currently $2,500	Before relocation is completed	Applies to any relocation of the training facility for your Redline Performance Center due to a loss of the initial premises of the Redline Performance Center.
Presale Management Fee	$2,500 per month plus $70 per member signed up by us for your Redline Performance Center	On the same day of the month for the three (3) months prior to the opening of your Redline Performance Center	We will manage your presale activities for you. You will pay us $2,500 per month plus $70 per member secured by our presale assistance personnel.
Indemnification	All amounts (including attorneys' fees) incurred by us or otherwise required to be paid	As incurred	Payable to indemnify us, our affiliates, and our and their respective owners, officers, directors, employees, agents, successors, and assigns against all claims, liabilities, costs, and expenses related to your ownership and operation of your franchise.
Legal Costs and Attorney's Fees	All legal costs and attorneys' fees incurred by us	As incurred	Payable if we must enforce Franchise Agreement, or defend our actions related to, or against your breach of, Franchise Agreement.
De-Identification	All amounts incurred by us	As incurred	Payable if we de-identify the franchise upon its termination, relocation, or expiration.
Termination Fee (8)	One-half of then-current Initial Franchise Fee, plus our attorney fees and costs	On demand	If you or we terminate your franchise before your franchise term expires.

*The tables above and accompanying notes describe the nature and amount of all other fees that you must pay to us or our affiliates, or that we or our affiliates impose or collect in whole or in part for a third party, whether on a regular periodic basis or as infrequent anticipated expenses, in carrying on your Redline Performance Center.

Explanatory Notes:

(1) Except for some product and service purchases (see Item 8) and advertising cooperative payments (see Item 11), all fees are uniformly imposed. All fees are non-refundable. We have in the past, and may in the future, waive, defer, discount, or reduce some of the fees set forth in the table. However, we will not do so unless we determine in our sole and absolute discretion that it is in the best interest of the franchise system as a whole.

(2) You must pay all amounts due by automatic debit. After you sign the documents we require to debit your business checking account automatically for the amounts due, we will debit your bank account for the Royalty Fee, Advertising Fee, and other amounts you owe us. You must make funds available for withdrawal from your account before each due date.

If you do not accurately report your Redline Performance Center's Gross Revenues, we may debit your account for one hundred twenty percent (120%) of the Royalty Fee and Advertising Fee amounts that we debited during the previous bi-monthly period. If the Royalty Fee and Advertising Fee amounts we debit are less than the Royalty Fee and Advertising Fee amounts you actually owe us (once we determine the franchise's actual Gross Revenues for the week), we will debit your account for the balance on the day we specify. If the Royalty Fee and Advertising Fee amount we debit is greater than the Royalty Fee and Advertising Fee amount you actually owe us, we will credit the excess amount, without interest, against the amount we otherwise would debit from your account during the following bi-monthly period.

(3) "Gross Revenues" means the total of all revenue and receipts derived from the operation of the franchise, including all amounts received at or away from the Redline Performance Center, or through the business the Redline Performance Center conducts (such as fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and customer refunds and credits the franchise actually makes.

(4) If we establish an advertising cooperative including your Redline Performance Center, you will be expected to contribute a minimum amount to the local advertising cooperative as determined by a vote of the cooperative members. We do not impose maximum or minimum cooperative fees. This amount will be counted toward your monthly local advertising requirement for your Redline Performance Center.

If a Franchisor-owned Performance center is involved in a cooperative, it will have the same voting rights as the other cooperative members and will not have a controlling vote unless it owns a majority of the Redline Performance Centers within the cooperative area, however, the maximum fee in that case will not exceed $1,500/month.

(5) The initial charge for setup of your Redline Performance Center Management Software is $799. Thereafter, the monthly technology fee to access Redline Software is $799 ("Technology Fee"). The Technology Fee allows the Franchisee to access the contents of our site and resources and to use our proprietary software.

(6) If you fail to pay the premiums for insurance required to operate your franchise, including but not limited to, general or professional liability insurance, we may obtain insurance for you, and you will be required to reimburse us within ten (10) days of receipt of a demand for reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within ten (10) days of our request for reimbursement.

(7) Any relocation of the Redline Performance Center for your Redline Performance Center needs to be approved by Franchisor in the same manner as the approval of the initial site of your Redline Performance Center. The Relocation Fee is due to Franchisor within a week after the site approval by Franchisor.

(8) You must pay the Termination Fee, plus any costs and attorneys' fees incurred by us, if you improperly attempt to terminate or close your Redline Performance Center or Redline Performance Center before your term expires, or we terminate your Franchise Agreement for any reason set forth in Franchise Agreement. We may also recover from you any damages suffered by us (e.g., lost future revenues) resulting from your improper or wrongful termination of the franchise. Termination fees may be unenforceable in certain states.

(9) You will pay us a Presale Management Fee during the first three (3) months of operating your Performance Center. The Presale Management Fee is $2,500 per month plus $70 per member secured by our presale assistance personnel.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Initial Franchise Fee (1)	$49,500	$49,500	Lump sum	When you sign the FA	Us
Security and Utility Deposits (2)	$15,000	$15,000	As agreed	Before opening	Security and Utility companies
Lease Payments/ Rent (3 Months) (3)	$17,550	$35,100	As agreed	Monthly	Landlord
Project Management Expenses (4)	$26,000	$26,000	As agreed	Before opening	Project Manager
Leasehold Improvements (5)	$45,000	$90,000	As agreed	Before opening	Landlord or construction contractors
Equipment (5)	$55,000	$75,000	As agreed	Before opening	Vendors
Flooring (5)	$74,250	$148,500	As agreed	Before opening	Vendors
Signage (Interior and Exterior) (6)	$7,500	$15,000	As agreed	Before opening	Vendors
Furniture and Fixtures (7)	$5,000	$5,000	As agreed	Before opening	Vendors
Computer Hardware and Installation (8)	$18,000	$22,000	As agreed	Before opening	Vendors
Business Licenses and Permits (9)	$1,500	$1,500	As required	Before opening	Governmental agencies
Professional Fees (10)	$1,000	$3,000	As agreed	Before opening	Attorneys, accountants, and other professionals

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Insurance (3 months) (11)	$2,000	$3,000	As agreed	Per policy terms	Insurers
Initial Training Expenses, including travel (12)	$2,000	$5,500	As agreed	Before opening	Third-parties
Presale Marketing Expenses (13)	$15,000	$15,000	As agreed	Before opening	Vendors
Pre-Sale Management Fee (14)	$13,500	$25,700	As agreed	Before opening	Us
Technology Fee (3 months) (15)	$799	$799	Monthly	Monthly	Us
Technology Set Up Fee (16)	$2,397	$2,397	Lump Sum	When you sign FA	Us
Additional Funds–3 months (17)	$22,500	$41,000	As incurred	As incurred	Vendors
TOTAL ESTIMATED INITIAL INVESTMENT (20)	**373,496**	**578,996**			

Explanatory Notes:

(1) Unless otherwise specified, all fees imposed by us are non-refundable.

(2) This estimate includes security deposits required by the landlord and utility companies, but not your telecommunications service.

(3) We estimate your initial expenses for leasing a space for your Redline Performance Center during the first three months will range from $17,500 to $31,500 depending on the size and location of the Redline Performance Center for your Redline Performance Center. We recommend that your Redline Performance Center be between 4,500 and 9,000 square feet. The estimated rent in this chart is based upon the lease of a Redline Performance Center that is between 4,500 and 9,000 square feet. If you lease a larger space for your Redline Performance Center, your rent may exceed these estimates. Your actual rent payments may vary, depending upon your location and your market's retail lease rates. If you purchase instead of lease the premises for your Redline Performance Center, the purchase price, down payment, interest rates, and other financing terms will determine the amount of your monthly mortgage payments. We do not offer financing to you for any part of the initial investment.

(4) You are required to retain a project manager to assist in the design and construction of your Redline Performance Center. This amount reflects our estimate of the fees you will pay for project management services and includes fees that you would otherwise pay to an architect.

(5) These amounts reflect our estimate of the costs associated with purchasing equipment, purchasing and installing flooring, and making necessary leasehold improvements to your Redline Performance

Center to improve your premises for a Redline Performance Center. Equipment, flooring, building and construction costs will vary depending upon the condition of the premises for your Redline Performance Center, the size of the premises, and local construction costs. The amounts set forth in these line items assume that your Redline Performance Center is between 4,500 and 9,000 square feet. The low end of the estimates includes no basketball court. The high end of the estimates includes two full basketball courts. You may also build and develop a Redline Performance Center with one half basketball court or one full basketball court. The estimates for the development of these sized locations are between the high and low estimates in this Item 7. This estimate does not include any construction allowances that may be offered by your landlord. If your Redline Performance Center is larger than the high end of the square footage amount listed above, your leasehold improvement costs may be greater than these estimates. If you receive construction allowances from your landlord, it may decrease the amount of your initial investment.

(6) These estimates assume you will purchase your signage. The type and size of the signage you actually install will be based upon the zoning and property use requirements and restrictions. There could be an occasion where signage is not permitted because of zoning or use restrictions.

(7) You will need to purchase office and lobby furniture for the operation of your Redline Performance Center, including workstations and chairs, and sports equipment and items. You will also need to purchase an equipment and flooring package for your Redline Performance Center.

(8) This amount estimates your cost for the purchase and installation of your Computer System and related technological equipment. The low estimate assumes you will purchase two (2) computers, and the high range assumes you will purchase two (2) computers. This estimate also includes a configuration fee that must be paid to the computer supplier.

(9) You may be required to obtain business licenses from the local government agency to operate your Redline Performance Center.

(10) You may incur legal fees, accounting fees and other professional fees in order to incorporate your business, conduct a legal review of the laws applicable to the operation of a Redline Performance Center in your state, review agreements relating to the operation of the franchise, and to perform all necessary tax filings and to set up a small business, including a general ledger, tax reports, payroll deposits, etc.

(11) We estimate that your cost of insurance will be approximately $600 to $1,200 per month; however, this amount may vary. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies you purchase must name us and any affiliate we designate as additional insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification or cancellation. If you fail to obtain or maintain the insurance we specify, we may (but need not) obtain the insurance for you and the Redline Performance Center on your behalf (see Item 6). The cost of your premiums will depend on the insurance carrier's charges, terms of payment, and your insurance and payment histories. Our insurance requirements are in the Operations Manual and may be updated from time to time by way of updates to the Operations Manual or other written communications.

(12) We estimate that your travel expenses for Initial Training will be $4,000 to $6,000. While Franchisor does not charge for training, Franchisee is required to pay for all transportation to and from our

training site and pay for living arrangements and food during the Initial Training. In addition to your Principal Owner, the General Manager for your Redline Performance Center must attend our Initial Training. Franchisor estimates costs of $350 per day per person, for lodging, food, and other miscellaneous expenses, plus travel expenses to and from Franchise Owner's personal residence. However, if Franchisee lives in the area where the training will take place, the travel expenses will be minimal.

(13) Presale Marketing Expenses. You will pay at least $15,000 ($5,000 per month for 3 months) for pre-opening marketing expenses prior to the opening of a Redline Performance Center in support of our presale management services. This amount reflects three (3) months of presale marketing. Your presale marketing expenses must be spent according to the direction provided by us. This expenditure will consist of digital marketing campaigns and related customized marketing materials prepared by Franchisor or third-party vendors.

(14) Presale Management Fee. We manage your presale activities during the three (3) month period prior to the opening of your Redline Performance Center. You will pay us a Presale Management Fee of $2,500 per month plus $70 per member secured by our presale assistance personnel. This amount reflects an estimate of the Presale Management Fee that you will pay us during the three (3) month period. The low estimated number of members included in the estimated Presale Management Fee is 85 members and the high estimated number of members included in the estimated Presale Management Fee is 257 members.

(15) Technology Fee. You must pay us a monthly Technology Fee beginning on the earlier of: (i) the date that you execute a lease agreement for a Performance Center; and (ii) 12 months from the date that you execute the Franchise Agreement. The Technology Fee provides you with access, maintenance and support for required POS software, e-mail service, intranet, and other technology services that we determine, in our sole discretion, to provide to you. Currently, the Technology Fee is $799 per month. This amount reflects three (3) months of Technology Fees. We may increase the Technology Fee upon thirty (30) days written notice to you provided that we may not increase the Technology Fee by more than ten percent (10%) per year.

(16) Technology Set Up Fee. You will pay us a Technology Set Up Fee of $799 when you sign the Franchise Agreement. The Technology Set Up Fee is used to cover our expenses associated with setting up your POS software, e-mail service, intranet, and other technology services that we provide to you.

(17) Additional Funds. Our estimate of the additional funds that you will need is based upon our prior experience in operating a Redline Performance Center and information provided to us by existing franchisees. You will need capital to support your on-going expenses like payroll, utilities and franchise sales and advertising, to the extent that these costs are not covered by sales revenue. The estimate of additional funds is based on an owner-operated business and does not include any allowance for an owner's draw. We estimate that the amount shown will be sufficient to cover ongoing expenses for the start-up phase of the Franchised Business, which is three months. Franchisor estimates that, in general, you may expect to put additional cash into the business during at least the first three (3) months, and in most cases longer. You should consult with your financial advisor to determine the amount of working capital that you should invest.

(18) The amounts set forth in the table assume that you develop a Redline Performance Center between 4,500 and 9,000 square feet. The low end of the estimates includes no basketball court. The high end of the estimates includes two full basketball courts. You may also build and develop a Redline

Performance Center with one half basketball court or one full basketball court. The estimates for the development of these sized locations are between the high and low estimates in this Item 7. If you lease or purchase a space greater than this, it may increase the amount of your initial investment.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods and Services

You must purchase certain products, services, supplies, insurance, inventory, signage, fixtures, furniture, equipment, décor and other specified items under specifications and standards that we periodically establish in the Operations Manual or other notices we send to you from time to time. These specifications are established to provide standards for performance, durability, design, and appearance. You must purchase such products, services, supplies, insurance, etc. required for the operation of your Redline Performance Center solely from us or our suppliers (including distributors, manufacturers, and other sources) who have been approved in writing by Franchisor, as set forth in the Operations Manual. You are not allowed to purchase any product or service from an unapproved supplier. When selecting suppliers, we consider all relevant factors, including the quality of goods and services, service history, years in business, capacity of supplier, financial condition, terms, and other requirements consistent with other supplier relationships. We maintain written lists of approved items of equipment, fixtures, inventory, and supplies (by brand name and/or by standards and specifications) and lists of approved suppliers for those items. All such suppliers and approved vendors will be listed in the Operations Manual and/or on our online Franchise Support Portal, which must always be followed, even as modified and updated by Franchisor. We will notify you whenever we establish or revise any of our standards or specifications, or if we designate approved suppliers for products, equipment, or services. Neither Franchisor nor its affiliate are currently an Approved Supplier or a Designated Supplier for any Goods or Materials although we reserve the right to appoint Franchisor or an affiliate as an Approved Supplier or Designated Supplier of one or more Goods of Materials.

We are currently an approved vendor of computer hardware, software (including our proprietary Redline Software), and related networking equipment. You must also purchase all training equipment required to operate your franchise from us or our suppliers. We estimate that the purchase of required proprietary software and marketing materials from us or required suppliers represents between 5% and 10% of your total purchases and leases in establishing the franchise business and approximately 25%-35% of your total purchases and leases, on an annual basis, in operating your franchise business.

You must comply with our requirements to purchase or lease real estate, goods, and services according to our specifications and/or from approved suppliers to be eligible to renew your franchise. Failure to comply with these requirements will render you ineligible for renewal and may be a default allowing us to terminate your franchise.

No franchisor officer owns an interest in any supplier.

Approval of Alternative Suppliers

Franchisor does not have any specific written criteria for supplier selection and does not intend at this time to prepare one. Therefore, Franchisor will not furnish its criteria for supplier approval to Franchise Owners. If you would like to purchase items from any unapproved supplier, you must submit to us a written request for approval of the proposed supplier. We will notify you of our approval or disapproval within thirty (30) days of your written request for approval of the proposed supplier. We have the right to inspect the proposed supplier's facilities and require that product samples from the proposed supplier be delivered, at our option, either directly to us, or to any independent, certified laboratory that we may designate, for testing. We may charge you a supplier evaluation fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier does not continue to meet any of our criteria.

Revenue from Franchisee Purchases

We did not derive any revenue from franchisee purchases in 2024.

The cost of purchasing required products and services to meet our specifications will represent approximately 52% of your total purchases in establishing your franchise and approximately 25% of your total purchases during the operation of your franchise.

Negotiated Prices, Cooperatives, and Material Benefits

We negotiate price terms and other purchase arrangements with suppliers for you for some items that we require you to lease or purchase in developing and operating your Redline Performance Center. There currently are no purchasing and distribution cooperatives. We do not provide any material benefits to you if you buy from sources we approve.

Insurance

Before you open a Redline Performance Center and during any Term of this Agreement, you must maintain in force, under policies of insurance written on an occurrence basis issued by carriers with an A.M. Best rating of A-VIII or better approved by us, and in such amounts as we may determine from time to time: (1) comprehensive public, professional, product, and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Redline Performance Center or otherwise in conjunction with your conduct pursuant to this Agreement, under one or more policies of insurance containing minimum liability coverage amounts as set forth in the Operations Manual; (2) general casualty insurance, including theft, cash theft, fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of your Redline Performance Center and its contents, and any other assets of your Redline Performance Center; (3) worker's compensation and employer's liability insurance as required by law, with limits equal to or in excess of those required by statute; (4) business interruption insurance for a period adequate to reestablish normal business operations, but in any event not less than six (6) months; (5) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements; and (6) umbrella liability coverage with limits of not less than $1,000,000/$3,000,000 or such other amounts that we may establish in the Operations Manual. We may periodically increase or decrease the amounts of coverage required under these insurance policies, and/or require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name us (and, if we so request, our members, directors, employees, agents, and affiliates) as additional insureds, and must provide us with thirty (30) days' advance written notice of any material modification, cancellation, or expiration of the policy. Deductibles must be in reasonable amounts and are subject to review and written approval by us. You must provide us with copies of policies evidencing the existence of such insurance concurrently with execution of this Agreement and prior to each subsequent renewal date of each insurance policy, along with certificates evidencing such insurance. You are responsible for any and all claims, losses, or damages, including to third persons, originating from, in connection with, or caused by your failure to name us as an additional insured on each insurance policy. You agree to defend, indemnify, and hold us harmless of, from, and with respect to any such claims, loss or damage arising out of your failure to name us as additional insured, which indemnity shall survive the termination or expiration and non-renewal of your Franchise Agreement.

Advertising Specifications

You must obtain our approval before you use any advertising and promotional materials, signs, forms, or stationery unless we have prepared or approved them during the twelve (12) months prior to their proposed use. You must purchase certain advertising and promotional materials, brochures, fliers, forms, business cards and letterhead from approved vendors only. Further, you must not engage in any advertising of your Redline Performance Center unless we have previously approved the medium, content and method. You may not use a website other than ours without our written approval.

Records

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements. Recommended software to use for bookkeeping and accounting records is QuickBooks.

Computer-Related Equipment and Software

You are required to purchase our proprietary franchise management software in connection with establishing the Redline Software. You will pay us $799 to set up the Redline Software (the "Technology Set Up Fee") at the same time as you pay the Initial Franchise Fee. You will also be required to pay a monthly Technology Fee of $799 for the continuing use, development, and upgrades of your Redline Software, plus any costs/fees relating to the merchant services provided by our approved vendor. You must pay us the Technology Fee beginning on the earlier of: (i) the date that you execute a lease agreement for a Performance Center; and (ii) 12 months from the date that you execute the Franchise Agreement. The Technology Fee provides you with access, maintenance, and support for required POS software, e-mail service, intranet, and other technology services that we determine, in our sole discretion, to provide to you. Currently, the Technology Fee is $799 per month. We may increase the Technology Fee upon thirty (30) days written notice to you. We may increase the Technology Fee upon thirty (30) days written notice to you provided that we may not increase the Technology Fee by more than ten percent (10%) per year. The Technology Fee also covers costs related to maintaining our website, your microsite, file storage, and all information technology associated costs. You will also be required to have access to a broadband Internet connection at all times.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligations	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 4.1 and 4.3	Items 7 and 11
b. Pre-opening purchases/leases	Sections 4.2, 4.3, and 5.3	Item 7
c. Site development and other pre-opening requirements	Sections 4.1, 4.2, 4.3	Items 7 and 11
d. Initial and ongoing training	Sections 6, 7.1, 7.2, 7.3	Item 11
e. Opening	Sections 4.1, 4.2, and 4.3	Items 7 and 11

Obligations	Section in Franchise Agreement	Disclosure Document Item
f. Fees	Section 8	Items 5, 6, 7, 8 and 11
g. Compliance with standards and policies/operating manual	Sections 4, 7, and 12	Items 8, 11, and 12
h. Trademarks and proprietary information	Sections 9 and 11	Items 13 and 14
i. Restrictions on products/services offered	Section 12.2 and 12.3	Item 8 and 16
j. Warranty and customer service requirements	Section 12.7	None
k. Territorial development and sales quotas	Not Applicable	Item 12
l. On-going product/service purchases	Section 12.2, 12.3, 12.5, 12.8, and 12.9	Items 7, 8 and 11
m. Maintenance, appearance, and remodeling requirements	Sections 12.1 and 12.5	Items 7, 8 and 11
n. Insurance	Section 12.8	Items 6, 7 and 8
o. Advertising	Sections 8.3, 8.4 and 13	Items 6, 7, and 11
p. Indemnification	Section 10.3	Items 6 and 13
q. Owner's participation/ management and staffing	Sections 6.1 and 12.7	Items 11 and 15
r. Records/reports	Section 14	Item 6
s. Inspections/audits	Section 15	Item 6
t. Transfer	Section 16	Items 6 and 17
u. Renewal	Section 3	Items 6 and 17
v. Post-termination obligations	Section 18	Item 17
w. Non-competition covenants	Section 11.2 and 16.5(l)	Item 17
x. Dispute resolution	Section 19	Item 17
y. Owners/ Shareholders/ Spousal Guarantee	Section 3.5	Item 15
z. Other	None	None

ITEM 10
FINANCING

Neither we nor our affiliates offer direct or indirect financing. Neither we nor any of our affiliates will guarantee your lease, note, or other obligations.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Obligations-Redline Performance Centers:

Before you open your Redline Performance Center for business, we or our designee will:

1. Review and approve or disapprove the proposed site for your Redline Performance Center within the development area specified in your Franchise Agreement or an addendum to your Franchise Agreement ("Development Area"). We require that you select, and we have approved your proposed Redline Performance Center site from within the Development Area within one hundred and eighty (180) days of signing Franchise Agreement. In order to provide us with time to review your proposed Redline Performance Center site and meet that deadline, you must use your best efforts to seek and select a site within one hundred and fifty (150) days after signing Franchise Agreement. It usually takes us no more than thirty (30) days to review and approve your proposed Redline Performance Center site. The Redline Performance Center site must meet our criteria for demographics; traffic count; parking; ingress and egress; character of neighborhood; competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We require that your Redline Performance Center be at least four thousand (4,000) square feet in size. We do not typically own or lease sites to our franchisees. Redline Performance Centers are typically located in light industrial or shopping centers and can be added to an existing establishment of similar products or services. For each proposed Redline Performance Center site, you must submit to us, in the form we specify, a description of the site and any other information or materials that we may require. We will not unreasonably withhold approval of a site that meets our standards for location and neighborhood, traffic patterns, parking size, layout, and other physical characteristics for a Redline Performance Center. If you fail to identify a mutually agreeable Redline Performance Center site by the established deadline, then we may terminate your Franchise Agreement. (Franchise Agreement – Section 4.1).

2. Identify the products, materials, supplies, and services you must use to develop and operate your Redline Performance Center, the minimum standards, and specifications that you must satisfy in developing and operating the franchise, and the designated and approved suppliers from whom you must or may buy or lease these items (which might be limited to or include us and/or our affiliates). While we do not provide direct assistance in obtaining, delivering, or installing equipment, signs, fixtures, inventory, and supplies, we do provide you with the information about these items in the Operations Manual, including a list of approved suppliers (Franchise Agreement – Section 4.3).

3. Provide you with specifications for the Computer System for your Redline Performance Center. (Franchise Agreement – Section 5).

4. After signing your Franchise Agreement, but no later than thirty (30) days before your Redline Performance Center opens for business, we will provide our Initial Training program for your Redline Performance Center to you, other members of your management team, and any agents you employ. (Franchise Agreement – Section 6) You (if you are an individual) or at least one of your Principal Owners as defined in your Franchise Agreement (if you are a legal entity), your general manager ("General Manager") (if we agree for you to have a general manager), and other members of your management team that we designate must complete this Initial Training program to our satisfaction. The Initial Training includes classroom instruction, operation training, and on-the-job franchise operation training at either a performance center or other location we designate. There will be no tuition charge for these training programs for any persons who attend, but you must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your personnel who attend the training programs. All persons who attend our Initial Training program must complete it to our satisfaction.

5. Manage the sale of memberships on your behalf during the three (3) month period prior to the opening of your Redline Performance Center. (Franchise Agreement-Section 4.4).

6. Provide, at Franchisor's expense, a Trainer to assist you or your General Manager (if we agree for you to have a General Manager) with your first Redline Performance Center's operational efficiency, daily

operations, staff training, setup, and opening of your Redline Performance Center for one (1) day before the opening of your first Redline Performance Center and for one (1) day after the opening of your first Redline Performance Center. (Franchise Agreement – Section 4.4). The Trainer will not be responsible for hiring your employees or training your employees.

Time to Open:

Unless we agree otherwise, you must open the Redline Performance Center within twelve (12) months after signing your Franchise Agreement. We estimate that the Redline Performance Center will typically open for business approximately ten and one-half (10 ½) months after signing Franchise Agreement. Factors affecting the length of time include locating a site for Redline Performance Center and signing a lease, construction, or remodeling of the site (if required), completion of required training, financing arrangements, local ordinance and building code compliance, delivery, and installation of equipment, and hiring and training of your staff (Franchise Agreement – Section 4.1). We do not provide assistance with conforming the premises to local ordinances, building codes, construction and/or remodeling or obtaining required permits.

Post-Opening Obligations-Redline Performance Centers:

After your Redline Performance Center business opens for business, we or our designee will:

1. Provide you with guidance and assistance in the following areas: (a) the Products and Services authorized for sale, and specifications, standards, and operating procedures used by Redline franchises; (b) purchasing approved equipment, furniture, furnishings, signs, products, operating materials, and supplies; (c) development and implementation of local advertising and promotional programs; (d) administrative, bookkeeping, accounting, inventory control and operating and management procedures; (e) establishing and conducting employee training programs; (f) changes in any of the above that occur from time to time; and (g) specify any approved brands, types and/or models of equipment, furniture, fixtures, and signs (Franchise Agreement – Section 7.1).

2. Allow you to use our Marks and Confidential Information in operating your Redline Performance Center (Franchise Agreement – Sections 9 and 11). You must use the Marks and Confidential Information only as authorized in Franchise Agreement and the Operations Manual.

3. Indemnify you against damages for which you are held liable in any proceeding arising out of your use of our Marks in compliance with Franchise Agreement and reimburse you for costs you incur in defending against any such claim. (Franchise Agreement – Section 9.5).

4. As we deem appropriate, provide you with additional, on-going, and supplemental training programs. (Franchise Agreement – Section 6.2). We may hold mandatory and optional training programs for you and your staff regarding new techniques, services or products, and other appropriate subjects. We may decide to hold these training programs at our own initiative, or in response to your request for additional or special training. We will determine the location, frequency, and instructors of these training programs. We may, but do not currently, charge you a daily attendance fee in an amount to be set by us for each owner, officer, director, manager, or employee of yours who attends any mandatory or optional training program. You must pay this fee to us in a lump sum before the Initial Training begins. You must pay for all travel, lodging, meal, and personal expenses related to your attendance and the attendance of your personnel. We will hold Initial Training classes or courses approximately once a month, but we may hold them more or less frequently depending on the number of Franchisee personnel that need to be trained.

5. Provide, at Franchisor's expense, a Trainer to assist you or your General Manager (if we agree for you to have a General Manager, see Item 15) with your first Redline Performance Center's for one (1) day approximately 60 days after the opening of your first Redline Performance Center. (Franchise Agreement – Section 6.4

6. Review and approve or disapprove your advertising, marketing, and promotional materials. (Franchise Agreement – Section 13.2).

7. As we deem advisable, conduct inspections and/or audits of your Redline Performance Center, including evaluations of its training methods, techniques, and equipment; its staff; and the services rendered to its customers. (Franchise Agreement – Section 15.1). We may provide you with additional guidance and training based on the results of these inspections and/or audits.

8. If requested by you, we may provide you with a Company's employee or agent to assist you with the operation of your Redline Performance Center ("Franchisor Assistance"). You will be responsible to pay to Franchisor a daily fee (currently set at $300) in addition to the actual costs (including but not limited to travel, meals, lodging, car rental, etc.) for Franchisor Assistance. Franchisor reserves the right to adjust this fee as it deems appropriate) (Franchise Agreement – Section 7.1)

9. To the extent permitted by applicable law, we may periodically establish minimum and maximum prices for services and products that your Redline Performance Center offers, including, without limitation, prices for promotions in which all or certain Redline Performance Centers participate.

Advertising and Marketing

Advertising by You

You are required to spend $5,000 per month to market and advertise your Redline Performance Center during the Presale Period. You are required to spend at least $3,200 per month on advertising once your Redline Performance Center opens for business. You may only use advertising material that is approved by us. Any advertising or marketing material that you intend to use must receive prior written approval from us. If you do not receive our written disapproval within fifteen (15) days from the date the materials are delivered to us, then the materials will be deemed approved. The approval of the marketing or advertising material is valid for one year. (Franchise Agreement – Section 13.2) You must provide us (in a form we approve or designate) evidence of your required local advertising, marketing, and promotional expenditures by the thirtieth (30th) day of each month, for the preceding calendar month, along with a year-to-date report of the total amount spent on local advertising. We are not required to spend any amount on advertising in your area or territory.

Redline Performance Center franchisees are required to join and participate in advertising cooperatives ("Co-op"), which is an association of all other Redline Performance Center Franchise Owners whose Redline Performance Centers are located within a defined Area of Dominant Influence ("ADI"). An ADI is a geographic market designation that defines a broadcast media market, consisting of counties, cities, or other geographic identifiers in which home market television stations receive a preponderance of viewing. One function of the Co-op is to establish a local advertising pool, of which the funds must be used for franchisee advertising only and for the mutual benefit of each Co-op member. You must contribute to the pool in accordance with the rules and regulations of the Co-op, as established by the Co-op members. Co-ops are administered by the Co-op members. We do not have any prescribed Co-op documents; however, we must approve any such documents before the Co-op is established to ensure they do not conflict with the terms of any of our franchise agreement and manuals. All Redline Performance Center Franchise Owners within an established Co-op must contribute on an equal basis to the cooperative. Franchisor-owned outlets are not required to, but may, join local or regional Co-ops which are established. If a franchisor-owned outlet joins a Co-op, the Franchisor-owned outlet will be subject to the rules and regulations of the Co-op and the Franchisor-owned outlets will not have any veto powers on fees imposed by the Co-op. We expect that a Co-op will be formed after there are 5 to 8 franchisees within your geographic region. We must approve the formation of a Co-op in any area. We may withdraw our approval of an established Co-op, in which case, any unused fees collected by the Co-op must be returned to the members of the Co-op in proportion to the contributions made by the Co-op members. Amounts contributed to the advertising pool by Franchise Owners may be counted toward your Minimum Local Advertising Requirement. (Franchise Agreement – Section 13.3)

Advertising by Us

We have created an advertising fund (the "Ad Fund") to accomplish those advertising and promotional programs we deem necessary or appropriate for all Redline Performance Centers. (Franchise Agreement – Section 13.1) Each Redline Performance Center franchise must contribute to the Ad Fund(s) in such amounts that we periodically require. The current required contribution amount is two percent (2%) of Gross Revenues. We have the right to increase or decrease your contribution to the Ad Fund upon thirty (30) days written notice to you up to a maximum contribution of three percent (3%) of Gross Revenues. Any Redline Performance Center business owned by us must also contribute to the Ad Fund on the same basis as you.

We will direct all marketing programs financed by the Ad Fund, and will have sole discretion over the creative concepts, materials, vendors, purchases, and endorsements used by the Ad Fund, and the geographic, market, and media placement and allocation of the Ad Fund. An Ad Fund may be used to pay the costs of administering regional and multi-regional advertising programs, including purchasing direct mail and other media advertising; employing advertising agencies and supporting public relations, market research, and other advertising and marketing firms; and paying for advertising and marketing activities that we deem appropriate, including the costs of participating in any national or regional trade shows. We will not use Ad Fund contributions for advertising that is principally a solicitation for the sale of franchises.

The Ad Fund will be accounted for separately from our other funds and will not be used to pay any of our operating expenses, except for salaries, administrative costs, and overhead that we incur in activities reasonably related to the administration of the Ad Fund and their marketing programs, including preparing advertising and marketing materials, and collecting and accounting for contributions to the Ad Fund. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Ad Fund in that year, and the Ad Fund may borrow from us or other lenders to cover the Ad Fund' deficits or invest any surplus for future use by the Ad Fund. The Ad Fund may be audited annually, in our discretion, at the same time as the audit of our other financials records is done although we are not obligated to do so. We will prepare an annual statement of monies collected and costs incurred by an Ad Fund and will provide it to you upon your written request.

We may cause any Ad Fund to be incorporated or operated through an entity separate from us when we deem appropriate, and the entity will have the same rights and duties as we do under Franchise Agreement. If established, the Ad Fund will be intended to enhance recognition of the Marks and to enhance the franchise opportunities available through our franchises. Although we will endeavor to use the Ad Fund to develop advertising and marketing materials and programs and place advertising that will benefit all Redline Performance Centers, we do not have to ensure that the Ad Funds' expenditures in or affecting any geographic area are proportionate or equivalent to the contributions made by franchises in that geographic area, or that any franchise will benefit from the development of advertising and marketing materials or the placement of advertising by the Ad Fund directly or in proportion to the franchise's contribution to the Ad Fund. We assume no direct or indirect liability or obligation to you or any other franchise in connection with the establishment of an Ad Fund, or the collection, administration, or disbursement of monies paid into any Ad Fund. We are not required to spend any amounts from the Ad Fund for advertising in your area or territory.

We may suspend contributions to, and the operations of any Ad Fund for any period we deem appropriate and may terminate the Ad Fund upon thirty (30) days' written notice to you. All unspent monies held by the Ad Fund on the date of termination will be distributed to us, our affiliates, and you and our other franchisees in proportion to each party's respective contributions to the Ad Fund during the preceding twelve (12) month period. We may reinstate a terminated Ad Fund upon the same terms and conditions set forth in Franchise Agreement upon thirty (30) days' advance written notice to you.

In the fiscal year ending December 31, 2024, a total of $149,870.10 was contributed to the Ad Fund. As of the date of this Disclosure Document, all 2024 Ad Fund contributions have been spent.

During fiscal year 2024, Ad Fund contributions were spent on media placement

Advisory Council

We may establish and receive input and feedback from an advisory council comprised of franchisee representatives. The advisory council, if established, may be elected by our franchisees or appointed by us. If established, the advisory council will serve in an advisory capacity only and will not have operational or decision-making power. We may alter the function and/or composition of any advisory councils at any time, and may otherwise form, change, or dissolve advisory councils. As of the date of this Disclosure Document we have no advisory councils.

Computer System

You must use the computer hardware and software (collectively the "Computer System") that we periodically designate to operate your franchise (Franchise Agreement – Sections 5 and 8.6). You must obtain the Computer System, software licenses, maintenance and support services, and other related services from the suppliers we specify (which may include or be limited to us and/or our affiliates).

We may periodically modify the specifications for, and components of, the Computer System. Other than the monthly Technology Fee, we do not believe that you will incur any annual expenses in connection with upgrading the Computer System. In limited circumstances, required or optional modifications and/or other technological developments or events may require you to purchase, lease, and/or obtain by license new or modified computer hardware and/or software and obtain service and support for the Computer System. The Franchise Agreement does not limit the frequency or cost of these changes, upgrades, or updates. We have no obligation to reimburse you for any Computer System costs or upgrades. Within sixty (60) days after you receive notice from us, you must obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly.

We may charge you a reasonable fee for installing, providing, supporting, modifying, and enhancing any proprietary software or hardware that we develop and license to you; and (ii) other Computer System related maintenance and support services that we or our affiliates provide to you. If we or our affiliates license any proprietary software to you or otherwise allow you to use similar technology that we develop or maintain, then you must sign any software license agreement or similar instrument that we or our affiliates may require.

You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded.

Your Computer System must have internet capability and be capable of supporting our required software. You will also be required to purchase certain software, and to pay monthly charges associated with your Computer System. Currently, you will need two (2) HP Pavilion 23-B030 All-in-Ones, HP 2Y 3D Onsite Envy DT HW Support, Brother MFC9325CW Wireless Color Printer with Scanner, Copier and Fax, Netgear WNR3500L N300 Gigabit Wireless Router, Windows 7 Home Premium SP1 64 bit (OEM) System Builder DVD 1 Pack, Belkin 6 Outlet Surge Protector with 4 feet power cord (black), two (2) Samsung Galaxy Tablets, and Microsoft Office Home and Business 2010 for each computer. The Computer System is used to track and store all data relating to the operation of your franchise and the franchises in our system. We have the right to access all information stored on your Computer System which relate to your franchise. The specification regarding the required hardware and software for your Computer System is contained in the Operations Manual.

We estimate the cost of purchasing and installing the Computer System and related software and associated equipment will range from $18,000 to $22,000. In addition, you will be required to pay a recurring monthly charge ("Technology Fee") for the use of our proprietary management software ("Redline Software"). Currently the Technology Fee is $799 per month, The Technology Fee provides you access, maintenance and support for required POS software, e-mail service, intranet, and other technology services that we determine, in our sole discretion, to provide to you. We may increase the Technology Fee upon thirty (30) days written notice to you provided that we may not increase the Technology Fee by more than ten percent (10%) per year. You will also be required to pay the monthly cost of maintaining high-speed Internet access at your site.

We will have independent access to the information that will be generated such as membership, accounting, and point of sale information and stored on your Computer System. There are no limitations on when or how we may access such information.

Websites

You may not have or utilize a website other than ours, without our prior written approval. You may host or utilize social media relating to your franchise, or other types of advertising websites, such as Facebook, LinkedIn, Groupon, Living Social, or any other similar sites. However, if you offer coupons or discounts using or on any social media or other similar sites, you must get our prior written approval. (Franchise Agreement – Section 13.4)

Table of Contents of the Operations Manual

The Table of Contents of the Operations Manual is attached to this Disclosure Document as Exhibit C.
There are approximately 505 pages in the Operations Manual.

Initial Training Program (Franchise Agreement – Section 6.2)

Our Initial Training program for Redline Performance Centers currently includes the following:

TRAINING PROGRAM			
Subject	**Hours of Classroom Training**	**Hours of Initial On the Job Training**	**Location**
Welcome to Redline Athletics	1.0		Performance center or Designated Location
Project Development	2.0		Performance center or Designated Location

Marketing	2.0		Performance center or Designated Location
Human Resources	2.0	1.0	Performance center or Designated Location
Revenue Sources and Training Programs	5.0	10.0	Performance center or Designated Location
Software	4.0	2.0	Performance center or Designated Location
Daily Operations	4.0	2.0	Performance center or Designated Location
Performance Center Management	8.0	2.0	Performance center or Designated Location
Total Hours	**28.0**	**17.0**	Performance center or Designated Location

Explanatory Notes:

(1) Most of these subjects are integrated throughout the approximately three (3) day classroom training program with approximately three (3) days of on the job training held at our corporate office in Scottsdale, AZ, or such other location we designate. We plan to be flexible in scheduling training. The classroom training program must be completed to our satisfaction before the opening of the Redline Performance Center. On-the-job training will occur at your Redline Performance Center within a few days before and after the opening of your Redline Performance Center. Initial training is typically held at least monthly but may be held more or less frequently depending on the circumstances.

(2) You, as Franchisee, along with any staff members we deem necessary must attend our Initial Training program.

(3) Franchisor also may offer additional or refresher video training courses from time to time. Some of these courses may be mandatory, and some may be optional. These courses may be conducted at Franchisor's headquarters, Franchisor's Performance Center, or at any other location designated by Franchisor.

(4) You and/or your employees will be responsible for all out-of-pocket expenses in connection with all training programs, including costs and expenses of transportation, lodging, meals, wages, and employee benefits. Franchisor reserves the right to impose reasonable charges for training classes and materials in connection with such training courses. Franchisor will notify you of any additional charges before you or your employees enroll in a course.

(5) All classes are scheduled by advance written notice to all Franchise Owners. Franchisor's class cancellation policies will be included in the written notice of class schedules.

(6) The instruction materials for our training programs include handouts, the Operations Manual, and lectures.

(7) Although the individual instructors of the Initial Training may vary, all of our instructors have at least 2 years of experience in the subject area for which they provide training.

If you are unable to satisfactorily complete and pass the Initial Training, we reserve the right to terminate this Agreement and refund the Initial Franchise Fee, less an administrative charge equal to twenty- five percent (25%) of the Initial Franchise Fee. If we determine that your General Manager or any of your employees has failed to satisfactorily complete the Initial Training, you agree to immediately hire a substitute and promptly arrange for such person to complete the Initial Training to our satisfaction. You shall pay the additional training fee for training programs furnished to individuals who replace a manager of employee who has previously attended the Initial Training. You are responsible for all travel and living expenses. If you, your employees, or your General Manager, fail to satisfactorily complete and pass the required Initial Training program, then we reserve the right to require you, or your designee approved by us to attend additional training and we will charge you an additional training fee of $250 per day per person.

We may require you and/or newly hired, previously trained, and experienced employees of your Redline Performance Center to attend up to seven (7) days of additional or refresher training courses each year and a national business meeting or convention up to three (3) days per year at the times and locations we designate. We may charge a fee of $250 per day per person for these courses, conventions, and programs. You are responsible for all travel and living expenses. If you fail to attend any required training courses, conventions, or programs, we may charge a non-attendance fee of $250 per day.

ITEM 12
TERRITORY

You will select for our consideration and approval the site for the Redline Performance Center according to the requirements and within the time specified in Franchise Agreement. We will grant you a protected territory (“the Protected Territory”).

We will define the Protected Territory in an addendum to Franchise Agreement after you select, and we approve the site of your Redline Performance Center. Typically, the Protected Territory will include an area with a radius of three (3) to five (5) miles with 12,000 to 15,000 children between the ages of 8 and 18, and an average household income of at least $70,000. We will establish a Protected Territory after you have secured an approved site for your Redline Performance Center. We will describe the Protected Territory using a map that will show in general terms the fixed geographical boundaries (such as rivers, streets, or highways) and a general description of the Protected Territory. The geographic size of the Protected Territory will vary based upon population density and a variety of demographic factors. In dense urban areas, the Protected Territory may encompass a city block or less. In less dense suburban areas, the Protected Territory could include an entire municipality.

We will not increase the size of your Protected Territory during the franchise term. If you intend to renew or transfer the franchise, and your Protected Territory is larger than our then-current standard size for territories or the then-current demographics of your Protected Territory have changed, then we may reduce the size of your Protected Territory on renewal or require your transferee to operate the Redline Performance Center in a smaller territory. If we reduce the Protected Territory, we will give you or your transferee the option (as applicable) to develop the remaining territory.

If you are in full compliance with the Franchise Agreement, neither we nor our affiliates will operate or grant a franchise for others to offer Outside Modules within your Protected Territory during the term of the Franchise Agreement.

We must approve the relocation of the Redline Performance Center. We will apply the same criteria for the relocation of a Redline Performance Center as we apply when determining the location of the Redline Performance Center for a new franchise.

We do not impose any restrictions on you or other franchisees the solicitation of customers, acceptance of orders, or delivery of goods or services to customers that reside outside of your Protected Territory through any distribution channel, including, but not limited to, sales via mail order, catalog, toll-free telephone numbers, the Internet, and similar electronic or digital sales transactions.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The Franchise Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional franchises.

Company Reserved Rights

We and our affiliates reserve the right to engage in any activities we deem appropriate that your Franchise Agreement does not expressly prohibit, whenever and wherever we desire, including the right to (1) operate, or grant to others the right to operate Redline Performance Centers on terms and conditions we deem appropriate; (2) provide or grant other persons the right to provide goods and services that are similar to and/or competitive with those provided by Redline Performance Centers through any distribution channel, including, but not limited to, sales via mail order, catalog, toll-free telephone numbers, the Internet, and similar electronic or digital sales transactions, under the Marks or trademarks and services marks other than the Marks, however, neither we nor our affiliates currently have plans to do so; (3) acquire the assets or ownership interest of businesses providing products and services similar to those provided at Redline Performance Centers, and franchising, licensing, or creating similar arrangements with respect to those acquired businesses, wherever those businesses or their franchisees or licensees are located; and (4) be acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Redline Performance Centers or another business. We have no obligation to pay franchisee compensation for any of these activities within your Protected Territory.

Neither we nor our affiliates plan to operate or franchise a business under a different trademark that sells or will sell sport performance training or fitness class goods and services similar to those you will offer as a Redline Performance Center Franchisee.

ITEM 13
TRADEMARKS

Franchisor grants you the right and license to use the Marks and the System solely in connection with your Redline Performance Center. You may use our trademark "Redline®," and such other Marks as are designated in writing by Franchisor for your use. In addition, you may use them only in the manner authorized and permitted by Franchisor and you may not directly or indirectly contest Franchisor's ownership of or rights in the Marks.

The following principal trademarks are registered with the United States Patent and Trademark Office ("USPTO").

Mark	Registration Number	Registration Date	Register
Redline Athletics®	4508971	April 8, 2014	Principal
Redline®	4504435	April 1, 2014	Principal

There are no agreements currently in effect that significantly limit Franchisor's right to use or license the use of the Marks in a manner material to the franchise. With respect to the Marks, there are currently no effective material determinations of the UPSTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceeding. For all principal federal registrations, all necessary required affidavits and renewals have been filed for all marks.

Franchisor will indemnify against or reimburse for expenses you incur in defending claims of infringement or unfair competition arising out of your use of the Marks. You are required to notify Franchisor immediately when you become aware of the use, or claim of right to, a Mark identical or confusingly similar to our Marks. If litigation involving the Marks is instituted or threatened against you, you must notify Franchisor promptly and cooperate fully with Franchisor in defending or settling the litigation. Franchisor, at its option, may, but is not required to, defend and control the defense of any proceeding relating to any Marks. Franchisor has exclusive right to control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Marks. You agree to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceedings related to the Marks, or to otherwise protect and maintain our interests in the Marks.

If it becomes advisable at any time in our sole judgment for Franchisor to modify or discontinue the use of any Mark or use one or more additional or substitute trade or service marks, including the Marks used as the name of Franchisor, then you agree, at your sole expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trade or service marks, within a reasonable time after our notice to you.

Franchisor has no actual knowledge of either superior prior rights or infringing uses that could materially affect a Franchisee's use of the Marks in any state.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Franchisor owns no rights in or to any patents that are material to the franchise.

Franchisor claims a copyright and treats the information in the Operations Manual as confidential trade secrets, but you are permitted to use the material as part of the franchise.

Franchisor has no actual knowledge of either superior prior rights or infringing uses that could materially affect a Franchise Owner’s use of Franchisor’s copyrighted materials in any state.

Under the Franchise Agreement, you must operate your Redline Performance Center in accordance with the standards, methods, policies, and procedures specified in the Operations Manual. We will grant you online access to the Operations Manual when you sign your Franchise Agreement. You must operate your Redline Performance Center strictly in accordance with the Operations Manual, as it may be revised by Franchisor from time to time.

You must at all times, treat the Operations Manual and the information in it, as well as any other materials created for or approved by use for the operation of your Redline Performance Center, as confidential. You must make all reasonable efforts to maintain this information secret and confidential. You must not print, copy, save, download, duplicate, record, or make the Operations Manual available to any unauthorized person. The Operations Manual will remain our sole property and in the event that you cease to be a Franchisee you will no longer have access to it. We may, from time to time, revise the contents of the Operations Manual, and you must comply with each new or changed provision, section, obligation, or requirement.

The Franchise Agreement requires you to maintain all Confidential Information of Franchisor as confidential both during and after the term of the Agreement. “Confidential Information” includes all information, data, techniques, and know-how designated or treated by Franchisor as confidential and includes the Operations Manual. You may not at any time disclose, print, copy save, download, duplicate, record or use any Confidential Information except as specifically authorized by Franchisor. Under the Agreement, you agree that all information, data, techniques, and know-how developed or assembled by you or your employees or agents during the term of your Franchise Agreement and relating to the System will be deemed a part of the Confidential Information protected under Franchise Agreement.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

Franchise Owners are expected to participate in the direct operation of their Redline Performance Center on a full-time basis. If they cannot, then they are obligated to retain a fully trained General Manager (approved by us) to operate the Redline Performance Center. We believe that a person with an equity interest can best ensure that our standards of quality and competence are maintained, although this is not a requirement. The Franchise Agreement requires that you, or a designated General Manager, be directly involved in the day-to-day operations and utilize your best efforts to promote and enhance the performance of your Redline Performance Center. While in most cases Franchise Owners will seek additional assistance for the labor-intensive portions of the business, we have built our reputation on Franchise Owner participation and believe it is crucial for continued success.

Any General Manager you employ at the launch of your franchise operations must complete the Initial Training required by Franchisor. All subsequent general managers must be approved by us and trained fully according to our standards by either Franchisee or Franchisor. However, Franchisor may charge a fee for this additional training.

Each individual who holds an ownership interest in your Redline Performance Center ("Owner") must personally guarantee all of the obligations of your Redline Performance Center Owner under Franchise Agreement. (Exhibit F for the form of Guaranty and Assumption of Obligations.) The Guaranty must be executed by the spouse(s) of the franchisee, and all its owners, partners, etc.

At Franchisor's request, you must obtain and deliver executed covenants of confidentiality and non-competition (Exhibit E) from any persons who have or may have an ownership interest in your Redline Performance Center Owner or in the franchise, any general managers, or any other persons who receive or have access to training and other Confidential Information under the System. The covenants must be in a form satisfactory to us and must provide that we are a third party beneficiary of and have the independent right to enforce the covenants.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate your Redline Performance Center in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as set forth in the Operations Manual and in other writings by Franchisor from time to time. You must use the site of your Redline Performance Center only for the operation of your Redline Performance Center and may not operate any other business at or from the site without the express prior written consent of Franchisor.

Franchisor requires you to offer and sell only those goods and services that Franchisor has approved. Franchisor maintains a written list of approved goods and services in its Operations Manual, which Franchisor may change from time to time.

You must offer all goods and services that Franchisor designates as required for all franchises. In addition, Franchisor may require you to comply with other requirements (such as state or local licenses, training, marketing, insurance) before Franchisor will allow you to offer certain services.

We reserve the right to designate additional required or optional goods and services in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements. There are no express limitations on our right to designate additional or operational goods and services; however, such goods and services will be reasonably related to our franchise system or model.

We do not currently have any restrictions or conditions that limit access to customers to whom the franchisee may sell goods or services.

You are not authorized to offer products of services identical or similar to the products or services offered by us through any means other than your franchise. Failure to abide by this term may result in the immediate termination of your Redline Performance Center.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of your Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 3.1	Ten (10) years
b. Renewal or extension	Section 3.4	Your renewal rights permit you to remain a franchisee after the initial term of your Franchise Agreement expires. If you wish to do so, and you satisfy the required pre-conditions for renewal, we will offer you the right to one (1) renewal term of ten (10) years.
c. Requirements for franchisee to renew or extend	Section 3	You must: have substantially complied with your Franchise Agreement; given notice to us of your intent to renew between twelve (12) and twenty-four (24) months before the expiration of the initial term of the franchise; sign a new Franchise Agreement in our then current form which may include terms and conditions materially different from those in the original Franchise Agreement; sign general release of claims against us and related parties (see Exhibit H); pay the applicable renewal fee (see Item 6); cure any defaults; and pay all amounts owed to us.
d. Termination by franchisee	Not Applicable	Franchisee may terminate the franchise agreement under any grounds permitted by law.

Provision	Section in Franchise or Other Agreement	Summary
e. Termination by franchisor without cause	Not Applicable	None
f. Termination by franchisor with cause	Section 17	Various breaches of Franchise Agreement.
g. "Cause" defined – curable defaults	Section 17	You do not pay us within ten (10) days after written notice; you use, sell, or distribute unauthorized products; you fail to maintain a valid license to practice and/or fail to maintain compliance with state regulations; you do not comply with any other provision of your Franchise Agreement or specification, standard, or operating procedure and do not correct such failure within twenty (20) days after written notice.
h. "Cause" defined – non-curable defaults	Section 17	We can terminate if: You fail to timely develop or open the franchise; you abandon, surrender, transfer control of or do not actively operate the franchise or lose the right to occupy the franchise location; you or any Principal Owner make an unauthorized transfer or assignment of the franchise or its assets; you are adjudged a bankrupt, become insolvent, or make an assignment for the benefit of creditors; you or your Principal Owners are convicted of a felony, or are convicted or plead no contest to any crime or offense that adversely affects the reputation of the franchise and the goodwill of our Marks; you are involved in any action that adversely affects the reputation of the franchise and the goodwill of our Marks; you violate any health or safety law or ordinance or regulation, or operate the franchise in a way that creates a health or safety hazard; or you fail on three (3) or more occasions within any twelve (12) month period to comply with Franchise Agreement regardless of whether or not such failures to comply are corrected.
i. Franchisee's obligations on termination/non-renewal	Section 18	Includes payment of money owed to us, cancellation of assumed names and transfer of phone numbers, cease using Proprietary Marks, cease operating Redline Performance Center, no confusion with Proprietary Marks, our option to purchase your inventory and equipment, your modification of the Redline Performance Center and our option to purchase your Redline Performance Center.
j. Assignment of contract by franchisor	Section 16.3	No restriction on right to transfer.

Provision	Section in Franchise or Other Agreement	Summary
k. “Transfer” by franchisee – defined	Section 16	Includes assignment of Franchise Agreement, sale or merger of business entities, transfer of corporate stock, and death of Franchise Owner or majority owner of Franchise Owner.
l. Our approval of transfer by you	Section 16.4	You need Franchisor’s approval to transfer Redline Performance Center ownership or ownership interest.
m. Conditions for our approval of transfer by you	Section 16.5	New owner must complete our franchise application and be approved by us as a franchisee; new owner must have sufficient business experience, aptitude and financial resources to operate the franchise; you must pay all amounts due us or our affiliates; new owner and its director must successfully complete our initial training program; your landlord must consent to transfer of the lease, if any; you must pay us a transfer fee (see Item 6); you and your Principal Owners must sign a general release in favor of us, our affiliates, and our and their officers, directors, employees and agents (see Exhibit H); if applicable, the new owner must agree to remodel to bring the franchise to current standards; new owner must assume all obligations under your Franchise Agreement or, at our option, sign a new Franchise Agreement using our then-current form; you and your Principal Owners must sign a transfer which includes a non-competition agreement agreeing not to engage in a competitive business for twenty-four (24) months within twenty-five (25) miles of your Redline Performance Center or any other Redline Performance Center (see Exhibit I). We also may approve the material terms of the transfer and require that you subordinate any installment payments to the new owners’ obligation to pay us.
n. Our right of first refusal to acquire your business	Section 16.6	We have the option to match any offer for your Redline Performance Center.
o. Our option to purchase your business	Section 16.6	We have the option to purchase your Redline Performance Center upon termination or non-renewal.
p. Death or disability of you	Section 16.7	Franchise must be assigned by estate to approved buyer within forty-five (45) days.
q. Non-compete covenants during the term of the franchise	Section 11.2	No involvement in competing business during the term of the Agreement subject to applicable state law.
r. Non-compete covenants after the franchise is terminated or expires	Sections 11.2and 18.5	No involvement in competing business for twenty-four (24) months within a twenty-five (25) mile radius of any Redline Performance Center subject to applicable state law.

Provision	Section in Franchise or Other Agreement	Summary
s. Modification of the agreement	Section 22	Must be in writing by both sides.
t. Integration/merger clause	Section 22	Only the terms of your Franchise Agreement and other written documents are binding. Any other promises are unenforceable. However, nothing in Franchise Agreement will have the effect of disclaiming any of the representations made in this FDD or any of its attachments or addenda. This provision is subject to applicable state law.
u. Dispute resolution by arbitration or mediation	Section 19.9	Except for certain claims, we and you must arbitrate all disputes in Maricopa County, Arizona. This provision is subject to applicable state law.
v. Choice of forum	Section 19.11	Maricopa County, Arizona, subject to applicable state law.
w. Choice of law	Section 19.11	Arizona law governs, except for matters regulated by the United States Trademark Act (subject to applicable state law).

Additional Information

See Exhibit K for a list of state-specific disclosures and requirements.

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchises. You have no right to use the name of any public figure for purposes of promotional efforts, advertising, or endorsements, except with our prior written consent. No public figure has any investment in the System or us.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

UNAUDITED AVERAGE AND MEDIAN MONTHLY GROSS REVENUE FOR 37 REDLINE PERFORMANCE CENTERS THAT WERE OPEN FOR ALL OF 2024 CATEGORIZED INTO THREE GROUPS BASED UPON THE EXTENT FRANCHISEE IS FOLLOWING MODEL

Number of Included Units		January	February	March	April	May	June	July	August	September	October	November	December	Average and Median Monthly Revenue for 2024
Following Model														
10 Units	Average	$47,501	$44,090	$42,526	$47,057	$43,974	$42,524	$45,106	$38,330	$38,707	$35,213	$45,525	$48,283	$43,237
	Median	$40,337	$37,313	$37,245	$41,671	$36,121	$38,581	$42,120	$30,745	$36,553	$31,525	$40,018	$41,754	$38,595
Number and % of Locations Exceeding Average		3/10 (30%)	3/10 (30%)	4/10 (40%)	3/10 (30%)	4/10 (40%)	5/10 (50%)	5/10 (50%)	4/10 (40%)	4/10 (40%)	4/10 (40%)	4/10 (40%)	4/10 (40%)	4/10 (40%)
Number and % of Locations Exceeding Median		5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)	5/10 (50%)
Partially Following Model														
22 Units	Average	$29,574	$27,289	$26,756	$28,603	$25,765	$25,938	$32,081	$23,089	$22,798	$21,419	$24,211	$25,784	$26,008
	Median	$29,426	$24,670	$24,499	$25,968	$23,327	$23,347	$25,133	$23,020	$22,466	$20,509	$23,268	$23,202	$25,330
Number and % of Locations Exceeding Average		10/22 (45%)	9/22 (41%)	7/22 (32%)	8/22 (36%)	8/22 (36%)	10/21 (47%)	6/21 (29%)	10/21 (48%)	9/21 (43%)	10/21 (47%)	10/21 (47%)	9/21 (43%)	11/22 (50%)
Number and % of Locations Exceeding Median		11/22 (50%)	10/22 (45%)	11/22 (50%)	11/22 (50%)	11/22 (50%)	11/21 (52%)	11/21 (52%)	11/21 (52%)	11/21 (52%)	11/21 (52%)	11/21 (52%)	11/21 (52%)	11/22 (50%)
Not Following Model														
5 Units	Average	$26,572	$22,828	$22,727	$25,205	$27,423	$25,263	$25,169	$22,574	$20,234	$17,291	$17,105	$21,449	$17,097
	Median	$22,661	$19,464	$17,570	$20,872	$23,874	$24,496	$20,433	$19,815	$15,202	$12,807	$13,223	$16,696	$22,739
Number and % of Locations Exceeding Average		1/5 (20%)	1/5 (20%)	1/5 (20%)	2/5 (40%)	2/5 (40%)	1/5 (20%)	1/5 (20%)	2/5 (40%)	1/5 (20%)	2/5 (40%)	2/5 (40%)	1/5 (20%)	3/5 (60%)
Number and % of Locations Exceeding Median		3/5 (60%)	3/5 (60%)	3/5 (60%)	3/5 (60%)	3/5 (60%)	3/5 (60%)	3/5 (60%)	3/5 (60%)	3/5 (60%)	3/5 (60%)	3/5 (60%)	2/5 (40%)	3/5 (60%)

1. Franchisor evaluates the following criteria in grouping franchisees for this financial performance representation: (1) whether the Redline Performance Center has a general manager; (2) whether the Redline Performance Center is investing in local store marketing; (3) whether the Redline Performance Center is utilizing recommended marketing programs; (4) whether the Redline Performance Center offers the "Flex Allegiance" membership program; and (5) whether the Redline Performance Center is following recommended membership program offerings. Group 1 "Following Model" Performance Centers met four or more of the criteria; Group 2 "Generally Following Model" met two or three of the criteria; Group 3 "Not Following Model" met one or fewer of the criteria.

2. The term "Gross Revenue" shall, for purposes of this Item 19, means the total of all revenue and receipts derived from the operation of your Redline Performance Center, including all amounts received at or away from the Redline Performance Center including those Outside Modules that you offer at or away from your Redline Performance Center, amounts collected or received at or resulting from the use of the Redline Performance Center or Marks, or through the business your Redline Performance Center conducts (such as fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and all customer refunds and credits your Redline Performance Center actually makes.
3. This table includes the average and median Gross Revenue for each group of reporting Redline Performance Centers as well as the number of reporting Redline Performance Centers that exceeded the average and median Gross Revenue amounts for each group.

4. This financial performance representation is based upon sales reports provided by franchisees in connection with royalty payments. We have not audited the results.

5. All figures used in preparing this financial performance representation are on file and in our records. Written substantiation of the financial performance representation included in this Item 19 is available upon reasonable request.

6. This financial performance representation does not include eight (8) Redline Performance Centers that closed in 2024 and eight (8) Redline Performance Centers that opened in 2024.

7. **Some Redline Performance Centers have sold this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

UNAUDITED MONTHLY GROSS REVENUE FROM DATE OF OPENING FOR EIGHT (8) REDLINE PERFORMANCE CENTERS THAT OPENED IN 2024

	January	February	March	April	May	June	July	August	September	October	November	December
IDLEWIDLE, NC	Presale	Presale	$9,310	$10,624	$11,442	$10,929	$12,412	$9,493	$12,023	$11,766	$11,927	$17,410
MCKINNEY, TX	$25,481	$15,075	$13,152	$21,619	$17,475	$21,473	$45,024	$33,811	$40,993	$38,011	$50,007	$52,723
SUTTON SQUARE, NC	$17,106	$19,291	$21,952	$25,321	$24,967	$22,354	$28,741	$27,211	$32,323	$30,515	$32,509	$43,076
FARMINGTON HILLS, MI	Presale	$10,730	$17,908	$22,720	$19,333	$23,045	$23,861	$21,104	$29,195	$24,662	$34,084	$31,835
SIOUX FALLS, SD				Presale	Presale	Presale	$10,795	$8,411	$10,127	$10,413	$13,025	$17,420
TWIN CITIES, MN							Presale	Presale	Presale	Presale	$6,730	$8,165
HUDSON, NH								Presale	Presale	Presale	Presale	$13,630
GRETNA, NE								Presale	Presale	Presale	Presale	$11,176
Monthly Average	$21,294	$15,032	$15,581	$20,071	$18,304	$19,450	$24,167	$20,006	$24,932	$23,073	$24,714	$24,429
Monthly Median	$21,294	$15,075	$15,530	$22,170	$18,404	$21,914	$23,861	$21,104	$29,195	$24,662	$22,767	$17,415

1. The term "Gross Revenue" shall, for purposes of this Item 19, means the total of all revenue and receipts derived from the operation of your Redline Performance Center, including all amounts received at or away from the Redline Performance Center including those Outside Modules that you offer at or away from your Redline Performance Center, amounts collected or received at or resulting from the use of the Redline Performance Center or Marks, or through the business your Redline Performance Center conducts (such as fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and all customer refunds and credits your Redline Performance Center actually makes.
2. This table includes the average and median Gross Revenue for each Redline Performance Center that opened in 2024 for each month that such locations operated. Those months where the applicable Redline Performance Center was not open but preselling memberships are marked as "Presale."
3. This financial performance representation is based upon sales reports provided by franchisees in connection with royalty payments. We have not audited the results.
4. All figures used in preparing this financial performance representation are on file and in our records. Written substantiation of the financial performance representation included in this Item 19 is available upon reasonable request.
5. **Some Redline Performance Centers have sold this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

Other than the preceding financial performance representations, Franchisor does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. Written substantiation for the financial performance representations will be made available to the prospective franchisee upon reasonable request. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting T.J. O'Connor 14000 North Hayden Road, Suite 101, Scottsdale, Arizona 85260, (480) 386-9708, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2022 TO 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchisee	2022	35	52	17
	2023	52	49	-3
	2024	49	46	-3
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	35	52	17
	2023	52	49	-3
	2024	49	46	-3

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2022 TO 2024

State	Year	Number of Transfers
California	2022	0
	2023	0
	2024	1
Colorado	2022	1
	2023	0
	2024	0
Texas	2022	0
	2023	2
	2024	0
Georgia	2022	1
	2023	0
	2024	0
Total	2022	2
	2023	2
	2024	1

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Arizona	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
California	2022	2	2	0	0	0	0	4
	2023	4	2	0	0	0	0	4
	2024	6	0	0	0	0	0	6
Colorado	2022	3	2	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	3	0	0	0	2
Florida	2022	2	2	0	0	0	0	4
	2023	4	0	1	0	0	0	3
	2024	3	0	0	0	0	0	3
Georgia	2022	4	0	0	0	0	0	4
	2023	4	0	1	0	0	0	3
	2024	3	0	0	0	0	0	3
Illinois	2022	2	0	0	0	0	0	2
	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1
Kansas	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	0	1	0	0	0	0	1
Maryland	2022	2	2	0	0	0	0	4
	2023	4	0	1	0	0	0	3
	2024	3	0	0	0	0	0	3
Michigan	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Minnesota	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Missouri	2022	2	0	0	0	0	0	2
	2023	2	1	1	0	0	0	2
	2024	2	0	0	0	0	0	2
New Hampshire	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
North Carolina	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Nebraska	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
New Jersey	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Ohio	2022	4	1	0	0	0	0	5
	2023	5	0	3	0	0	0	2
	2024	2	0	1	0	0	0	1
Oklahoma	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	1	0	0	0	1
Oregon	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Pennsylvania	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
South Carolina	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
South Dakota	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Tennessee	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Texas	2022	8	2	0	0	0	0	10
	2023	10	0	0	0	0	0	10
	2024	10	0	1	1	0	1	7
Virginia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Washington	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Total	2022	35	17	0	0	0	0	52
	2023	52	5	8	0	0	0	49
	2024	49	5	6	1	0	1	46

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
All States	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

TABLE NO. 5
PROJECTED OPENINGS FOR 2025 AS OF DECEMBER 31, 2024

State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlets in Fiscal Year 2025	Projected New Company-Owned Outlets in Fiscal Year 2025
Arizona	1	2	0
Arkansas	1	1	0
California	4	3	0
Colorado	0	1	0
Florida	12	1	0
Georgia	1	1	0
Idaho	1	0	0
Illinois	1	1	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	0	0
Maryland	2	0	0
Michigan	1	0	0
Minnesota	0	0	0
Missouri	0	0	0
Nebraska	0	0	0
Nevada	6	1	0
New Hampshire	1	1	0

State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlets in Fiscal Year 2025	Projected New Company-Owned Outlets in Fiscal Year 2025
New Jersey	3	1	0
New Mexico	0	0	0
North Carolina	1	0	0
Ohio	3	0	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
South Carolina	1	0	0
South Dakota	0	0	0
Tennessee	1	1	0
Texas	4	1	0
Utah	1	0	0
Virginia	0	2	0
Washington	1	0	0
Wyoming	1	0	0
TOTAL	47	17	0

Exhibit F lists the names of all of our operating Redline Performance Centers and their addresses and telephone numbers as of December 31, 2024. Exhibit F lists the Redline Performance Centers who have signed franchise agreements that were not yet operational as of December 31, 2024, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every Redline Performance Center who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark-specific franchisee organizations associated with the franchise system being offered that have asked to be included in this Disclosure Document.

In some instances, current and former franchisees sign provisions restricting their ability to speak only about their experience with Redline Athletics. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

ITEM 21
FINANCIAL STATEMENTS

The franchisor has not been in business for three years or more and cannot include all the financial statements required by the Rule for its last three fiscal years. Attached to this Disclosure Document as Exhibit D is an audited opening balance sheet of Phoenix Franchising Group LLC as of January 1, 2025 and unaudited financials through June of 2025. The franchisors fiscal year ends December 31.

ITEM 22
CONTRACTS

Attached are copies of the following agreements relating to the offer of the franchise:

Exhibit B	Franchise Agreement and Exhibits
Exhibit E	Confidentiality/Non-Disclosure Agreement
Exhibit G	General Release Agreement
Exhibit I	State-Specific Addenda to Franchise Agreement

ITEM 23
RECEIPTS

Exhibit M includes Receipts acknowledging that you received this Disclosure Document. Please return one Receipt to us and retain the other for your records. If you are missing these Receipts, please contact us at this address or telephone number:

PHOENIX FRANCHISING GROUP, LLC
14000 North Hayden Road, Suite 101
Scottsdale, Arizona 85260
Telephone: (480) 386-9708
www.Redlineathletics.com

EXHIBIT A
STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Following is information about our agents for service of process, as well as state agencies and administrators whom you may wish to contact with questions about Phoenix Franchising Group, LLC.

Our agent for service of process in the State of Arizona is:

Gallagher & Kennedy Service Corporation
2575 E. Camelback Road, Suite 100
Phoenix, Arizona 85016

We intend to register the franchises described in this Disclosure Document in some or all of the following states in accordance with applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the designated state offices or officials as our agents for service of process in those states:

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Suite 750, 320 West 4th Street Los Angeles, CA 90013 (213) 576-7505	Commissioner of Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento 95834 www.dfpi.ca.gov and email, Ask.DFPI@dfpi.ca.gov.
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs, 335 Merchant Street, Room 203, Honolulu, HI 96812, (808) 586-2727	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96812
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
INDIANA	Indiana Secretary of State Securities Division, Room E-1 11 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State State Securities Division, Room E-1 11 302 West Washington Street Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place, Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
MICHIGAN	Michigan Department of Attorney General, Consumer Protection Division Antitrust and Franchise Unit 670 Law Building, Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913

State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231
NORTH DAKOTA	North Dakota Insurance & Securities Department Commissioner 600 East Boulevard Bismarck, ND 58505-0510 (701) 328-2910	North Dakota Insurance & Securities Department 600 East Boulevard Bismarck, ND 58505-0510
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9527	Director of Rhode Island Department of Business Regulation Floor, Division of Securities, 1511 Pontiac Avenue Cranston, RI 02920
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities, 124 South Euclid Suite 104, Pierre, SD 57501 (605) 773-3563	Department of Labor and Regulation Division of Securities, 124 South Euclid Suite 104, Pierre, SD 57502 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising, 1300 East Main Street, 9th Floor, Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Road, Tumwater, Washington 98501 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road, Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559

<u>EXHIBIT B</u>
FRANCHISE AGREEMENT

PHOENIX FRANCHISING GROUP, LLC

FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

This Franchise Agreement (this or the "Agreement") is being entered into effective as of the _____ day of , 20__ (the "Agreement Date"). The parties to this Agreement are Phoenix Franchising Group, LLC, an Arizona limited liability company ("we," "us," the "Company," or "Phoenix Franchising Group, LLC") and ______________________________, as Franchise Owner ("you," "Franchise Owner," or "Franchisee"), and, if you are a partnership, corporation, or limited liability company, your "Principal Owners" (defined below).

1. **INTRODUCTION**.

1.1 This Agreement has been written in an informal style in order to make it more easily readable and to be sure that you become thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. This Agreement includes several exhibits, all of which are legally binding and are an integral part of the complete Agreement. In this Agreement, we refer to Phoenix Franchising Group, LLC as "we," "us," "Franchisor" or the "Company." We refer to you as "you," "Franchise Owner" or "Franchisee." If you are a corporation, partnership, or limited liability company, you will notice certain provisions that are applicable to those shareholders, partners, or members on whose business skill, financial capability, and personal character we are relying in entering into this Agreement. Those individuals will be referred to in this Agreement as "Principal Owners."

1.2 Through the expenditure of considerable time, effort, and money, we and our affiliates have devised a system for the establishment and operation of Redline Athletics businesses, a franchise that operates specialized performance centers (each a "Redline Performance Center") that offers sports performance training products and services to the public, with a focus on ages 8 through 18 (the "Redline Program"). Our atmosphere is recreational, professional, and educational (all of these characteristics are referred to in this Agreement as the "System"). We identify the System by the use of certain trademarks, service marks and other commercial symbols, including the word marks "Redline Athletics®," "Redline®," "Redline Sports Performance Centers," and certain associated taglines, designs, artwork, and logos, which we may change or add to from time to time (the "Marks").

1.3 From time to time we grant to persons who meet our qualifications, franchises to own and operate Redline Performance Centers that will operate and/or manage a business that operates a Redline Performance Center. This Agreement is being presented to you because of the desire you have expressed to obtain the right to develop, own, and be franchised to operate a Redline Performance Center (note that we may hereafter refer to your Redline Performance Center as a "Redline® Franchise" or a "Redline® Franchised Business", or as the "Franchise" or the "Franchised Business"). In signing this Agreement, you acknowledge that you have conducted an independent investigation of the Redline® Business concept, and recognize that, like any other business, the nature of it may evolve and change over time, that an investment in a Redline Performance Center involves business risks, and that the success of this business venture is primarily dependent on <u>your</u> business abilities and efforts.

1.4 We expressly disclaim making, and you acknowledge that you have not received any guarantee, express or implied, as to the revenues, profits, or likelihood of success of the Redline Performance Center venture contemplated by this Agreement. You acknowledge that there have been no representations by us or our affiliates or our or their respective officers, directors, members, employees, or agents that are inconsistent with the statements made in our current Franchise Disclosure Document concerning Redline Performance Centers, or the provisions of this Agreement. You further represent to us, as an inducement to our entering into this Agreement with you, that there have been no misrepresentations to us in your application for the rights granted by this Agreement, or in the financial information provided by you and your Principal Owners.

2. **GRANT OF FRANCHISE.** You have applied for a franchise to own and operate a Redline Performance Center, and we have approved your application in reliance on all of the representations you made in that application. As a result, and subject to the provisions of this Agreement, we grant to you a limited right and license, in a manner consistent with, and subject to this Agreement to operate a Redline Performance Center offering all products, services, and proprietary programs of ours, in accordance with all elements of the System that we may require for Redline Performance Centers.

2.1 **Full Term Performance**. You specifically agree to be obligated to operate Redline Performance Center, perform the obligations of this Agreement, and continuously exert your best efforts to promote and enhance the business of your Redline Performance Center for the full term of this Agreement.

2.2 **Protected Territory; Reservation of Rights**.

(a) We will grant you an area with a radius of three (3) to five (5) miles, with at least 12,000 to 15,000 children between the ages of 8 and 18, and which has an average household income of approximately $70,000 (the "Protected Territory"). We will establish a Protected Territory after you have secured an approved site for your Redline Performance Center. We will describe the Protected Territory using a map that will show in general terms the fixed geographical boundaries (such as rivers, streets, or highways) and a general description of the Protected Territory. The geographic size of the Protected Territory will vary based upon population density and a variety of demographic factors. In dense urban areas, the Protected Territory may encompass a city block or less. In less dense suburban areas, the Protected Territory could include an entire municipality. We will define the Protected Territory in an addendum to this Agreement. You must identify a site for your Redline Performance Center in the Protected Territory or if no Development Area is set forth, in such other area as we specify in a separate addendum to this Agreement.

(b) Your rights in the Protected Territory are conditioned upon your satisfaction of your obligations under this Agreement.

(c) We will not modify your Protected Territory during the Term. If you intend to renew or transfer the franchise, and your Protected Territory is larger than our then-current standard size for territories or the then-current demographics of your Protected Territory have changed, then we may reduce the size of your Protected Territory on renewal or require your transferee to operate the Redline Performance Center in a smaller territory. If we reduce the Protected Territory, we will give you or your transferee the option (as applicable) to develop the remaining territory.

(d) If you are in full compliance with Franchise Agreement, then during the Term, neither we nor our affiliates will operate or grant a franchise for the operation of another Redline Performance Center or Company-owned Redline Performance Center located within your Protected Territory that offers the same or similar goods or services under the same or similar trademarks. Because we retain the right to provide or grant other persons the right to provide goods and services that are similar to and/or competitive with those provided by Redline Performance Centers through other distribution channels, such as sales via mail order, catalog, toll-free telephone numbers, and electronic means, including the Internet under the Marks or trademarks and services marks other than the Marks, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

(e) We must approve the relocation of the Redline Performance Center. We will apply the same criteria for the relocation of a Redline Performance Center as we apply when evaluating the initial location of the Redline Performance Center. This Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional franchises.

(f) We and our affiliates reserve the right to engage in any activities we deem appropriate that your Franchise Agreement does not expressly prohibit, whenever and wherever we desire, including the right to (1) operate, or grant to others the right to operate Redline Performance Centers on terms and conditions we deem appropriate; (2) provide or grant other persons the right to provide goods and services that are similar to and/or competitive with those provided by Redline Performance Centers through any distribution channel, including, but not limited to, sales via mail order, catalog, toll-free telephone numbers, and electronic means, including the Internet, under the Marks or trademarks and services marks other than the Marks; (3) acquire the assets or ownership interest of businesses providing products and services similar to those provided at Redline Performance Centers, and franchising, licensing, or creating similar arrangements with respect to those acquired businesses, wherever those businesses or their franchisees or licensees are located; and (4) being acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Redline Performance Centers or another business. We have no obligation to pay franchisee compensation for any of these activities within your Protected Territory.

(g) Neither we nor our affiliates plan to operate or franchise a business under a different trademark that sells or will sell sport performance training goods and services similar to those you will offer as a Redline Performance Center owner.

3. **TERM AND RENEWAL OF FRANCHISE**.

3.1 **Term.** The term of your Franchise Agreement is ten (10) years (the "Initial Term"). The Initial Term will begin on the Agreement Date. (For convenience, the expiration date of the Initial Term is listed on Exhibit 1. Termination or expiration of this Agreement will constitute a termination or expiration of your Agreement. (All references to the "term" of this Agreement refer to the period from the Agreement Date to the date on which this Agreement actually terminates or expires.)

3.2 **Franchise Owner's Right to Renew**. Subject to the provisions Section 3.3 below, and if you have substantially complied with all provisions of this Agreement and all other agreements between us, on expiration of the Initial Term, if you refurbish and decorate the Redline Performance Center, replace fixtures, furnishings, wall decor, furniture, equipment, and signs and otherwise modify Redline Performance Center in compliance with specifications and standards then applicable under new or renewal franchises for Redline Performance Center franchises, you will have the right to renew Redline Performance Center for one (1) additional term of ten (10) years (the "Renewal Term").

3.3 **Notice of Deficiencies and Other Requirements.** At least one (1) year before the expiration of the Initial Term, we agree to give you written notice of any deficiencies in your operation or in the historical performance of your Redline Performance Center that could cause us not to renew Redline Performance Center. If we permit renewal, our notice will state what actions, if any, you must take to correct the deficiencies in your operation of your Redline Performance Center or of the Redline Performance Center and will specify the time period in which those deficiencies must be corrected, or other requirements satisfied. Renewal of your Redline Performance Center will be conditioned on your continued compliance with all the terms and conditions of this Agreement up to the date of expiration. If we send a notice of non-renewal, it will state the reasons for our refusal to renew.

3.4 **Renewal Agreement; Releases.** Should you choose to renew Redline Performance Center, you must provide us with written notice of that intent no earlier than two (2) years and no later than one (1) year before the expiration of the Initial Term. To renew Redline Performance Center, Franchisor, you, and your Principal Owners must execute the form of Franchise Agreement and any ancillary agreements we are then customarily using in the grant or renewal of franchises for the operation of Redline Performance Centers (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise), except that no Initial Franchise Fee will be payable upon renewal of your Redline Performance Center. However, you must pay us a renewal fee equal to 25% of our then-current initial franchise fee for the applicable Redline Performance Center that you are renewing. You and your Principal Owners and your and their spouses must also execute general releases, in a form satisfactory to us, of any and all claims against us and our affiliates, and our and their respective owners, officers, directors, employees, and agents.

3.5 **Personal Guaranty by Principal Owners; Reference to Exhibit 2**. Each of the Principal Owners and their spouses (where applicable), will be required to execute a personal guaranty (the "Guaranty"), guaranteeing Franchisee's liabilities and obligations to Franchisor. A copy of the Guaranty is incorporated herein as Exhibit 2.

4. DEVELOPMENT AND OPENING OF THE FRANCHISE

4.1 **Site Approval; Lease or Purchase of Location for Redline Performance Center; Opening Timeline; Reference to Exhibit 3**.

(a) You will use your best efforts to locate and select a proposed site for the Redline Performance Center that is acceptable to us as suitable for the operation of your Redline Performance Center, which must be reviewed and approved by us within six (6) months of the Agreement Date. Our review and approval process may take up to thirty (30) days, so we recommend you submit your proposed site to us within one hundred and fifty (150) days of the Agreement Date. You must submit to us, in the form we specify, a description of the site and such other information or materials as we may reasonably require. We will not unreasonably withhold approval of a site that meets our standards for general location and neighborhood, traffic patterns, parking size, layout, and other physical characteristics, for Redline Performance Center franchises. If you fail to identify a mutually agreeable site within the aforementioned six (6) month period, we may terminate this Agreement.

(b) Our approval of a site shall not constitute, nor be deemed, a judgment as to the likelihood of success of a Redline Performance Center at such location, or a judgment as to the relative desirability of such location in comparison to other locations.

(c) Once we have approved the proposed site of the Redline Performance Center, you must obtain lawful possession of the site through lease or purchase. You agree that you will not execute a lease without our advance written approval of the lease terms, which approval shall not be unreasonably withheld. The lease for the Redline Performance Center must include the "Addendum to Lease", attached hereto as Exhibit 3, permitting us to take possession of the Redline Performance Center under certain conditions if this Agreement is terminated or if you violate the terms of the lease. We will approve or disapprove your lease within thirty (30) days of receipt of a complete lease package from you, otherwise the lease shall be deemed approved.

(d) Unless we agree otherwise, you must open your franchise for business no later than twelve (12) months from the Effective Date of this Agreement ("the Opening Deadline").

4.2 **Prototype and Construction Plans and Specifications**. We will furnish to you prototype plans and specifications for your Redline Performance Center, reflecting our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures, and signs for Redline Performance Center franchises, which may be in the form of actual plans for an existing or proposed Redline Performance Center with which we are involved.

Using an architect we designate or approve, it will be your responsibility to have the plans and specifications modified to comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the Redline Performance Center. You must submit final construction plans and specifications to us for our approval before you begin construction at the Redline Performance Center and must construct Redline Performance Center location in accordance with those approved plans and specifications. We will approve or disapprove your final construction plans and specifications within thirty (30) days of receipt of a complete package with such plans and specification from you, otherwise the plans and specifications shall be deemed approved.

4.3 **Development of your Redline Performance Center.** You agree, at your own expense, to do the following by the Opening Deadline defined above and set forth in Exhibit 1: (1) secure all financing required to fully develop your Redline Performance Center; (2) obtain all required building, utility, sign, health, sanitation and business permits and licenses and any other required permits and licenses; (3) construct the Redline Performance Center location according to the approved construction plans and specifications; (4) decorate the Redline Performance Center location in compliance with the approved plans and specifications; (5) purchase and install all required equipment, furniture, furnishings and signs; (6) cause the training requirements of Section 6 to be completed; (7) purchase an opening inventory of products and other supplies and materials; (8) provide proof, in a form satisfactory to us, that your operation of your Redline Performance Center does not violate any applicable state or local zoning or land use laws, ordinances, or regulations, or any restrictive covenants that apply to such location; (9) provide proof, in a form satisfactory to us, that you (and/or your General Manager, as defined in Section 6.1, if any) are legally authorized and have all licenses necessary to perform all of the services to be offered by your Franchise, and that your organizational structure is consistent with all legal requirements; (10) provide proof, in a format satisfactory to us, that you have obtained all required insurance policies, and have named us, as an additional insured under all such policies; (11) submit to us a completed copy of the information that we request from you to manage the sale of memberships on your behalf during the Presale Period; (12) do any other acts necessary to open the Redline Performance Center for business; (13) obtain our approval to open the Redline Performance Center for business; and (14) open the Redline Performance Center for business.

4.4 **Presale Activities.**

(a) We will manage, on your behalf, the presale of memberships for your Redline Performance Center during the three (3) month period prior to the opening of your Redline Performance Center (the "Presale Period"). Our presale management services will include the origination, communication, securing, and payment of memberships for your Redline Performance Center during the Presale Period. You are obligated to spend the Presale Marketing Expenses in support of our presale marketing efforts during the Presale Period. You will also pay us a Presale Management Fee in exchange for our management of presale membership sales during the Presale Period. The Presale Management Fee is detailed in Section 8.13.

(b) You must spend at least $15,000 ($5,000 per month for 3 months) for presale membership marketing ("Presale Marketing Expenses") prior to the opening of your Redline Performance Center in support of our presale management services. The Presale Marketing Expenses will consist of digital marketing campaigns and related customized marketing materials prepared by Franchisor or third-party vendors to originate, secure, and finalize memberships for your Redline Performance Center during the Presale Period. Your Presale Marketing Expenses must be spent according to the direction provided by us.

4.5 **Opening Your Redline Performance Center**. You agree not to open your Redline Performance Center until: (1) all of your obligations under Section 4.1 through 4.4 of this Section have been fulfilled; (2) we determine that your Redline Performance Center has been constructed, decorated, furnished, equipped, and stocked with materials and supplies in accordance with plans and specifications we have provided or approved; (3) you (or one of your Principal Owners) and your General Manager have completed our pre-opening Initial Training (as defined herein) to our satisfaction; (4) the Initial Franchise Fee (as defined herein) and all other amounts due to us have been paid; (5) you have furnished us with copies of all insurance policies required by Section 12.8 of this Agreement, or have provided us with appropriate alternative evidence of insurance coverage and payment of premiums as we have requested; and (6) we have approved any marketing, advertising, and promotional materials you desire to use, as provided in Section 9.2 of this Agreement. Franchisor will provide, at our expense, a person with knowledge of the development, opening, operation, and products and services ("Trainer") to be on site at your Redline Performance Center to assist you with your operational efficiency, staff training, setup, and opening. The Trainer will be on site one (1) day before the opening of your first Redline Performance Center and for one (1) day after the opening of your first Redline Performance Center.

5. **COMPUTER SYSTEM**.

5.1 **General Requirements**. You agree to use the computers, operating software, and other hardware and software ("Computer System") that we specify from time to time in the development and operation of your Redline Performance Center. You acknowledge that we may modify such specifications and the components of the Computer System from time to time. We may require you to obtain specified computer hardware and/or software, including without limitation a license to use proprietary software developed by us or others. Our modification of such specifications for the components of the Computer System may require you to incur costs to purchase, lease and/or obtain by license new or modified computer hardware and/or software, and to obtain service and support for the Computer System during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications thereto), and that the cost to you of obtaining the Computer System (or additions or modifications thereto), including software, may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the Computer System (or additions or modifications thereto). Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and require. You further acknowledge and agree that we and our affiliates have the right to charge a reasonable systems fee for software or systems installation services; modifications and enhancements specifically made for us or our affiliates that are licensed to you; and other maintenance and support Computer System related services that we or our affiliates furnish to you. You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded.

5.2 **Software**. We will license you our proprietary franchise management software (the "Redline Software"), which you will be required to install onto the Computer System and use in the daily operation of your Redline Performance Center. In addition, we may, at any time and from time to time, contract with one or more software providers, business service providers, or other third parties (each a "Service Provider") to develop, license, or otherwise provide to or for the use and benefit of you and other Redline® franchises certain software, software applications, and software maintenance and support services related to the Computer System that you must or may use in accordance with our instructions with respect to your Computer System. You must submit all transactions into our Computer System. The initial fee for the use Redline Software is seven hundred ninety nine dollars ($799) ("Technology Start Up Fee"), which is payable at the same time as the Initial Franchise Fee.

5.3 **Equipment, Furniture, Fixtures, Furnishings and Signs**. You agree to use in the development and operation of your Redline Performance Center only those brands, types, and/or models of equipment, furniture, fixtures, furnishings, and signs we have approved.

6. **TRAINING**.

6.1 **General Manager**. The term "General Manager" means an individual with primary day-to-day responsibility for your Redline Performance Center's operations and may or may not be you (if you are an individual) or a Principal Owner, officer, director, or employee of yours (if you are other than an individual). We may or may not require that the General Manager have an ownership interest in your Redline Performance Center. The General Manager will be obligated to devote his or her full time efforts to your Redline Performance Center's operations and must have full authority from you to implement the System at the Redline Performance Center. Each General Manager and successor General Manager must attend and complete our Initial Training (as defined herein). No General Manager may have an ownership interest in or business relationship with any business competitor of your franchise. Each General Manager must sign a written agreement, in a form approved by us, to maintain our Confidential Information described in Section 11.1, and to abide by the covenants not to compete described in Section 11.2. You must forward to us a copy of each signed agreement. If we determine, in our sole discretion, during or following completion of the Initial Training program, that your General Manager (if any) is not qualified to act as General Manager of your Redline Performance Center, then we have the right to require you to choose (and obtain our approval of) a new individual for that position.

6.2 **Training**. You acknowledge that it is particularly important to the operation of your Redline Performance Center that you and your employees receive appropriate training. To that end, you agree as follows:

(a) After you sign this Agreement, but no less than thirty (30) days before the Redline Performance Center opens for business, you (or one of your Principal Owners), your General Manager, and any staff we deem necessary must attend our initial training program (the "Initial Training") at the time and place we designate. In order to allow us to facilitate the training, you must schedule this training with us at least sixty (60) days before your Redline Performance Center is scheduled to open. You (if you are an individual) or at least one of your Principal Owners (if you are a legal entity), your General Manager, and any staff we deem necessary must complete the Initial Training to our satisfaction. Other employees may complete the Initial Training at your sole discretion and expense, provided you first obtain our approval and subject to availability of facilities and materials. The Initial Training may include classroom instruction and operation training and will be furnished at our headquarters, a Redline Performance Center, a Redline Performance Center we designate, your Franchise location, and/or at another location we designate. Our Initial Training programs may be different for each employee depending on their responsibilities at the Redline Performance Center. There will be no tuition charge for the persons whom we require to attend any Initial Training program or for any additional personnel of your choosing. If we, in our sole discretion, determine that your General Manager or employees that we require to attend Initial Training program has not satisfactorily completed the Initial Training, you must not hire that person, and must hire a substitute General Manager or employee (as the case may be), who must enroll in the Initial Training program within fifteen (15) days thereafter, and complete the Initial Training to our satisfaction.

(b) You agree to have your General Manager (if any) and/or other employees who attend our Initial Training complete additional training programs at places and times as we may request from time to time during the term of this Agreement.

(c) In addition to providing the Initial Training described above, we reserve the right to offer and hold such additional ongoing training programs and meetings regarding such topics and at such times and locations as we may deem necessary or appropriate. We also reserve the right to make any of these training programs mandatory for you and/or designated owners, employees, and/or representatives of yours. We reserve the right to charge you a daily attendance fee in an amount to be set by us for each attendee of yours who attends any mandatory or optional training program or owners meeting. If we offer any such mandatory training programs, then you or your designated personnel must attend a minimum of seventy-five percent (75%) of the programs offered on an annual basis.

(d) You agree to pay all wages and compensation, travel, lodging, meal, transportation, and personal expenses incurred by your personnel who attend our Initial Training and/or any mandatory or optional training we provide.

(e) The Franchise's General Manager (if any) and other employees shall obtain all certifications and licenses required by law in order to perform their responsibilities and duties for the Redline Performance Center.

6.3 In the event that you fail to satisfactorily complete and pass the required Initial Training program, we reserve the right, in our sole discretion, to require you or your designee approved by us to attend additional training and we will charge you an additional training fee of Two Hundred Fifty Dollars ($250) per day per person. If you are unable to satisfactorily complete and pass the Initial Training we reserve the right, in our sole discretion, to terminate this Agreement and refund the Initial Franchise Fee, less an administrative charge equal to twenty- five percent (25%) of the Initial Franchise Fee. If we determine that your General Manager or any of your employees has failed to satisfactorily complete the Initial Training, you agree to immediately hire a substitute and promptly arrange for such person to complete the Initial Training to our satisfaction. You shall pay the additional training fee for training programs furnished to individuals who replace a manager or employee who has previously attended the Initial Training. You are responsible for all travel and living expenses.

6.4 We will provide, at Franchisor's expense, a Trainer to assist you or your General Manager (if we agree for you to have a General Manager, see Item 15) with your first Redline Performance Center's for one (1) day approximately 60 days after the opening of your first Redline Performance Center.

6.5 We may require you and/or previously trained and experienced employees at your Franchise to attend up to seven (7) days of additional or refresher training courses each year and a national business meeting or convention up to three (3) days per year at the times and locations we designate. We may charge a fee of Two Hundred Fifty Dollars ($250) per day per person for these courses, conventions, and programs. You are responsible for all travel and living expenses. We may charge a non-attendance fee of $250 if you fail to attend any required training, including our annual conventions.

7. **GUIDANCE; OPERATIONS MANUAL**.

7.1 **Guidance and Assistance**. During the term of this Agreement, we may from time to time furnish you guidance and assistance with respect to: (1) specifications, standards, and operating procedures used by Redline Performance Centers; (2) purchasing approved equipment, furniture, furnishings, signs, materials and supplies; (3) development and implementation of local advertising and promotional programs; (4) general operating and management procedures; (5) establishing and conducting employee training programs for your Franchise; and (6) changes in any of the above that occur from time to time. This guidance and assistance may, in our discretion, be furnished in the form of bulletins, written reports and recommendations, manuals and other written materials (collectively the "Operations Manual"), and/or telephone consultations and/or personal consultations at our offices or your Franchise. If you request—and if we agree to provide— any additional, special on-premises training of your personnel or other assistance in operating your Franchise, then you agree to pay a daily training fee in an amount to be set by us, and all expenses we incur in providing such training or assistance, including any wages or compensation owed to, and travel, lodging, transportation, and living expenses incurred by, our Company personnel.

7.2 **Operations Manual.** You will be provided access to our online Operations Manuals at the time you sign your Franchise Agreement, which will contain mandatory and suggested specifications, standards, and operating procedures that we prescribe from time to time for your Redline Performance Center, as well as information relative to other obligations you have in the operation of your Redline Performance Center. The Operations Manual may be composed of or include written materials, images, audio files, video files, and/or other written or intangible materials. We may make all or part of the Operations Manual available to you through various means, including the Internet. We may, from time to time, revise the contents of the Operations Manual, and you must comply with each new or changed provision, section, obligation, or requirement. A previously available Operations Manual shall be superseded by an updated version of the Operations Manual to reflect changes in the specifications, standards, operating procedures, and other obligations in operating Redline Performance Center. You agree that you will not print, copy, save, record, grant access to others, or download any part of the Operations Manual without our permission.

7.3 **Modifications to System**. We will continually be reviewing and analyzing developments in the sports training industry, as well as developments in fields related to small-business management, and based upon our evaluation of this information, may make changes in the System, including but not limited to, adding new components to services offered and equipment used by Redline Performance Centers. You agree, at our request, to modify the operation of your Redline Performance Center to comply with all such changes, and to be solely responsible for all related costs.

7.4 **Advisory Councils.** You agree to participate in, and, if required, become a member of any advisory councils or similar organizations we form or organize for Redline Performance Centers.

8. **FEES AND COSTS**.

8.1 **Initial Franchise Fee**. You agree to pay us the initial franchise fee of Forty-Nine Thousand and Five Hundred Dollars ($49,500) (the "Initial Franchise Fee") when you sign this Agreement. In recognition of the expenses we incur in furnishing assistance and services to you, you agree that we will have fully earned the Initial Franchise Fee, and that is due and non-refundable when you sign this Agreement.

8.2 **Royalty Fees.** You agree to pay us a continuing franchise royalty fee ("Royalty Fee") in the amount of seven percent (7%) of the Gross Revenues of your Redline Performance Center for all periods. This fee will be payable on the 1st and 16th of each month based on your bi-monthly Gross Revenues. If the 1st or 16th of the month falls on a weekend or holiday, then the fee is payable on the next business day. The term "Gross Revenue" shall, for purposes of this Agreement, mean the total of all revenue and receipts derived from the operation of your Redline Performance Center, including all amounts received at or away from the Redline Performance Center including those Outside Modules that you offer at or away from your Redline Performance Center, amounts collected or received at or resulting from the use of the Redline Performance Center or Marks, or through the business your Redline Performance Center conducts (such as fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and customer refunds and credits your Redline Performance Center actually makes. You and we acknowledge and agree that the Royalty Fee represents compensation paid by you to us for the guidance and assistance we provide and for the use of our Marks, Confidential Information (as defined herein), know-how, and other intellectual property we allow you to use under the terms of this Agreement.

8.3 **Advertising Fund Fee.** Recognizing the value of advertising to the goodwill and public image of Redline® Businesses, we may, in our sole discretion, establish, maintain, and administer a regional and national advertising fund (the "Ad Fund") for such advertising as we may deem necessary or appropriate in our sole discretion. As of the date of this Agreement, the current required contribution to the Ad Fund is two percent (2%) of the Gross Revenues of your Redline Performance Center. In the event we choose to change the required contribution amount, which we may do at our sole and absolute discretion, up to a maximum of three percent (3%) of Gross Revenues, we will provide you with thirty (30) days' advance written notice of the change. These advertising fees (the "Advertising Fees") will be payable with and at the same time as your Royalty Fees payable under Section 8.2 above. A further description of the Ad Fund and your obligations with respect to advertising and promoting the Redline Performance Center is found in Section 13 of this Agreement.

8.4 **Marketing and Local Advertising.**

(a) By Franchisee. In addition to the Advertising Fees set forth in Section 8.3, which will be used by us to promote Redline Performance Centers on a regional and national level, you agree to spend a certain amount on marketing and advertising in your local market area. We require you to spend no less than Three Thousand Two Hundred Dollars ($3,200) for each month during the term of this Agreement after your Redline Performance Center opens for business (the "Local Advertising Requirement"). All proposed local advertising must be submitted to and approved by us before you enter into any advertising agreements. You must provide us (in a form we approve or designate) evidence of your required local advertising, marketing, and promotional expenditures by the thirtieth (30th) day of each month, for the preceding calendar month, along with a year-to-date report of the total amount spent on local advertising.

(b) Regional Advertising Cooperative. We have no cooperatives at this time. However, in the event that more than one Redline Performance Center is located in an area of dominant influence ("ADI"), we reserve the right to form a regional advertising cooperative (the "Regional Ad Co-op"), require you to join the Regional Ad Co-op and contribute to its funding. An ADI is a geographic market designation that defines a broadcast media market, consisting of all counties in which the home market stations receive a preponderance of viewing. We reserve the right to determine the fee to be contributed by each member of the Regional Ad Co-op as necessary. The required contributions to any Regional Ad Co-op may be counted toward the Local Advertising Requirement set forth in Section 8.4.

8.5 **Presale Marketing Expenses**. We require you to spend $15,000 ($5,000 per month) (the "Minimum Presale Marketing Expenses") on Presale Marketing Materials for marketing, and advertising expenses during the three (3) months prior to the date that your Redline Performance Center opens for business (the "Presale Period"). Your Presale Marketing Expenses must be spent according to our direction. Presale Marketing Expenses will include but will not be limited to digital marketing campaigns and related customized marketing materials prepared by Franchisor or third-party vendors ("Presale Marketing Materials"). All proposed Presale Marketing Materials must be approved by us. Your Minimum Presale Marketing Expenses are in addition to the Local Advertising Requirement, Presale Management Fees, and Co-Op fees referred to in Section 8.4(a), 8.4(b) and 8.6.

8.6 **Presale Management Fee.** You will pay us a Presale Management Fee during the Presale Period. The Presale Management Fee pays for our team to assist you in securing pre-opening memberships. The Presale Management Fee is $2,500 per month plus $70 per member secured by our presale assistance personnel.

8.7 **Technology Fees**. The initial purchase and installation fee for Redline Software is seven hundred ninety nine dollars ($799) (the "Technology Set Up Fee"), which is payable at the same time as the Initial Franchise Fee. On the first (1st) day of each month, you will pay us a technology fee ("Technology Fee") from the Account. The Technology Fee is currently seven hundred ninety nine dollars ($799) per month. You must pay us the Technology Fee beginning on the earlier of: (i) the date that you execute a lease agreement for a Performance Center; and (ii) 12 months from the date that you execute the Franchise Agreement. The Technology Fee provides you with access, maintenance and support for required POS software, e-mail service, intranet, and other technology services that we determine, in our sole discretion, to provide to you. We may increase the Technology Fee upon thirty (30) days written notice to you provided that we may not increase the Technology Fee by more than ten percent (10%) per year.

8.8 **Relocation Fee.** If you must relocate the Redline Performance Center for any reason, you must pay to us a franchise relocation fee (the "Relocation Fee") of Two Thousand Five Hundred Dollars ($2,500). The

Relocation Fee will help Franchisor defray the costs of approving a new location, reviewing and approving plans for the new location, and updating Company records and marketing materials to reflect the new location.

8.9 **Late Payments.** All Royalty Fees, Advertising Fees, amounts due from you for purchases from us or our affiliates, and other amounts which you owe us or our affiliates (unless otherwise provided for in a separate agreement between us or our affiliates) will begin to accrue interest after their respective due dates at the lesser of (i) the highest commercial contract interest rate permitted by state law, and (ii) the rate of eighteen percent (18%) per annum. In addition to any accruing interest, all late payments will incur a late charge of Fifty and No/100 Dollars ($50) per day until the payment is made. Payments due to us or our affiliates will not be deemed received until such time as funds from the deposit of any check by us or our affiliates is collected from your account. You acknowledge that the inclusion of this Section in this Agreement does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to extend credit to or otherwise finance your operation of your Redline Performance Center. We have the right to require that any payments due to us or our affiliates be made by certified or cashier's check in the event that any payment by check is not honored by the bank upon which the check is drawn. We also reserve the right to charge you a fee of One Hundred and No/100 Dollars ($100) for any payment by check that is not honored by the bank upon which it is drawn.

8.10 **Electronic Funds Transfer.** We have the right to require you to participate in an electronic funds transfer program under which Royalty Fees, Advertising Fees, and any other amounts payable to us or our affiliates are deducted or paid electronically from your bank account (the "Account"). In the event you are required to authorize us to initiate debit entries, you agree to make the funds available in the Account for withdrawal by electronic transfer no later than the payment due date. The amount actually transferred from the Account to pay Royalty Fees and Advertising Fees will be based on your Gross Revenues as reported in your Redline Performance Center's franchise management software. If you have not properly input your Gross Revenues for any reporting period, then we will be authorized to debit the Account in an amount equal to one hundred twenty percent (120%) of the Royalty Fee, Advertising Fee, and other amounts transferred from the Account for the last reporting period for which a report of your Redline Performance Center's Gross Revenues was provided to us. If at any time we determine that you have under-reported your Gross Revenues or underpaid any Royalty Fee or Advertising Fee due us under this Agreement, then we will be authorized to initiate immediately a debit to the Account in the appropriate amount, plus applicable interest, in accordance with the foregoing procedure. Any overpayment will be credited, without interest, against the Royalty Fee, Advertising Fee, and other amounts we otherwise would debit from your account during the following reporting period. Our use of electronic funds transfers as a method of collecting Royalty Fees and Advertising Fees due us does not constitute a waiver of any of your obligations to provide us with weekly reports as provided in Section 14, nor shall it be deemed a waiver of any of the rights and remedies available to us under this Agreement.

8.11 **Application of Payments.** When we receive a payment from you, we have the right in our sole discretion to apply it as we see fit to any past due indebtedness of yours due to us or our affiliates, whether for Royalty Fees, Advertising Fees, purchases, interest, or for any other reason, regardless of how you may designate a particular payment should be applied.

8.12 **Modification of Payments.** If, by operation of law or otherwise, any fees contemplated by this Agreement cannot be based upon Gross Revenues, then you and we agree to negotiate in good faith an alternative fee arrangement. If you and we are unable to reach an agreement on an alternative fee arrangement, then Franchisor reserves the right to terminate this Agreement upon notice to you, in which case all of the post-termination obligations set forth in Section 18 shall apply.

8.13 **Presale Management Fee**. We manage your presale activities during the three (3) month period prior to the opening of your Redline Performance Center (the "Presale Period"). You will pay us a Presale Management Fee of $2,500 per month plus $70 per member secured by our presale assistance personnel.

9. **MARKS**.

9.1 **Ownership and Goodwill of Marks**. You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to your operation of your Redline Performance Center pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures we prescribe from time to time during the term of your Agreement. You understand and acknowledge that our right to regulate the use of the Marks includes, without limitation, any use of the Marks in any form of electronic media, such as Websites (as defined herein) or web pages, social media, domain names or other digital media. If you make any unauthorized use of the Marks, it will constitute a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that all your usage of the Marks and any goodwill established by your use will inure exclusively to our benefit and the benefit of our affiliates, and that this Agreement does not confer any goodwill or other interests in the Marks on you (other than the right to operate a Redline Performance Center in compliance with this Agreement). All provisions of this Agreement applicable to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork, or logos we may authorize and/or license you to use during the term of this Agreement.

9.2 **Limitations on Franchise Owner's Use of Marks.** You agree to use the Marks as the sole trade identification of your Redline Performance Center, except that you will display at each Redline Performance Center, a notice, in the form we prescribe, stating that you are the independent owner of your Redline Performance Center pursuant to a franchise agreement with us. You agree not to use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos and additional trade and service marks licensed to you under this Agreement), or in any modified form. You also shall not use any Mark or any commercial symbol similar to the Marks in connection with the performance or sale of any unauthorized services or products, or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe at the Redline Performance Center and in connection with advertising and marketing materials, and to use, along with the Marks, any notices of trade and service mark registrations we specify. You further agree to obtain any fictitious or assumed name registrations as may be required under applicable law.

9.3 **Notification of Infringements and Claims.** You agree to immediately notify us in writing of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark or similar trade name, trademark, or service mark of which you become aware. You agree not to communicate with anyone except us and our counsel in connection with any such infringement, challenge, or claim. We have the right to exclusively control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Mark. You agree to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceedings related to the Marks, or to otherwise protect and maintain our interests in the Marks.

9.4 **Discontinuance of Use of Marks.** If it becomes advisable at any time in our sole judgment for Redline Performance Centers to modify or discontinue the use of any Mark, or use one or more additional or substitute trade or service marks, including the Marks used as the name of your Redline Performance Center, then you agree, at your sole expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trade or service marks, within a reasonable time after our notice to you.

9.5 **Indemnification of Franchise Owner.** We agree to indemnify you against, and reimburse you for, all damages for which you are held liable in any trademark infringement proceeding arising out of your use of any Mark pursuant to and in compliance with this Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with this Agreement.

10. **RELATIONSHIP OF THE PARTIES; INDEMNIFICATION**.

10.1 **Independent Contractor; No Fiduciary Relationship**.

(a) This Agreement does not create a fiduciary relationship between you and us. You and we are independent contractors, and nothing in this Agreement is intended to make either party a general or special agent, joint venture, partner, or employee of the other for any purpose whatsoever. You agree to conspicuously identify yourself in all your dealings with customers, suppliers, public officials, Franchise personnel, and others as the owner of your Redline Performance Center pursuant to a Franchise Agreement with us, and to place any other notices of independent ownership on your forms, business cards, stationery, advertising, and other materials as we may require from time to time.

(b) Franchisor will not have the power to hire or fire Franchisee's employees and/or independent contractors. Franchisee alone is responsible for all employment decisions and functions of its Redline Performance Center, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employees or subject to Franchisor's control, including with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisor will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and Franchisee agrees to indemnify Franchisor for any such liabilities it incurs. Franchisee agrees that any direction Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing Franchisee's own policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel well-versed in employment law.

10.2 **No Liability, No Warranties.** We have not authorized or empowered you to use the Marks except as provided by this Agreement, and you agree not to employ any of the Marks in signing any contract, check, purchase agreement, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability to us for any indebtedness or obligation of yours. Except as expressly authorized by this Agreement, neither you nor we will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other, or represent that your and our relationship is other than that of franchisor and franchisee.

10.3 **Indemnification.** We will not assume any liability or be deemed liable for any agreements, representations, or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the business you conduct pursuant to this Agreement, whether or not caused by your negligent or willful action or failure to act. We will have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied against you or your assets, or on us, in connection with the business you conduct, or any payments you make to us pursuant to this Agreement (except for our own income taxes). You agree to indemnify, defend, and hold us, our affiliates and our and their respective owners, directors, officers, employees, agents, successors, and assigns (individually, an "Indemnified Party," and collectively, the "Indemnified Parties"), harmless against, and to reimburse such Indemnified Parties for, all such obligations, damages, and taxes for which any Indemnified Party may be held liable, and for all costs the Indemnified Party reasonably may incur in the defense of any such claim brought against the Indemnified Party, or in any such action in which the Indemnified Party may be named as a party, including without limitation actual and consequential damages; reasonable attorneys', accountants', and/or expert witness fees; cost of investigation and proof of facts; court costs; other litigation expenses; and travel and living expenses. Each Indemnified Party has the right to defend any such claim against the Indemnified Party. You further agree to hold us harmless and indemnify and defend us for all costs, expenses, and/or losses we incur in enforcing the provisions of this Agreement, defending our actions taken relating to this Agreement, or resulting from your breach of this Agreement, including without limitation reasonable arbitrator's and attorneys' fees (including those for appeal), unless, after legal proceedings are completed, you are found to have fulfilled and complied with all of the terms of this Agreement. Your indemnification obligations described above will continue in full force and effect after, and notwithstanding, the expiration or termination of this Agreement.

11. **CONFIDENTIAL INFORMATION; NON-COMPETITION**.

11.1 **Types of Confidential Information**. We possess certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, products, and knowledge developed by us, including but not limited to: (1) services and products offered and sold at Redline Performance Centers; (2) knowledge of sales and profit performance of any one or more Redline Performance Centers; (3) knowledge of sources of products sold at Redline Performance Centers, advertising and promotional programs, and image and decor; (4) Redline Software; (5) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of your Redline Performance Centers; and (6) the selection and methods of training employees. We will disclose much of the above-described information to you in advising you about site selection, providing our Initial Training, the Operations Manual, Redline Software, and providing guidance and assistance to you under this Agreement. In addition, in the course of the operation of your Franchise, you or your employees may develop ideas, concepts, methods, or techniques of improvement relating to your Redline Performance Center that you disclose to us, and that we may then authorize you to use in the operation of your Franchise and may use or authorize others to use in other Redline Performance Centers owned or franchised by us or our affiliates. Any such information disclosed to or developed by you will be referred to in this Agreement as "Confidential Information."

11.2 **Non-Disclosure**. You agree that your relationship with us does not vest in you any interest in the Confidential Information, other than the right to use it in the development and operation of your Redline Performance Center, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information belongs to us, may contain trade secrets belonging to us, and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form that may be copied or duplicated; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to your employees, and the use of non-disclosure and non-competition agreements we may prescribe or approve for your shareholders, partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information.

11.3 **Non-Competition.**

(a) Franchisee may not, during the term of the Franchise Agreement and for the Restricted Period for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business that provides Competitive Services within the "Restricted Area."

(b) Definitions.

(i) The "Restricted Period" for purposes of this Agreement shall be the two (2) years immediately following the expiration or termination of the Franchise Agreement for any reason; except that if a court or arbitrator finds that a two (2) year Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the one (1) year immediately following the expiration or termination of the Franchise Agreement for any reason; except that if a court or arbitrator finds that a one (1) year Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the six (6) months immediately following the expiration or termination of the Franchise Agreement for any reason; except that if a court or arbitrator finds that a six (6) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the three (3) months immediately following the expiration or termination of the Franchise Agreement for any reason.

(ii) The "Restricted Area" for purposes of this Agreement shall be a seven (7) air-mile radius of Franchisee's Redline Performance Center or another then operating Redline Performance Center; except that if a court or arbitrator finds that a seven (7) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a five (5) air-mile radius of Franchisee's Redline Performance Center or another then operating Redline Performance Center; except that if a court or arbitrator finds that a five (5) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a three (3) air-mile radius of Franchisee's Redline Performance Center or another then operating Redline Performance Center.

(iii) "Competitive Services" means sports performance training classes, programs, education, and services and related retail products offered or provided to clients or customers by Franchisee during the term of the Franchise Agreement.

(c) If the scope of any restriction contained in this Section 11.3 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and Franchisee each consents and agrees that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision contained in this Section 11 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

12. FRANCHISE OPERATING STANDARDS.

12.1 **Condition and Appearance of your Redline Performance Center**. You agree that:

(a) The Redline Performance Center equipment will not be used for any purpose other than the operation of your Redline Performance Center in compliance with this Agreement;

(b) you will maintain the condition and appearance of the Redline Performance Center; its equipment, furniture, furnishings, and signs; and the Redline Performance Center in accordance with our standards and consistent with the image of a Redline Performance Center as an efficiently operated business offering high quality services, and observing the highest standards of cleanliness, sanitation, efficient, courteous service and pleasant ambiance, and in that connection will take, without limitation, the following actions during the term of this Agreement: (1) thorough cleaning, repainting and redecorating of the interior and exterior of the Redline Performance Center at reasonable intervals; (2) interior and exterior repair of the Redline Performance Center; and (3) repair or replacement of damaged, worn out or obsolete equipment, furniture, furnishings and signs;

(c) you will not make any material alterations to the Redline Performance Center or the appearance of the Redline Performance Center, as originally developed, without our advance written approval. If you do so, we have the right, at our option and at your expense, to rectify alterations we have not previously approved;

(d) you will promptly replace or add new equipment when we reasonably specify in order to meet changing standards or new methods of service;

(e) you will expend at least One Thousand and No/100 Dollars ($1,000) every five (5) years in remodeling, expansion, redecorating and/or refurnishing of the Redline Performance Center, if deemed necessary by us (any changes to the decoration or furnishing of the Redline Performance Center must be approved by us);

(f) on notice from us, you will engage in remodeling, expansion, redecorating and/or refurnishing of the Redline Performance Center to reflect changes in the operations of your Redline Performance Centers that we prescribe and require of new franchisees, provided that (1) no material changes will be required unless there are at least two (2) years remaining on the Initial Term of your Redline Performance Center (any changes to the decoration or furnishing of the Redline Performance Center must be approved by us); and (2) we have required the proposed change in at least twenty-five percent (25%) of all similarly situated Company and affiliate-owned Redline Performance Centers, and have undertaken a plan to make the proposed change in the balance of such Company and affiliate-owned Redline Performance Centers (any expenditures incurred pursuant to this Section 12.1(f) shall apply to the requirement in Section 12.1(e));you will place or display at the Redline Performance Center (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve; and

(g) if at any time in our reasonable judgment, the general state of repair, appearance, or cleanliness of the premises of your Redline Performance Center or its fixtures, equipment, furniture, or signs do not meet our standards, then we shall have the right to notify you specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within ten (10) days after receipt of our notice, and then continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, then we shall have the right, in addition to all other remedies available to us at law or under this Agreement, to enter the Redline Performance Center and perform any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand.

12.2 **Franchise Services and Products**. You agree that (a) the Redline Performance Center will offer for sale all services and products that we from time to time specify for Redline Performance Centers, (b) Redline Performance Center will offer and sell approved services and products only in the manner we have prescribed; (c) you will not offer for sale or sell at Redline Performance Center, the Redline Performance Center, or any other location any services or products we have not approved; (d) all products will be offered at retail prices, and you will not offer or sell any products at wholesale prices; (e) you will not use the Redline Performance Center for any purpose other than the operation of your Redline Performance Center; and (f) you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing. In the event that you use, sell or distribute unauthorized products or services, and do not cease the use, sale, or distribution of unauthorized services or products within ten (10) days after written notice is given to you, we reserve the right to terminate this Agreement and/or charge you a fee of One Hundred and No/100 Dollars ($100) for each day that you fail to comply with our demand to cease the use, sale or distribution of unauthorized products or services, which is a reasonable estimate of the damages we would incur from your continued use, sale or distribution of unauthorized products or services, and not a penalty. You agree to maintain an inventory of approved products sufficient in quantity and variety to realize the full potential of your Redline Performance Center. We may, from time to time, conduct market research and testing to determine consumer trends and the marketability of new services and products. You agree to cooperate by participating in our market research programs, test marketing new services and products in your Redline Performance Center and providing us with timely reports and other relevant information regarding such market research. In connection with any such test marketing, you agree to offer a reasonable quantity of the products or services being tested and effectively promote and make a reasonable effort to sell them.

12.3 **Approved Products, Distributors and Suppliers**. We have developed or may develop various unique products or services that may be prepared according to our formulations. We have approved, and will continue to periodically approve, specifications for suppliers and distributors (which may include us and/or our affiliates) for products or services required to be purchased by, or offered and sold at, Redline Performance Centers, that meet our standards and requirements, including without limitation standards and requirements relating to product quality, prices, consistency, reliability, and customer relations.

(a) You agree that you will: (1) purchase any required products or services in such quantities as we designate; (2) utilize such formats, formulae, and packaging for products or services as we prescribe; and (3) purchase all designated products and services only from distributors and other suppliers we have approved. In the event we designate a required supplier or distributor during the term of this Agreement, or any subsequent franchise agreement, you must begin to use such required supplier or distributor with thirty (30) days of the date we notify you that you must use such supplier or distributor, unless we designate a longer period for you to switch or convert over to such supplier or distributor. Your failure or refusal to do so shall constitute a breach of this Agreement.

(b) We may approve a single distributor or supplier or provide you with a list of approved suppliers or distributors ("approved supplier(s)" or "designated supplier(s)") for any product and may approve a supplier only as to certain products. We may concentrate purchases with one or more suppliers to obtain lower prices or the best advertising support or services for any group of Redline Businesses franchised or operated by us. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria, and may be temporary, pending our continued evaluation of the supplier from time to time.

(c) If you would like to purchase any items from any unapproved supplier, then you must submit to us a written request for approval of the proposed supplier. We will notify you of our approval or disapproval within thirty (30) days of your written request for approval of the proposed supplier. We have the right to inspect the proposed supplier's facilities and require that product samples from the proposed supplier be delivered, at our option, either directly to us, or to any independent, certified laboratory that we may designate, for testing. We may charge you a supplier evaluation fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier does not continue to meet any of our criteria.

(d) We and/or our affiliates may be an approved supplier of certain products or services to be purchased by you for use and/or sale by Franchisee. We and our affiliates reserve the right to charge any licensed manufacturer engaged by us or our affiliates a royalty to manufacture products for us or our affiliates, or to receive commissions or rebates from vendors that supply goods or services to you. We or our affiliates may also derive income from our sale of products or services to you and may sell these items at prices exceeding our or their costs in order to make a profit on the sale.

12.4 **Hours of Operation**. You agree to keep the Redline Performance Center open for business at such times and during such hours as we may prescribe from time to time.

12.5 **Specifications, Standards and Procedures.** You agree to comply with all mandatory specifications, standards, and operating procedures relating to the appearance, function, cleanliness, sanitation, and operation of your Redline Performance Center. Any mandatory specifications, standards, and operating procedures that we prescribe from time to time in the Operations Manual, or otherwise communicate to you in writing, will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to "this Agreement" include all such mandatory specifications, standards, and operating procedures.

12.6 **Compliance with Laws and Good Business Practices.** You agree to secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of your Redline Performance Center. You also agree to operate the Redline Performance Center in full compliance with all applicable laws, ordinances, and regulations, including without limitation all government regulations relating to worker's compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. You agree that at all times during the term of this Agreement, that you will maintain sufficient working capital to fulfill your obligations under this Agreement.

(a) All advertising you employ must be completely factual, in good taste (in our judgment), and conform to the highest standards of ethical advertising and all legal requirements. You agree that in all dealings with us, your customers, your suppliers, and public officials, you will adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You further agree to refrain from any business or advertising practice that may be harmful to the business of Franchisor and/or the goodwill associated with the Marks and other Redline Performance Centers.

(b) You must notify us in writing within 5 days of (1) the commencement of any action, suit, or proceeding, and/or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental unit, that may adversely affect your and/or your operation, financial condition, or reputation; and/or (2) your receipt or knowledge any notice of violation of any law, ordinance, or regulation relating to health or safety, and/or (3) whether you or any of your Principal Owners are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense that is likely to adversely affect the reputation of Franchisor and/or the goodwill associated with the Marks.

(c) You agree that Company shall have the right to conduct periodic background and/or credit checks on you or any of your Principal Owners. You agree to cooperate by providing any necessary information or authorizations necessary to conduct such background or credit checks. You understand and acknowledge that the purpose of such background and credit checks is to verify your compliance with your duty to report adverse legal or financial changes that may adversely affect the reputation of Franchisor and/or the goodwill associated with the Marks.

12.7 **Management and Personnel of your Redline Performance Center**. You must actively participate in the actual, on-site, day-to-day operation of your Redline Performance Center, and devote as much of your time as is reasonably necessary for the efficient operation of your Redline Performance Center. If you are other than an individual, then at least one (1) Principal Owner, director, officer, or other employee of you whom we approve must comply with this requirement. If we agree that you may employ a General Manager, then the General Manager must fulfill this requirement. Any General Manager shall each obtain all licenses and certifications required by law before assuming his or her responsibilities at Redline Performance Center. You will ensure that your employees and independent contractors of your Redline Performance Center have any licenses as may be required by law, and hold or are pursuing any licenses, certifications, and/or degrees required by law or by us in the Operations Manual, as updated from time to time. You will be exclusively responsible for the terms of your employees' and independent contractors' employment and compensation, and for the proper training of your employees and independent contractors in the operation of your Redline Performance Center. You must establish any training programs for your employees and/or independent contractors that we may prescribe in writing from time to time. You must require all employees and independent contractors to maintain a neat and clean appearance and conform to the standards of dress that we specify in the Operations Manual, as updated from time to time. Each of your employees and independent contractors must sign a written agreement, in a form approved by us, to maintain confidential our Confidential Information, proprietary information, and trade secrets as described in Section 11.1, and to abide by the covenants not to compete described in Section 11.3. You must forward to us a copy of each signed agreement. All of your employees and independent contractors must render prompt, efficient and courteous service to all customers of your Redline Performance Center.

12.8 **Insurance**. Before you open a Redline Performance Center and during any Term of this Agreement, you must maintain in force, under policies of insurance written on an occurrence basis issued by carriers with an A.M. Best rating of A-VIII or better approved by us, and in such amounts as we may determine from time to time: (1) comprehensive public, professional, product, and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Redline Performance Center or otherwise in conjunction with your conduct pursuant to this Agreement, under one or more policies of insurance containing minimum liability coverage amounts as set forth in the Operations Manual; (2) general casualty insurance, including theft, cash theft, fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of your Redline Performance Center and its contents, and any other assets of your Redline Performance Center; (3) worker's compensation and employer's liability insurance as required by law, with limits equal to or in excess of those required by statute; (4) business interruption insurance for a period adequate to reestablish normal business operations, but in any event not less than six (6) months; (5) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements; and (6) umbrella liability coverage with limits of not less than $1,000,000/$3,000,000 or such other amounts that we may establish in the Operations Manual. We may periodically increase or decrease the amounts of coverage required under these insurance policies, and/or require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name us (and, if we so request, our members, directors, employees, agents, and affiliates) as additional insureds, and must provide us with thirty (30) days' advance written notice of any material modification, cancellation, or expiration of the policy. Deductibles must be in reasonable amounts and are subject to review and written approval by us. You must provide us with copies of policies evidencing the existence of such insurance concurrently with execution of this Agreement and prior to each subsequent renewal date of each insurance policy, along with certificates evidencing such insurance. You are responsible for any and all claims, losses, or damages, including to third persons, originating from, in connection with, or caused by your failure to name us as an additional insured on each insurance policy. You agree to defend, indemnify and hold us harmless of, from, and with respect to any such claims, loss or damage arising out of your failure to name us as additional insured, which indemnity shall survive the termination or expiration and non-renewal of this Agreement.

(a) Prior to the expiration of the term of each insurance policy, you must furnish us with a copy of a renewal or replacement insurance policy and appropriate certificates of insurance. If you at any time fail or refuse to maintain any insurance coverage required by us or to furnish satisfactory evidence thereof, then we, at our option and in addition to our other rights and remedies under this Agreement, may, but need not, obtain such insurance coverage on your behalf, and you shall reimburse us on demand for any costs or premiums paid or incurred by us. If you fail to pay us within ten (10) days of our demand for reimbursement, we reserve the right to debit your account the amounts owed to us for any premiums paid on your behalf for such insurance coverage.

(b) Notwithstanding the existence of such insurance, you are and will be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of your Redline Performance Center, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom; and you agree to defend, indemnify and hold us harmless of, from, and with respect to any such claims, loss or damage, which indemnity shall survive the termination or expiration and non-renewal of this Agreement. In addition to the requirements of the foregoing paragraphs of this

Section 12.8, you must maintain any and all insurance coverage in such amounts and under such terms and conditions as may be required in connection with your lease or purchase of the Redline Performance Center.

(c) Your obligation to maintain insurance coverage as described in this Agreement will not be reduced in any manner by reason of any separate insurance we maintain on our own behalf, nor will our maintenance of that insurance relieve you of any obligations under Section 10 of this Agreement.

12.9 **Credit Cards and Other Methods of Payment**. You must at all times have arrangements in existence with Visa, Master Card, American Express, Discover and any other credit and debit card issuers or sponsors, check verification services, and electronic fund transfer systems that we designate from time to time, in order that Redline Performance Center may accept customers' credit and debit cards, checks, and other methods of payment. We may require you to obtain such services through us or our affiliates.

13. **ADVERTISING**.

13.1 **By Company**. As stated in Section 8.3, due to the value of advertising and the importance of promoting the public image of Redline Performance Centers, we will establish, maintain, and administer an Ad Fund to support and pay for national, regional, or local marketing programs that we deem necessary, desirable, or appropriate to promote the goodwill and image of all Redline Performance Centers.

(a) You will contribute to the Ad Fund the Advertising Fee set forth in Section 8.3. We agree that any Redline Performance Centers owned by us, or our affiliates will contribute to the Ad Fund on at least the same basis as you do. We will be entitled to direct all advertising programs financed by the Ad Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. You agree that the Ad Fund may be used to pay the costs of preparing and producing video, audio, and written advertising materials; administering multi-regional advertising programs; and providing advertising and marketing materials to your Redline Performance Centers. The Ad Fund will furnish you with approved advertising materials at its direct cost of producing those advertising materials. The amounts you contribute to the Ad Fund may be used for placement of advertising in television, radio, newspapers, or other media. Rather, any collective media placement will be conducted through the local and regional advertising cooperatives described in Section 13.3.

(b) The Ad Fund will be accounted for separately from other funds of Franchisor, and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs, and overhead we may incur in activities reasonably related to the administration of the Ad Fund and its advertising programs (including without limitation conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Ad Fund). We may spend in any fiscal year an amount greater or less than the total contributions to the Ad Fund in that year. We may cause the Ad Fund to borrow from us or other lenders to cover deficits of the Ad Fund, or to invest any surplus for future use by the Ad Fund. You authorize us to collect for remission to the Ad Fund any advertising monies or credits offered by any supplier to you based upon purchases you make. We will prepare an annual statement of monies collected and costs incurred by the Ad Fund and will make it available to you on written request.

(c) You understand and acknowledge that the Ad Fund will be intended to maximize recognition of the Marks and patronage of Redline Performance Centers. Although we will endeavor to use the Ad Fund to develop advertising and marketing materials, and to place advertising in a manner that will benefit all Redline Performance Centers, we undertake no obligation to ensure that expenditures by the Ad Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Ad Fund by Redline Performance Centers operating in that geographic area, or that any Redline Performance Center will benefit directly or in proportion to its contribution to the Ad Fund from the development of advertising and marketing materials or the placement of advertising. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Ad Fund, except as expressly provided in this Section.

(d) We will have the right to terminate the Ad Fund by giving you thirty (30) days' advance written notice. All unspent monies on date of termination will be divided between Franchisor and the contributing Redline Performance Centers in proportion to our and their respective contributions. At any time thereafter, we will have the right to reinstate the Ad Fund under the same terms and conditions as described in this Section (including the rights to terminate and reinstate the Ad Fund) by giving you thirty (30) days' advance written notice of reinstatement.

(e) We may establish and receive input and feedback from an advisory council comprised of franchisee representatives. The advisory council, if we establish one, will be elected by our franchisees. The advisory council will serve in an advisory capacity only and will not have operational or decision-making power. We may alter the function and/or composition of any advisory councils at any time, and may otherwise form, change, or dissolve advisory councils.

13.2 **By Franchise Owner**.

(a) You must spend, in addition to any contributions to the Ad Fund the amounts set forth in Section 8.4 of this Agreement. If we request it, you agree to provide us with evidence of your local advertising, marketing, and promotional expenditures within thirty (30) days after receiving such request.

(b) You agree to list and advertise Redline Performance Center in each of the classified telephone directories distributed within your market area, in those business classifications as we prescribe from time to time, using any standard form of classified telephone directory advertisement we may provide.

(c) On each occasion before you use them, samples of all local advertising and promotional materials not prepared or previously approved by us must be submitted to us for approval. If you do not receive our written disapproval within fifteen (15) days from the date we receive the materials, the materials will be deemed to have been approved. You agree not to use any advertising or promotional materials that we have disapproved. You will be solely responsible and liable to ensure that all advertising, marketing, and promotional materials and activities you prepare comply with applicable federal, state, and local law, and the conditions of any agreements or orders to which you may be subject.

13.3 **Regional Advertising Cooperatives**. In the event that more than one Redline Performance Center is located in an area of dominant influence ("ADI"), we reserve the right to form a regional advertising cooperative (the "Regional Ad Co-op"). We also reserve the right to require you to join the Regional Ad Co-op and to contribute to its funding. We reserve the right to determine the amount to be contributed by each member of the Regional Ad Co-op, as necessary. The required contributions to any Regional Ad Co-op will be counted toward the Local Advertising Requirement set forth in Paragraphs 8.4(a) and 11.2.

13.4 **Websites.** You acknowledge and agree that any Website (as defined below) will be deemed "advertising" under this Agreement, and will be subject to, among other things, the need to obtain our prior written approval in accordance with Paragraphs 7.2 and 11.2. As used in this Agreement, the term "Website" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate, and that refers to your Redline Performance Center, the Marks, us, and/or the System. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, you agree to the following:

(a) To use only the microsite we provide you.

(b) You will not establish or use any other Website without our prior written approval.

(c) In addition to any other applicable requirements, you will comply with our standards and specifications for Websites as we prescribe in the Operations Manual or otherwise in writing. If we require, you will establish your Website as part of our Website and/or establish electronic links to our Website.

(d) If you propose any material revision to the Website or any of the information contained in the Website, you will submit each such revision to us for our prior written approval.

(e) You may utilize social media relating to your franchise, or other types of advertising websites, such as Facebook, LinkedIn, Groupon, Living Social, or any other similar sites. However, you may not offer discounts or coupons using social media or any other similar site without our prior written approval.

14. **ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS**. You agree to maintain, at your own expense, Redline Software, which will act as a bookkeeping, accounting, and record keeping system for Redline Performance Center. Redline Software includes the capability of being polled by our computer system, which you agree to permit. With respect to the operation and financial condition of your Redline Performance Center, you must deliver to us in the form and manner that we specify: (1) by Tuesday of each week, an electronic report of your Redline Performance Center's Gross Revenues for the preceding week ending on, and including, Sunday, and any other data, information, and supporting records that we may require; (2) by the fifth (5th) day of each month, a profit and loss statement for the preceding calendar month, and a year-to-date profit and loss statement and balance sheet; (3) within ninety (90) days after the end of your fiscal year, a fiscal year-end balance sheet, and an annual profit and loss statement for that fiscal year, reflecting all year-end adjustments; and (4) such other reports as we require from time to time (collectively, the "Redline Software Reports"). You agree to input all Franchise transactions into Redline Software in a timely manner to ensure that Redline Software Reports are accurate. If it is determined that any information was omitted from the Redline Software or input inaccurately, we may charge a non-refundable accounting fee of One Hundred and No/100 Dollars ($100), payable in a lump sum by the fifth (5th) day of the month following the month during which the inaccurate report was submitted. You agree to maintain and furnish upon our request complete copies of federal and state income tax returns you file with the Internal Revenue Service and state tax departments, reflecting revenues and income of your Redline Performance Center or the corporation, partnership, or limited liability company that holds Redline Performance Center. We reserve the right to require you to have audited or reviewed financial statements prepared by a certified public accountant on an annual basis. You agree to retain hard copies of all records for a minimum of four (4) years.

15. **INSPECTIONS AND AUDITS**.

15.1 **<u>Company's Right to Inspect Redline Performance Center</u>**. To determine whether you and Redline Performance Center are complying with this Agreement and the specifications, standards, and operating procedures we prescribe for the operation of your Redline Performance Center, we or our agents have the right, at any reasonable time and without advance notice to you, to: (1) inspect the Redline Performance Center; (2) observe the operations of your Redline Performance Center for such consecutive or intermittent periods as we deem necessary; (3) interview personnel of your Redline Performance Center; (4) interview customers of your Redline Performance Center; and (5) inspect and copy any books, records and documents relating to the operation of your Redline Performance Center. You agree to fully cooperate with us in connection with any of those inspections, observations, and interviews. You agree to present to your customers any evaluation forms we periodically prescribe, and agree to participate in, and/or request that your customers participate in, any surveys performed by or on our behalf. Based on the results of any such inspections and audits and your other reports, we may provide to you such guidance and assistance in operating your Franchise as we deem appropriate.

15.2 **Company's Right to Audit.** We have the right at any time during business hours, and without advance notice to you, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of your Redline Performance Center, and the books and records of any corporation, limited liability company, or partnership that holds Redline Performance Center. You agree to fully cooperate with our representatives and any independent accountants we may hire to conduct any inspection or audit. If the inspection or audit is necessary because of your failure to furnish any reports, supporting records, other information or financial statements as required by this Agreement, or to furnish such reports, records, information, or financial statements on a timely basis, or if an understatement of Gross Revenues for any period is determined by an audit or inspection to be greater than two percent (2%), then you agree to pay us all monies owed, plus interest of one and one-half percent (1.5%) per month, and reimburse us for the cost of such inspection or audit, including without limitation any attorneys' fees and/or accountants' fees we may incur, and the travel expenses, room and board, and applicable per diem charges for our employees or contractors. The above remedies are in addition to all our other remedies and rights under this Agreement or under applicable law.

16. **TRANSFER REQUIREMENTS**.

16.1 **Organization.** If you are a corporation, partnership or limited liability company (or if this Agreement is assigned to a corporation, partnership or limited liability company with our approval), you represent and warrant to us that you are and will continue to be throughout the term of this Agreement, duly organized and validly existing in good standing under the laws of the state of your incorporation, registration or organization, that you are qualified to do business and will continue to be qualified to do business throughout the term of this Agreement in all states in which you are required to qualify, that you have the authority to execute, deliver and carry out all of the terms of this Agreement, and that during the term of this Agreement the only business you (i.e., the corporate, partnership or limited liability entity) will conduct will be the development, ownership and operation of your Redline Performance Center.

16.2 **Interests in Franchise Owner; Reference to Exhibit 4.** You and each Principal Owner represent, warrant, and agree that all "Interests" in Franchise Owner are owned in the amount and manner described in Exhibit 4. No Interests in Franchise Owner will, during the term of this Agreement, be "public" securities (i.e., securities that require, for their issuance, registration with any state or federal authority). (An "Interest" means any shares, membership interests, or partnership interests of Franchise Owner and any other equitable or legal right in any of Franchise Owner's stock, revenues, profits, rights, or assets. When referring to Franchise Owner's rights or assets, an Interest includes this Franchise Owner's rights under and interest in this Agreement, any Redline Performance Center, or the revenues, profits, or assets of any Redline Performance Center.) You and each Principal Owner also represent, warrant, and agree that no Principal Owner's Interest has been given as security for any obligation (i.e., no one has a lien on or security interest in a Principal Owner's Interest), and that no change will be made in the ownership of an Interest other than as expressly permitted by this Agreement or as we may otherwise approve in writing. You and each Principal Owner agree to furnish us with such evidence as we may request from time to time to assure ourselves that the Interests of Franchise Owner and each of your Principal Owners remain as permitted by this Agreement, including a list of all persons or entities owning any Interest, as defined above.

16.3 **Transfer by Company.** This Agreement is fully transferable by us and will inure to the benefit of any person or entity to whom or which it is transferred, or to any other legal successor to our interests in this Agreement.

16.4 **No Transfer Without Approval.** You understand and acknowledge that the rights and duties created by this Agreement are personal to you and that we have entered into this Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of you and your Principal Owners. Accordingly, neither this Agreement nor any part of your interest in it, nor any Interest (as defined in Section 16.2) of Franchise Owner or a Principal Owner, may be Transferred (see definition below) without our advance written approval. Any Transfer that is made without our approval will constitute a breach of this Agreement and convey no rights to or interests in this Agreement, you, Redline Performance Center, or any other Redline Performance Center. As used in this Agreement the term "Transfer" means any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest, or occurrence of any other event which would or might change the ownership of any Interest, and includes, without limitation: (1) the Transfer of ownership of capital stock, partnership interest or other ownership interest; (2) merger or consolidation, or issuance of additional securities representing an ownership interest in Franchise Owner; (3) sale of common stock of Franchise Owner sold pursuant to a private placement or registered public offering; (4) Transfer of an Interest in a divorce proceeding or otherwise by operation of law; or (5) Transfer of an Interest by will, declaration of or transfer in trust, or under the laws of intestate succession. We will not unreasonably withhold consent to a Transfer of an Interest by a Principal Owner to a member of his or her immediate family or to your key employees, so long as all Principal Owners together retain a "controlling Interest" (i.e., the minimum ownership percentage listed in Exhibit 4), although we reserve the right to impose reasonable conditions on the Transfer as a requirement for our consent. We will grant or withhold or consent within thirty (30) days of your Transfer request, otherwise our consent shall be deemed granted (provided that all applicable fees, if any, are paid and all required documents are executed). Interests owned by persons other than the Principal Owners ("minority owners") may be transferred without our advance consent unless the Transfer would give that transferee and any person or group of persons affiliated or having a common interest with the transferee more than a collective twenty-five percent (25%) interest in Franchise Owner, in which case our advance written approval, which will not be unreasonably withheld, for the Transfer must be obtained. We will grant or withhold our consent within thirty (30) days of your Transfer request, otherwise our consent shall be deemed granted (provided that all applicable fees, if any, are paid and all required documents are executed). Your formal partnership, corporation or other formation documents and all stock certificates, partnership units or other evidence of ownership must recite or bear a legend reflecting the transfer restrictions of this Section 16.4.

16.5 **Conditions for Approval of Transfer.** If you and your Principal Owners are in full compliance with this Agreement, we will not unreasonably withhold our approval of a Transfer that meets all the applicable requirements of this Section 16. The person or entity to whom or which you wish to make the Transfer, or its principal owners ("Proposed New Owner"), must be individuals of good moral character and otherwise meet our then-applicable standards for Redline Performance Centers. If you propose to Transfer this Agreement, Redline Performance Center or its assets, or any Interest, or if any of your Principal Owners proposes to Transfer a controlling Interest in you or make a Transfer that is one of a series of Transfers which taken together would constitute the Transfer of a controlling Interest in you, then all of the following conditions must be met before or at the time of the Transfer:

(a) The Proposed New Owner must submit a franchise application and be approved by us as a new Franchisee.

(b) A complete transfer package must be submitted for review including a copy of the proposed purchase agreement and other information we request that you provide us to evaluate the proposed transfer.

(c) the Proposed New Owner must have sufficient business experience, aptitude, and financial resources to operate Redline Performance Center;

(d) you must pay any amounts owed for purchases from us and our affiliates, and any other amounts owed to us or our affiliates which are unpaid;

(e) the Proposed New Owner's directors and such other personnel as we may designate must have successfully completed our Initial Training program and shall be legally authorized and have all licenses necessary to perform the services offered by Redline Performance Center. The Proposed New Owner shall be responsible for any wages and compensation owed to, and the travel and living expenses (including all transportation costs, room, board, and meals) incurred by, the attendees who attend the Initial Training program;

(f) if your lease for the Redline Performance Center requires it, the Lessor must have consented to the assignment of the lease of the Redline Performance Center to the Proposed New Owner;

(g) you (or the Proposed New Owner) must pay us a Transfer fee equal to seventy-five percent (75%) of the then current initial franchise fee we charge to new Franchisees and must reimburse us for any reasonable expenses incurred by us in investigating and processing any Proposed New Owner where the Transfer is not consummated for any reason.

(h) you and your Principal Owners and your and their spouses must execute a general release (in a form satisfactory to us) of any and all claims you and/or they may have against us, our affiliates, and our and our affiliates' respective officers, directors, employees, and agents;

(i) we must approve the material terms and conditions of the proposed Transfer, including without limitation that the price and terms of payment are not so burdensome as to adversely affect the operation of your Redline Performance Center;

(j) The Redline Performance Center shall have been placed in an attractive, neat, and sanitary condition and conducted in ordinary course through the effective date of the Transfer;

(k) you and your Principal Owners must enter into an agreement with us providing that all obligations of the Proposed New Owner to make installment payments of the purchase price (and any interest on it) to you or your Principal Owners will be subordinate to the obligations of the Proposed New Owner to pay any amounts payable under this Agreement or any new Franchise Agreement that we may require the Proposed New Owner to sign in connection with the Transfer;

(l) you and your Principal Owners must enter into a non-competition agreement wherein you agree not to engage in a competitive business for a period of two (2) years after the Transfer and within twenty-five (25) miles of your Redline Performance Center or any other Redline Performance Center;

(m) We determine that the Redline Performance Center contains all equipment and fixtures, in good working condition, as was required at the initial opening of your Redline Performance Center. The Proposed New Owner shall have agreed, in writing, to make such reasonable capital expenditures to remodel, equip, modernize, and redecorate the interior and exterior of the premises in accordance with our then existing plans and specifications for a Redline Performance Center, and shall have agreed to pay our expenses for plan preparation or review, and site inspection;

(n) upon receiving our consent for the Transfer or sale of your Redline Performance Center, the Proposed New Owner shall agree to assume all of your obligations under this Agreement in a form acceptable to us, or, at our option, shall agree to execute a new Franchise Agreement with us in the form then being used by us. We may, at our option, require that you guarantee the performance and obligations of the Proposed New Owner; and

(o) you must have properly offered us the opportunity to exercise our right of first refusal as described below, and we must have then declined to exercise it.

16.6 **Right of First Refusal.** If you or any of your Principal Owners wish to Transfer any Interest in a Redline Performance Center, we will have a right of first refusal to purchase that Interest as follows. The party proposing the Transfer (the "transferor") must obtain a bona fide, executed written offer (accompanied by a "good faith" earnest money deposit of at least five percent (5%) of the proposed purchase price) from a responsible and fully disclosed purchaser, and must submit an exact copy of the offer to us. You also agree to provide us with any other information we need to evaluate the offer if we request it within five (5) days of receipt of the offer. We have the right, exercisable by delivering written notice to the transferor within fifteen (15) days from the date of last delivery to us of the offer and any other documents we have requested, to purchase the Interest for the price and on the terms and conditions contained in the offer, except that we may substitute cash for any form of payment proposed in the offer, and will not be obligated to pay any "finder's" or broker's fees that are a part of the proposed Transfer. We also will not be required to pay any amount for any claimed value of intangible benefits, for example, possible tax benefits that may result by structuring and/or closing the proposed Transfer in a particular manner or for any consideration payable other than the bona fide purchase price for the Interest proposed to be transferred. (In fact, we may in our sole and absolute discretion withhold consent to any proposed Transfer if the offer directly or indirectly requires payment of any consideration other than the bona fide purchase price for the Interest proposed to be transferred.) Our credit will be deemed equal to the credit of any other proposed purchaser, and we will have at least sixty (60) days to prepare for closing. We will be entitled to all customary representations and warranties given to purchasers in connection with such sales. If the proposed Transfer includes assets not related to the operation of your Redline Performance Center, we may purchase only the assets related to the operation of your Redline Performance Center or may also purchase the other assets. (An equitable purchase price will be allocated to each asset included in the Transfer.) If we do not exercise our right of first refusal, the transferor may complete the sale to the Proposed New Owner pursuant to and on the terms of the offer, as long as we have approved the Transfer as provided in this Section 16. You must immediately notify us of any changes in the terms of an offer. Any material change in the terms of an offer before closing will make it a new offer, revoking any previous approval or previously made election to purchase and giving us a new right of first refusal effective as of the day we receive formal notice of a material change in the terms. If the sale to the Proposed New Owner is not completed within one hundred twenty (120) days after we have approved the Transfer, our approval of the proposed Transfer will expire. Any later proposal to complete that proposed Transfer will be deemed a new offer, giving us a new right of approval and right of first refusal effective as of the day we receive formal notice of the new (or continuing) proposal. We will not exercise a right of first refusal with respect to a proposed Transfer of less than a controlling interest to a member of a Principal Owner's immediate family or to your key employees.

16.7 **<u>Death and Disability.</u>** Upon the death or permanent disability of you or a Principal Owner, the executor, administrator, conservator, or other personal representative of the deceased or disabled person must Transfer the deceased or disabled person's Interest within a reasonable time, not to exceed forty-five (45) days from the date of death or permanent disability to a person we have approved. Such Transfers, including without limitation transfers by a will or inheritance, will be subject to all the terms and conditions for assignments and Transfers contained in this Agreement. Failure to so dispose of an Interest within the forty-five (45) day period of time will constitute grounds for termination of this Agreement.

16.8 **<u>Effect of Consent to Transfer.</u>** Our consent to a proposed Transfer pursuant to this Section 16 will not constitute a waiver of any claims we may have against you or any Principal Owner, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the Proposed New Owner.

16.9 **<u>Consent Not Unreasonably Delayed.</u>** If all the conditions are met to transfer Franchise Agreement or any interest therein, we will not unreasonably delay granting our consent to the transfer.

17. **TERMINATION OF THE FRANCHISE**. We have the right to terminate this Agreement effective upon delivery of notice of termination to you, if:

17.1 you do not develop, or open Redline Performance Center as provided in this Agreement; or

17.2 you abandon, surrender, transfer control of, lose the right to occupy the Redline Performance Center of, or do not actively operate, Redline Performance Center, or your lease for or purchase of the location of your Redline Performance Center is terminated for any reason; or

17.3 you or your Principal Owners assign or Transfer this Agreement, any Interest, Redline Performance Center, or assets of your Redline Performance Center without complying with the provisions of Section 16; or

17.4 you are adjudged a bankrupt, become insolvent or make a general assignment for the benefit of creditors; or

17.5 you use, sell, distribute, or give away any unauthorized services or products, and do not cease the use, sale, or distribution of unauthorized services or products within ten (10) days after written notice is given to you; or

17.6 you fail to maintain a valid license to practice and/or fail to maintain compliance with state and federal regulations and do not cure the failure within twenty (20) days after written notice is given to you; or

17.7 you or any of your Principal Owners are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense that is likely to adversely affect the reputation of Franchisor and/or the goodwill associated with the Marks; or

17.8 you are involved in any action that is likely to adversely affect the reputation of Franchisor and/or the goodwill associated with the Marks; or

17.9 you or any of your employees violate any health or safety law, ordinance, or regulation, or operate Redline Performance Center in a manner that presents a health or safety hazard to your customers or the public, unless you take appropriate action to cure such violation(s) to the satisfaction of the government body or agency enforcing such law, ordinance or regulation within a reasonable time; or

17.10 you do not pay, when due, any monies owed to us, and do not make such payment within ten (10) days after written notice is given to you; or you do not pay when due any monies owed to one of our affiliates, and do not make such payment within ten (10) days after written notice is given to you (and such payment is not being disputed in good faith); or

17.11 you or any of your Principal Owners fail to comply with any other provision of this Agreement or any mandatory specification, standard, or operating procedure or you fail to make changes required to comply with applicable state or federal laws within twenty (20) days after written notice of such failure to comply is given to you; or

17.12 you fail to procure or maintain any insurance coverage that we require, or otherwise fail to name us as an additional insured on any such insurance policies and failure to do so within ten (10) days after written notice is given to you; or

17.13 you or any of your Principal Owners fail on three (3) or more separate occasions within any twelve (12) consecutive month period to submit when due any financial statements, reports or other data, information, or supporting records required under this Agreement or pursuant to our applicable policies and procedures; pay when due any amounts due under this Agreement; or otherwise fail to comply with this Agreement, whether or not such failures to comply are corrected after notice is given to you or your Principal Owners.

17.14 Termination Fee. In the event that we terminate this Agreement under this Section or other applicable provisions of this Agreement, we shall be entitled, in those states in which such termination fees are enforceable, to receive from you a termination fee in the amount equal to one-half (1/2) of our then-current initial franchise fee for new Redline Performance Centers (the "Termination Fee"). The Termination Fee shall be payable by you in addition to any damages payable to us, including loss of future revenues, resulting from your improper or wrongful breach or other termination of this Agreement. We shall be entitled to recover all costs, including attorneys' fees, incurred in connection with the termination and collection of the Termination Fee.

17.15 If, in the opinion of our legal counsel, any provision of this Agreement is contrary to law, then you and we agree to negotiate in good faith an amendment that would make this Agreement conform to the applicable legal requirements. If you and we are unable to reach such an agreement, or if fundamental changes to this Agreement are required to make it conform to the legal requirements, then we reserve the right to terminate this Agreement upon notice to you, in which case all of the post-termination obligations set forth in Section 18 shall apply.

17.16 If you continue to operate Redline Performance Center after termination of this Agreement, in addition to any other right or remedy we may have (including the Termination Fee), you agree to pay to us the amount of One Thousand and No/100 Dollars ($1,000) per day that you operate Redline Performance Center in violation of this Agreement, plus all costs and attorneys' fees incurred as a result of the violation. This amount is set at $1,000 per day because it is a reasonable estimation of the damages that would occur from such a breach, and it will almost certainly be impossible to precisely calculate the actual damages from such a breach.

18. **RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISE OWNER UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.**

18.1 **Payment of Amounts Owed to Company**. You agree to pay us within five (5) days after the effective date of termination or expiration of your Redline Performance Center, or any later date that the amounts due to us are determined, all amounts owed to us or our affiliates which are then unpaid.

18.2 **Marks.** You agree that after the termination or expiration of your Franchise Agreement you will:

(a) not directly or indirectly at any time identify any business with which you are associated as a current or former Redline Performance Center or franchisee;

(b) not use any Mark or any colorable imitation of any Mark in any manner or for any purpose, or use for any purpose any trademark or other commercial symbol that suggests or indicates an association with us;

(c) return to us or destroy (whichever we specify) all customer lists, forms and materials containing any Mark or otherwise relating to a Redline Performance Center;

(d) remove all Marks affixed to uniforms or, at our direction, cease to use those uniforms; and

(e) take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark.

18.3 **De-Identification**. If you retain possession of the Redline Performance Center, you agree to completely remove or modify, at your sole expense, any part of the interior and exterior decor that we deem necessary to disassociate the Redline Performance Center with the image of a Redline Performance Center, including any signage bearing the Marks. If you do not take the actions we request within thirty (30) days after notice from us, we have the right to enter the Redline Performance Center and make the required changes at your expense, and you agree to reimburse us for those expenses on demand.

18.4 **Confidential Information.** You agree that on termination or expiration of this Agreement, you will immediately cease to access or use any of the Confidential Information for any purpose.

18.5 **Software and Non-Competition.**

(a) Software. You agree that on termination or expiration of your Redline Performance Center, you will immediately cease to use Redline Software and will uninstall it from all Computer Systems.

(b) Covenant Not to Compete. You agree that on termination or expiration of this Agreement, you and your Principal Owners agree that for a period of twenty-four (24) months after the effective date of termination or expiration, or the date on which you stop operating Redline Performance Center, whichever is later, neither you nor your Principal Owners will be employed by or have any direct or indirect interest (through a member of your immediate family or that of a Principal Owner, or otherwise) as a disclosed or beneficial owner, investor, manager, or consultant, in any business (1) offering products or services the same as or similar to those offered or sold by Redline Performance Centers; and (2) located within a twenty-five (25) mile radius of your Redline Performance Center or any other Redline Performance Center.

18.6 **Company's Option to Purchase Your Redline Performance Center**. Upon the termination or expiration of your Franchise Agreement, we will have the option, but not the obligation, exercisable for thirty (30) days upon written notice to you, to purchase at fair market value any or all of the operating assets (e.g. approved equipment, fixtures, furniture and signs) of your Redline Performance Center, along with any and all supplies, materials, and other items imprinted with any Mark. For purposes of this Section 18.6, "operating assets" shall not include any of the following: (1) Redline Performance Center or any rights granted by this Agreement or the Lease; (2) goodwill attributable to the Marks; (3) our brand image and other intellectual property; or (4) tangible or intangible business assets that include, but are not limited to, cash on hand, accounts receivable, notes receivables, working capital, corporate stock or limited liability memberships, customer accounts or customer relationships. Additionally, upon the termination or expiration of your Redline Performance Center, we will have the option, but not the obligation, exercisable for thirty (30) days upon written notice to take an assignment of the lease for the Redline Performance Center and any other lease agreement necessary for the operation of your Redline Performance Center. If you and we cannot agree on the fair market value of the operating assets within a reasonable time, the value of such assets shall be determined by an average of the appraisals of two (2) independent appraisers, one of whom will be selected by you and one of whom will be selected by us. If the appraisals differ by more than ten percent (10%), then you and we will mutually agree on a value, or if you and we cannot agree, our appraisers will select a third appraiser whose determination of market value shall be final. We shall not assume any liabilities, debts, or obligations of your Redline Performance Center in connection with any such transfer, and you will indemnify us from any and all claims made against us arising out of any such transfer of the assets of your Redline Performance Center. All parties will comply with all applicable laws in connection with any such transfer, and you agree to cooperate with us in complying with all such requirements. The closing shall occur within thirty (30) days after we exercise our option to purchase the assets or such later date as may be necessary to comply with applicable bulk sales or similar laws. At the closing, you, and we both agree to execute and deliver all documents necessary to vest title in the purchased assets free and clear of all liens and encumbrances, except those assumed by us and/or to effectuate the lease of your Redline Performance Center. You also agree to provide us with all information necessary to close the transaction. We reserve the right to assign our option to purchase Redline Performance Center or designate a substitute purchaser for Redline Performance Center. By signing this Agreement, you irrevocably appoint us as your lawful attorney-in-fact with respect to the matters contemplated by this Section 18.6, with full power and authority to execute and deliver in your name all documents required to be provided by you under this Section in the event you do not provide them in a timely and proper manner. You also agree to ratify and confirm all of our acts as your lawful attorney-in-fact, and indemnify and hold us harmless from all claims, liabilities, losses, or damages suffered by us in so doing. If we elect not to purchase the operating assets, but elect to assume the lease, we shall have the right to immediately take over Redline Performance Center on the date we assume the lease. Within thirty (30) days of the date we assume the lease, you shall have the right to the return of the operating assets of your Redline Performance Center. If you wish to retain the operating assets, you must give us ten (10) days prior written notice of your intent to take possession of the assets. If you fail to take possession of the assets within thirty (30) days of our assumption of the lease, we will treat your failure to do so as evidence of your intent to abandon the assets.

18.7 **Continuing Obligations**. All obligations of this Agreement (whether yours or ours) that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire.

18.8 **Management of your Redline Performance Center.** In the event that we are entitled to terminate this Agreement in accordance with Section 17 above, or any other provision of this Agreement, and in addition to any other rights or remedies available to us in the event of such termination, we may, but need not, assume the management of your Redline Performance Center. In the event we assume the management of your Redline Performance Center, we may charge you (in addition to the Royalty Fee and Advertising Fee contributions due under this Agreement) a reasonable management fee in an amount that we may specify, equal to up to ten percent (10%) of your Redline Performance Center's Gross Revenues, plus our direct out-of-pocket costs and expenses, as compensation for our management services. We have a duty to utilize only our reasonable efforts in managing Redline Performance Center and will not be liable to you for any debts, losses, or obligations Redline Performance Center incurs, or to any of your creditors for any products or services Redline Performance Center purchases, while we manage it pursuant to this Section.

19. **ENFORCEMENT**.

19.1 **Invalid Provisions; Substitution of Valid Provisions**. To the extent that the non-competition provisions of Sections 11.3, 16.5(h), or 18.5 are deemed unenforceable because of their scope in terms of area, business activity prohibited, or length of time, you agree that the invalid provisions will be deemed modified or limited to the extent or manner necessary to make that particular provisions valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that such provisions under the laws applied in the forum in that we are seeking to enforce such provisions. If any lawful requirement or court order of any jurisdiction (1) requires a greater advance notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action which is not required by this Agreement, or (2) makes any provision of this Agreement or any specification, standard, or operating procedure we prescribed invalid or unenforceable, then the advance notice and/or other action required or revision of the specification, standard, or operating procedure will be substituted for the comparable provisions of this Agreement in order to make the modified provisions enforceable to the greatest extent possible. You agree to be bound by the modification to the greatest extent lawfully permitted.

19.2 **Unilateral Waiver of Obligations.** Either you or we may, by written notice, unilaterally waive or reduce any obligation or restriction of the other under this Agreement. The waiver or reduction may be revoked at any time for any reason on ten (10) days' written notice.

19.3 **Written Consents from Company.** Whenever this Agreement requires our advance approval or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing.

19.4 **Lien.** To secure your performance under this Agreement and indebtedness for all sums due us or our affiliates, we shall have a lien upon, and you hereby grant us a security interest in, the following collateral and any and all additions, accessions, and substitutions to or for it and the proceeds from all of the same: (a) all inventory now owned or after-acquired by you and Redline Performance Center, including but not limited to all inventory and supplies transferred to or acquired by you in connection with this Agreement; (b) all accounts of you and/or Redline Performance Center now existing or subsequently arising, together with all interest in you and/or Redline Performance Center, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; (c) all contract rights of you and/or Redline Performance Center, now existing or subsequently arising; and (d) all general intangibles of you and/or Redline Performance Center, now owned or existing, or after-acquired or subsequently arising. You agree to execute such financing statements, instruments, and other documents, in a form satisfactory to us that we deem necessary so that we may establish and maintain a valid security interest in and to these assets.

19.5 **No Guarantees.** If in connection with this Agreement we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, then we will not be deemed to have made any warranties or guarantees upon which you may rely and will not assume any liability or obligation to you.

19.6 **No Waiver.** If at any time we do not exercise a right or power available to us under this Agreement or do not insist on your strict compliance with the terms of the Agreement, or if there develops a custom or practice that is at variance with the terms of this Agreement, then we will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement at a later time. Similarly, our waiver of any particular breach or series of breaches under this Agreement, or of any similar term in any other agreement between us and any other Redline Performance Centers, will not affect our rights with respect to any later breach. It will also not be deemed to be a waiver of any breach of this Agreement for us to accept payments that are due to us under this Agreement.

19.7 **Cumulative Remedies.** The rights and remedies specifically granted to either you or us by this Agreement will not be deemed to prohibit either you or us from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

19.8 **Specific Performance; Injunctive Relief.** Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to the entry of temporary and permanent injunctions and orders of specific performance to (1) enforce the provisions of this Agreement relating to your use of the Marks and non-disclosure and non-competition obligations under this Agreement; (2) prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance, or regulation; constitutes a danger to the public; or may impair the goodwill associated with the Marks or Redline Performance Centers; or (3) prevent any other irreparable harm to our interests. If we obtain an injunction or order of specific performance, then you shall pay us an amount equal to the total of our costs of obtaining it, including without limitation reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision. You further agree to waive any claims for damage in the event there is a later determination that an injunction or specific performance order was issued improperly.

19.9 **Arbitration.** Except insofar as we elect to enforce this Agreement or to seek temporary or permanent injunctive relief as provided above, all controversies, disputes or claims arising between us, our affiliates, and our and their respective owners, officers, directors, agents, and employees (in their representative capacity) and you (and your Principal Owners and guarantors) arising out of or related to: (1) this Agreement, any provision thereof, or any related agreement (except for any lease or sublease with us or any of our affiliates); (2) the relationship of the parties hereto; (3) the validity of this Agreement or any related agreement, or any provision thereof; or (4) any specification, standard or operating procedure relating to the establishment or operation of your Redline Performance Center, shall be submitted for arbitration to be administered by the office of the American Arbitration Association. Such arbitration proceedings shall be conducted in Maricopa County, Arizona, and, except as otherwise provided in this Agreement, shall be conducted in accordance with then current commercial arbitration rules of the American Arbitration Association. The arbitrator shall have the right to award or include in his award any relief that he or she deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, attorneys' fees, and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties to this Agreement, and judgment on the award may be entered in any court of competent jurisdiction, and each such party waives any right to contest the validity or enforceability of such award. The provisions of this Section are intended to benefit and limit third-party non-signatories and will continue in full force and effect subsequent to, and notwithstanding expiration or termination of, this Agreement. You and we agree that any such arbitration shall be conducted on an individual, not a class-wide basis, and shall not be consolidated with any other arbitration proceeding.

19.10 **Waiver of Punitive Damages and Jury Trial; Limitations of Actions.** Except with respect to your obligations to indemnify us and claims that we may bring under Sections 9, 11, 17, or 19 of this Agreement, and except for claims arising from your non-payment or underpayment of any amounts owed to us or our affiliates, (1) any and all claims arising out of or related to this Agreement or the relationship between you and us shall be barred, by express agreement of the parties, unless an action or proceeding is commenced within two (2) years from the date the cause of action accrues; and (2) you and we hereby waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other, and agree that, except to the extent provided to the contrary in this Agreement, in the event of a dispute between you and us, each party will be limited to the recovery of any actual damages sustained by it. You and we irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either you or us.

19.11 **Governing Law/Consent to Jurisdiction.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) and except that all issues relating to arbitrability or the enforcement or interpretation of the agreement to arbitrate set forth in Section 19.9 which will be governed by the United States Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law relating to arbitration, this Agreement and Redline Performance Center will be governed by the internal laws of the State of Arizona (without reference to its choice of law and conflict of law rules), except that the provisions of any Arizona law relating to the offer and sale of business opportunities or franchises or governing the relationship of a franchisor and its franchisees will not apply unless their jurisdictional requirements are met independently without reference to this Section. You agree that we may institute any action against you arising out of or relating to this Agreement (which is not required to be arbitrated hereunder or as to which arbitration is waived) in any state or federal court of general jurisdiction in Maricopa County, Arizona, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

19.12 **Binding Effect.** This Agreement is binding on and will inure to the benefit of our successors and assigns and, subject to the Transfers provisions contained in this Agreement, will be binding on and inure to the benefit of your successors and assigns, and if you are an individual, on and to your heirs, executors, and administrators.

19.13 **No Liability to Others; No Other Beneficiaries.** We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity that is not a party to this Agreement, and no other party shall have any rights because of this Agreement.

19.14 **Construction.** All headings of the various Sections and Paragraphs of this Agreement are for convenience only, and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. The term "affiliate" as used in this Agreement is applicable to any company directly or indirectly owned or controlled by you or your Principal Owners, or any company directly or indirectly owned or controlled by us that sells products or otherwise transacts business with you.

19.15 **Joint and Several Liability.** If two (2) or more persons are Franchisees under this Agreement, their obligation and liability to us shall be joint and several.

19.16 **Multiple Originals.** This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other parties hereto. This Agreement, once executed by a party, may be delivered to the other parties hereto by facsimile transmission or other electronic means of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

19.17 **Timing Is Important.** Time is of the essence of this Agreement. "Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this case, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.

19.18 **Independent Provisions.** The provisions of this Agreement are deemed to be severable. In other words, the parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement.

19.19 **State-Specific Addenda.** Exhibit 5 to this Agreement contains addenda that are specific to certain franchise registration states. If applicable, you must execute any of the addenda that apply to you at the same time you execute this Agreement.

19.20 **Cross-Default.** Any default by Franchisee under any other agreement between Franchisor or its affiliate as one party and Franchisee or any of Franchisee's owners or affiliates as the other party, shall be deemed to be a default of this Agreement, and Franchisor shall have the right, at its option, to terminate this Agreement without affording Franchisee an opportunity to cure, effective immediately upon notice to Franchisee.

20. **NOTICES AND PAYMENTS**. All written notices, reports and payments permitted or required under this Agreement or by the Operations Manual will be deemed delivered: (a) at the time delivered by hand; (b) one (1) business day after transmission by electronic mail; (c) one (1) business day after being placed in the hands of a reputable commercial courier service for next business day delivery; or (d) three (3) business days after placed in the U.S. mail by registered or certified mail, return receipt requested, postage prepaid; and addressed to the party to be notified or paid at its most current principal business address of which the notifying party has been advised, or to any other place designated by either party. Any required notice, payment, or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before it is due) will be deemed delinquent.

21. **INDEPENDENT PROFESSIONAL JUDGMENT OF YOU AND YOUR GENERAL MANAGER**. You and we acknowledge and agree that the specifications, standards, and operating procedures related to the services offered by Redline Performance Center are not intended to limit or replace your or your General Manager's (if any) professional judgment in supervising and performing the services offered by your Franchise. The specifications, standards, and operating procedures represent only the minimum standards, and you and your General Manager (if any) are solely responsible for ensuring that Redline Performance Center performs services in accordance with all applicable requirements and standards of care. Nothing in this Agreement shall obligate you or

your General Manager (if any) to perform any act that is contrary to your or your General Manager's (if any) professional judgment; provided, however, that you must notify us immediately upon your determination that any specification, standard or operating procedure is contrary to your or your General Manager's (if any) professional judgment.

22. **ENTIRE AGREEMENT.** This Agreement, together with the introduction and exhibits to it, constitutes the entire agreement between us, and there are no other oral or written understandings or agreements between us concerning the subject matter of this Agreement. This Agreement may be modified only by written agreement signed by both you and us, except that we may modify the Operations Manual at any time as provided herein. However, nothing in this Agreement or any addendum shall have the effect of disclaiming any of the representations made in your Redline Performance Center Disclosure Document or any of its exhibits.

SIGNATURES ON FOLLOWING PAGE

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the Agreement Date**.**

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

EXHIBIT 1
EXPIRATION DATE
PROJECTED FRANCHISING OPENING
DEVELOPMENT AREA AND PROTECTED TERRITORY

1. Expiration Date. Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement will expire on ____________.

2. Opening Deadline. You must open your Redline Performance Center on or before the 12 month anniversary of the Agreement Date (the "Opening Deadline").

3. Franchise Opening. In signing the Agreement to which this Exhibit 1 is attached, you acknowledge that:

- You must open the Redline Performance Center by the Opening Deadline unless another date is agreed to in writing. We may, in our sole discretion, amend the Opening Deadline set forth above depending upon the total number of franchises you have purchased and the number of franchises that you have developed and opened for business before developing and opening Redline Performance Center to which this Agreement corresponds.

- You must comply with all requirements relating to the opening of your Franchise by the Opening Deadline.

4. Development Area/Protected Territory. In signing the Agreement to which this Exhibit 1 is attached, you acknowledge that you will not receive a Protected Territory for your Franchise until after we have approved the site for your Redline Performance Center. You must identify a site for your Redline Performance Center in the Development Area set forth below, or if no area is set forth, in such other area as we specify in a separate addendum to Franchise Agreement. Once you have identified a site for your Redline Performance Center, we will fill in the area making up your Protected Territory below. Once a Protected Territory is established, your rights in the Development Area are terminated.

DEVELOPMENT AREA

____
Franchisee's Initials

PROTECTED TERRITORY

____
Franchisee's Initials

EXHIBIT 2
AGREEMENT TO BE BOUND AND TO GUARANTEE

This Agreement to Be Bound and to Guarantee ("**Guaranty"**), dated as of the date stated at the end of this Guaranty, is between each person or entity that owns, directly or indirectly, a 5% or greater equity interest in Franchisee (each a "**Guarantor"**) in favor of **PHOENIX FRANCHISING GROUP LLC**, doing business as **Redline Athletics** ("**Franchisor"**).

WHEREAS, as an inducement for Franchisor to execute and deliver, and to perform its obligations under, that certain Franchise Agreement ("**Franchise Agreement"**), by and between Franchisor and ____________________ _______ ("**Franchisee**"), Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee to Franchisor and its affiliates (including, without limitation, obligations under the Franchise Agreement (and the assignment of concession agreement, if applicable) executed in connection therewith) and to be bound by certain of the provisions contained in the Franchise Agreement.

WHEREAS, Guarantor owns, directly or indirectly, a 5% or greater equity interest in Franchisee.

WHEREAS, Guarantor acknowledges and agrees that Franchisor will materially rely upon Guarantor's obligations under this Guaranty.

NOW, THEREFORE, in consideration of the foregoing premises and the execution and delivery of your Franchise Agreement by Franchisor, and the performance of Franchisor's obligations thereunder, Guarantor agrees, for the benefit of Franchisor and its affiliates, as follows:

1. Guaranty. Guarantor unconditionally guarantees and promises to pay to Franchisor and/or its affiliates and to perform, for the benefit of Franchisor and/or its affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of your Franchise Agreement as well as any other agreements executed by Franchisee in conjunction with Franchise Agreement, if applicable, executed in connection therewith and/or any other agreement with Franchisor or its affiliates.

2. Confidentiality.

(a) Guarantor acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, trade secrets and other confidential and proprietary information, processes, materials and rights relating to the development, promotion and operation of the Redline Performance Center (as defined in your Franchise Agreement), including, without limitation, Franchisor's Confidential Operations Manual, method of operation, processes, techniques, formulae and procedures (collectively, the **"Proprietary Information"**). Guarantor further acknowledges that the Proprietary Information constitutes valuable trade secrets.

(b) Guarantor agrees not to use, disclose, or reveal the Proprietary Information, any materials in Franchisor's Confidential Operations Manual, or any other information relating to the operation of the Redline Performance Center (and must cause all of Franchisee's directors, officers, and employees not to use, disclose, or reveal) for any purpose other than the operation of a Redline Performance Center. Guarantor must fully and strictly comply with all security measures prescribed by Franchisor for maintaining the confidentiality of all Proprietary Information.

(c) Guarantor acknowledges that to breach her or her obligations under this Section 2 would cause damage to Franchisor and to Franchisor's other franchisees and that Guarantor would be liable for this damage.

(d) Notwithstanding the foregoing, Guarantor may disclose Proprietary Information to a person who is bound by the terms of this provision regarding confidentiality and a restrictive covenant contemplated by Section 11 of the Franchise Agreement, to the extent that that disclosure is necessary in connection with that person's capacity with Franchisee.

(e) Notwithstanding the foregoing, the following will not be subject to the provisions of this Section 2: (i) Information which is in the public domain as of the date of receipt by Franchisee; (ii) information which is known to Franchisee prior to the date of receipt by Franchisee; (iii) information which becomes known to the public without a breach of the provisions of this Section 2 of the Guaranty or any other agreement executed in connection with Franchise Agreement; and (iv) information which is required by law to be disclosed or revealed, but only strictly to the extent required by law.

3. Covenant Not to Compete.

(a) Guarantor may not, during the term of this Guaranty and for the one-year period after the expiration or termination of this Guaranty for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business that operates a business offering franchise sales and support services (a **"Competing Franchise Business"**) to prospective franchisees or franchisees operating one or more Competing Businesses at: (i) at any location in the United States of America; or (ii) if a court of competent jurisdiction determines that such geographic area is unenforceable, within the state or states where Franchisee's Redline Performance Centers are located; or (iii) if a court of competent jurisdiction determines that such geographic area is unenforceable, within your Redline Performance Center's Protected Territory.

(b) Guarantor may not, during the term of this Guaranty and for the one-year period after the expiration or termination of this Guaranty for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in any business that offers sports performance training products and services or other services or products that are similar to those offered or sold at Redline Performance Centers (a **"Competing Business"**) at: (i) the location of Franchisee's or its affiliates Redline Performance Center(s); (ii) at any location within Franchisee's Protected Territory; and (iii) within a: (A) 15-mile radius, or (B) if a court of competent jurisdiction determines that such geographic area is unenforceable, a 7 mile radius, or (C) if a court of competent jurisdiction determines that such geographic area is unenforceable, a 5 mile radius, or (D) if a court of competent jurisdiction determines that such geographic area is unenforceable, a 3 mile radius of: (I) any Redline Performance Center previously or presently owned, in whole or in part, by Franchisor, Franchisor's affiliates, or an existing Redline Athletics franchisee, or (II) any location with respect to which Franchisor or any of Franchisor's affiliates has entered into a contract (including a Franchise Agreement) with respect to the future operation of a Redline Performance Center

4. Use of Name and Likeness. Franchisor will be entitled to use the name, likeness, and voice of Guarantor for purposes of promoting the franchise, Franchisor, and its products, including, without limitation, all photos and audio and video recordings, and Guarantor hereby irrevocably consents thereto. Guarantor acknowledges that Franchisor will own all right, title and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as moral rights, artist's rights, publicity rights or the like associated with such photos and audio and video recordings and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights.

5. Innovations. Guarantor may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, recipes, formulae, products, packaging or other concepts and features relating to sports performance training products and services or other similar services and products in connection with the Redline Performance Center (the "**Innovations"**). Guarantor assigns any and all of its rights, title, and interest in the Innovations, including, without limitation, any intellectual property rights, to Franchisor, and also agrees to

cooperate with Franchisor and its counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto.

6. Copyrights; Works-for-Hire; Solicitation. All advertising and promotional materials generated by or for Franchisee or its officers, managers or employees for the Redline Performance Center will be deemed a work-made-for-hire, and all ownership rights, including, without limitation, any copyrights, in such advertising and promotional materials are hereby assigned to Franchisor. In addition, Guarantor will cooperate in the protecting any items or materials suitable for copyright protection by Franchisor. Guarantor must not solicit other franchisees or Franchisees, or use the lists of franchisees and Franchisees, for any commercial or other purpose other than purposes directly related to the operation of the Redline Performance Center.

7. Guaranty of Payment. This is a guaranty of payment and not of collection. This Guaranty will remain in full force and effect until all amounts payable by Guarantor shall have been validly, finally, and irrevocably paid in full and all obligations to be performed by Guarantor shall have been validly, finally, and irrevocably performed in full.

8. Waiver. Guarantor hereby waives all requirements as to presentment for payment, protest, diligence and demand and notice of acceptance, default, protest, demand, dishonor and nonpayment, and all benefits and requirements of Arizona Revised Statutes Section 12-1641, et seq., and Rule 17(f) of the Arizona Rules of Civil Procedure for the Superior Courts of Arizona, which describe certain rights and obligations among guarantors, debtors and creditors, if applicable. This Guaranty will not be affected in any way by (a) the absence of any action to obtain such amounts from Franchisee or any other guarantor or indemnitor or of any recourse to any security for such amounts or (b) any extension, waiver, compromise, or release of any or all of the obligations of Franchisee or any guarantor.

9. Subrogation. Guarantor hereby agrees that he will not exercise any rights of subrogation which he may acquire due to any payment or performance of the obligations of Franchisee pursuant to this Guaranty unless and until all amounts payable to Franchisor or its affiliates, and all obligations for the benefit of Franchisor or its affiliates, shall have been validly, finally, and irrevocably paid and performed in full.

10. Reasonable Restraints; Remedies. Guarantor acknowledges that the covenants contained in this Guaranty (including, without limitation, the territorial and time restraints) are reasonable and necessary and agrees that her failure to adhere strictly to the restrictions contained herein will cause substantial and irreparable damage to Franchisor, Franchisee and to Franchisor's other franchisees. In the event of any breach by Guarantor of any of the terms of this Guaranty, Franchisor and/or Franchisee will be entitled to institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Guaranty and to pursue any other remedy to which Franchisor and/or Franchisee may be entitled. Guarantor agrees that the rights conveyed by this Guaranty are of a unique and special nature and that Franchisor's and Franchisee's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision hereof, without the necessity of posting bond therefor or proof of actual damages.

11. Enforceability. If the scope of any restriction contained in this Guaranty is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and Guarantor hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Guaranty is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid, or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity, or enforceability of such covenant in any other jurisdiction.

12. No Waiver. No failure or delay on the part of Franchisor or its affiliates in exercising its rights hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be effective unless given in writing, specifying with particularity the nature of the waiver. No waiver of any such right will be deemed a waiver of any other right hereunder. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges, or remedies provided by law.

13. Attorneys' Fees. Guarantor will pay reasonable attorneys' fees and expenses and all other costs and expenses that may be incurred by Franchisor or its affiliates in connection with enforcing this Guaranty.

14. Arizona Law to Govern; Jurisdiction; Right to Jury Trial and Class Action Waived; Certain Damages Waived; Statute of Limitations. This Guaranty will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary. Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts; provided, however, that Franchisor may seek injunctive relief in any court that Franchisor may select. GUARANTOR HEREBY WAIVES THE RIGHT TO A JURY TRIAL, WAIVES THE RIGHT TO INITIATE OR PARTICIPATE IN A CLASS ACTION IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION, AND WAIVES THE RIGHT TO SEEK OR COLLECT PUNITIVE, CONSEQUENTIAL AND SPECIAL DAMAGES IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, GUARANTOR AGREES THAT ANY CLAIMS UNDER, ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE BROUGHT WITHIN TWO YEARS OF THE DATE ON WHICH THE UNDERLYING CAUSE OF ACTION ACCRUED, AND GUARANTOR HEREBY WAIVES ANY RIGHT TO BRING ANY SUCH ACTION AFTER SUCH TWO-YEAR PERIOD.

15. Binding Nature of Agreement. This Guaranty will be binding upon Guarantor and her respective successors, heirs and assigns and will inure to the benefit of Franchisor, its affiliates and their respective successors and assigns.

16. Joint and Several. If more than one person signs this Guaranty as a Guarantor, his, her or its obligation will be joint and several.

17. Entire Agreement; Amendment. This Guaranty contains the entire agreement and understanding between the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements, and conditions, express or implied, oral, or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Guaranty may not be modified or amended other than by an agreement in writing signed by each of the parties. The provisions of Section 17 are not intended to, nor will they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

[SIGNATURES ON FOLLOWING PAGE]

SIGNATURE PAGE

Date of Franchisee Agreement: ____

Printed Name(s) of Guarantor(s):____

____

____

Name of Franchisee: ____

GUARANTORS

Name: ______________________ (Print Name)	Name: ______________________ (Print Name)
Date: ______________________	Date: ______________________
Address: ______________________	Address: ______________________
______________________	______________________
Name: ______________________ (Print Name)	Name: ______________________ (Print Name)
Date: ______________________	Date: ______________________
Address: ______________________	Address: ______________________
______________________	______________________

EXHIBIT 3
ADDENDUM TO LEASE AGREEMENT

This Addendum to Lease Agreement (this "Addendum"), is entered into effective on this ______ day of ________ _____________, 20___, (the "Effective Date") by and between ___________________________, a ___________ _____________ (the "Lessor"), and , a ________________________ (the "Lessee") (each a "Party" and collectively, the "Parties").

RECITALS

WHEREAS, the Parties hereto have entered into a certain Lease Agreement, dated on the ______ day of , 20___ (the "Agreement"), and pertaining to the premises located at _______________________(the "Redline Performance Center");

WHEREAS, Lessor acknowledges that Lessee intends to operate Redline® franchise from the Redline Performance Center pursuant to a Franchise Agreement (the "Franchise Agreement") with Phoenix Franchising Group, LLC ("Franchisor") under the name Redline Athletics®, Redline®, or other name designated by Franchisor ("Redline Performance Center"); and

WHEREAS, the Parties now desire to amend the Lease Agreement in accordance with the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth and each act done and to be done pursuant hereto, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby represent, warrant, covenant and agree as follows:

1. Remodeling and Decor. The above recitals are hereby incorporated by reference. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Redline Performance Center and to display the proprietary marks and signs on the interior and exterior of the Redline Performance Center as Lessee is reasonably required to do pursuant to Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Redline Performance Center on the Redline Performance Center.

2. Assignment. Lessee shall have the right to assign all of its right, title and interest in and to the Lease Agreement to Franchisor or its parent, subsidiary, or affiliate, (including another franchisee) at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor's consent, pursuant to the terms of the Collateral Assignment of Lease attached hereto as **Exhibit A**. However, no assignment shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease Agreement, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its parent unless and until the Lease Agreement is assigned to, and accepted in writing by Franchisor or its parent, subsidiary or affiliate. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Landlord's consent in accordance with Section 4.1 below.

3. Default and Notice.

3.1 In the event there is a default or violation by Lessee under the terms of the Lease Agreement, Lessor shall give Lessee and Franchisor written notice of the default or violation within ten (10) days after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Section 4.1. Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option to cure but is not obligated to cure the default or violation.

3.2 All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Phoenix Franchising Group, LLC
14000 North Hayden Road, Suite 101
Scottsdale, Arizona 85260
Telephone: (480) 386-9708
Attention: Chance Pearson
E-mail: chance@Redlineathletics.com

3.3 Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

3.4 Following Franchisor's approval of the Lease Agreement, Lessee agrees not to terminate, or in any way alter or amend the same during the Initial Term of your Franchise Agreement or any Interim Period thereof without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

4. Termination or Expiration.

4.1 Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease Agreement or Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest in the Lease Agreement and at any time thereafter to re-assign the Lease Agreement to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease Agreement. Upon notice from Franchisor to Lessor requesting an automatic assignment, Lessor will, at the cost of Franchisor, take appropriate actions to secure the leased premises including but not limited changing the locks and granting Franchisor sole rights to the Redline Performance Center.

4.2 Upon the expiration or termination of either the Lease Agreement or Franchise Agreement (attached), Lessor will cooperate with and assist Franchisor in securing possession of the Redline Performance Center and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Redline Performance Center, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Redline Performance Center as a Redline Performance Center and to make other modifications (such as repainting) as are reasonably necessary to protect Redline® marks and system, and to distinguish the Redline Performance Center from a Redline Performance Center. In the event Franchisor exercises its option to purchase assets of Lessee or has rights to those through the terms and conditions any agreement between Lessee and Franchisor, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

5. Consideration; No Liability.

5.1 Lessor hereby acknowledges that the provisions of this Addendum are required pursuant to Franchise Agreement under which Lessee plans to operate its business, and Lessee would not lease the Redline

Performance Center without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Exhibit A**.

5.2 Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

6. Sales Reports. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Redline Performance Center.

7. Amendments. No amendment or variation of the terms of the Lease or this Addendum shall be valid unless made in writing and signed by the Parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease Agreement shall remain in full force and effect and are incorporated herein by reference and made a part of this Addendum as though copied herein in full.

9. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

WHEREAS, Lessor and Lessee, by their signatures below, agree to be bound by the terms, conditions, and obligations of this Addendum.

LESSOR:____________________	**LESSEE:**____________________
________________________	________________________
By: ____________________	**By:** ____________________
Its: ____________________	**Its:** ____________________
Date: ____________________	**Date:** ____________________

EXHIBIT A TO ADDENDUM TO LEASE AGREEMENT

LEASE ADDENDUM

THIS LEASE ADDENDUM is entered into this ___________________, among **PHOENIX FRANCHISING GROUP LLC**, doing business as **Redline Athletics** (“**Franchisor”**)Arizona limited liability company with its principal office at 14000 North Hayden Road, Suite 101, Scottsdale, Arizona 85260 ("Franchisor" or “Assignee”); _______________________ with its principal office at ____ ("Landlord"); and ____ with its principal office at ____ ("Lessee" or “Assignor”).

WHEREAS, Landlord has agreed to lease to premises located at __________________________________ (the “Premises”) for use by Lessee as a Redline Athletics ("Franchised Business") operated under Franchisor’s system and proprietary marks under a written Franchise Agreement between Franchisor and Lessee as franchisee ("Franchise Agreement");

WHEREAS, Under the terms of the Franchise Agreement, all right, title and interest in the lease and this Addendum ("Lease") must be transferred to Franchisor, if Franchisor, in its sole and absolute right, exercises any option to purchase the assets of the Franchised Business contained in the Franchise Agreement.

WHEREAS, it is the intent of the parties to provide Franchisor with the opportunity to preserve the Premises as a Franchised Business in case of any expiration or termination of the franchise granted in the franchise agreement and to assure Landlord that any defaults under the Lease will be cured before Franchisor takes possession of the Premises; and

WHEREAS, Lessee and Franchisor wish to preserve their rights under the Franchise Agreement as to the Premises, including Franchisor’s right to enter and/or take possession of the Premises to enforce Franchisor’s rights on Lessee’s default under the Lease or the Franchise Agreement.

In consideration of the recitals above and of the terms below, the parties agree:

a. **Default of Lessee under Lease**. Landlord will give Franchisor notice of any default or termination of the Lease concurrently with giving notice to Lessee. If Lessee fails to cure any default within the period provided in the Lease, Landlord will give Franchisor immediate written notice of the failure to cure and Landlord will offer to Franchisor and Franchisor will have the sole and absolute right (but not the obligation), either to cure the default and preserve Lessee’s interest in the Premises and in the Lease, or to accept an assignment of the Lease or a new lease containing the same terms of the Lease, as Franchisor elects. If Franchisor elects to continue the use of the Premises under an assignment of the Lease or a new lease, it will so notify Landlord in writing within 30 days after it has received written notice from Landlord specifying the default(s) Lessee has failed to cure within the period specified in the Lease. On receipt of that notice from Franchisor, Landlord will promptly execute and deliver to Franchisor an assignment of the Lease or a new lease, whichever Franchisor requests, and will promptly deliver to Franchisor possession of the Premises, free and clear of any rights of Lessee or any third party. Franchisor, before taking possession of the Premises, will cure the default(s) specified by Landlord in its notice to Franchisor and will execute and deliver to Landlord its acceptance of the assignment of Lease or of a new lease, as the case may be.

b. **Relationship to Franchise Agreement**. Landlord acknowledges that the Lease and/or any new or amended lease executed by the parties will be subject to and consistent with the Franchise Agreement. For example, Landlord must permit Franchisor’s entry onto the Premises for the purpose of enforcing Franchisor’s rights under the Franchise Agreement or for routine visits.

c. **Use or Assignment of Premises**. The parties agree that the Premises must only be used for the operation of the Franchised Business, and that Lessee may not sublease or assign all or any part of its occupancy rights without Franchisor’s prior written approval.

d. **Obligations of Franchisor**. The parties acknowledge that the Lease does not create any rights against or obligations of Franchisor unless specifically stated in this Addendum.

e. **Display of Marks**. Landlord agrees that Lessee and/or Franchisor may display Franchisor's and/or its licensor's marks according to Franchisor's specifications as modified from time to time by Franchisor in its sole and absolute right, subject to the provisions of applicable law and community standards.

f. **Right to Information**. Landlord agrees to provide to Franchisor, on request, information regarding the Franchised Business or the Lease, including any information furnished to Landlord by Lessee.

g. **Delivery of Lease; Franchisor's Prior Written Approval**. Landlord and Lessee agree to deliver the Lease in executed form to Franchisor within 5 days after execution.

h. **Waiver**. Failure of Franchisor to enforce or exercise any of its rights under this Addendum will not constitute a waiver of those rights or a waiver of any subsequent enforcement or exercise of its rights under this Addendum.

i. **Execution of Documents**. The parties agree to execute all documents or agreements and to take all action as may be necessary or desirable to effectuate the terms of this Addendum.

j. **Amendment of Lease**. Landlord and Lessee agree not to amend, modify, or waive the terms of the Lease in any respect that would adversely affect Franchisor's rights without the prior written consent of Franchisor.

k. **Vacation of Premises**. Lessee agrees to peaceably and promptly vacate the Premises and to remove its personal property on the purchase, termination, or expiration of the Franchise Agreement or on Lessee's failure to timely cure defaults under the Lease. Any property not so removed within 10 days after Lessee vacates the Premises will be deemed abandoned.

l. **Lessee's Liability**. Lessee will remain liable for all of its obligations under the Lease regardless of the assignment of the Lease to Franchisor or the execution of a new lease between Franchisor and Landlord, and Franchisor will be entitled to recover from Lessee all amounts it has paid to Landlord to cure any default(s) by Lessee under the Lease.

m. **Notices**. All notices will be mailed by certified mail to the addresses described in this Addendum or to such other addresses as the parties may, by written notice, designate. Such notices will be deemed to be given 3 days after being mailed.

n. **Binding Effect**. This Addendum will be binding on the parties, their heirs, executors, successors, assigns and legal representatives.

o. **Severability**. If any provision of this Addendum or any part is declared invalid by any court of competent jurisdiction, the provision will not affect the validity of this Addendum, and the remainder of this Addendum will remain in effect according to the terms of the remaining provisions or parts of provisions of this Addendum.

p. **Remedies**. The rights and remedies created under this Addendum will be deemed cumulative and none of the rights or remedies will be exclusive at law or in equity of the rights and remedies which Franchisor may have under this Addendum or any other agreement to which Franchisor and Lessee are parties.

q. **Attorneys' Fees**. If any action is instituted by any party to enforce any provision of this Addendum, the prevailing party will be entitled to recover its reasonable attorneys' fees and costs incurred in the action.

r. **Construction**. This Addendum will be governed by and interpreted under the laws of Arizona without application of the choice of law provisions of Arizona or any other jurisdiction.

Each of the undersigned agrees to the terms of this Addendum, effective the day and year first written above.

LESSOR:

____

By:______________________________

Name: ______________________________

Title:______________________________

Date: ______________________________

FRANCHISEE (ASSIGNOR):

____

By:______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

FRANCHISOR (ASSIGNEE):

____

By:______________________________

Name: ______________________________

Title:______________________________

Date: ______________________________

Address: ______________________________

____

Email: ______________________________

EXHIBIT 4
OWNERSHIP INTERESTS IN FRANCHISE OWNER

Minimum individual and aggregate ownership percentage required at all times during the term of this Agreement:

During the term of this Agreement, the Principal Owners together must have a "controlling interest" (i.e., a percent "ownership interest" of the equity, voting control and profits) in Franchise owner.

Unless otherwise permitted, the required minimum "ownership interest" of each Principal Owner during the term of this Agreement is:

Name	Ownership Percentage	Principal Owner (Yes or No)

EXHIBIT 5
STATE-SPECIFIC ADDENDA TO FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

1. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

2. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

3. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

4. If any of the provisions of the Agreement concerning termination are inconsistent with either the California Franchise Relations Act or with the Federal Bankruptcy Code (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

5. The Agreement requires that it be governed by Arizona law. This requirement may be unenforceable under California law.

6. You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under Redline Performance Center Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under Redline Performance Center Relations Act (Business and Professions Code 20000 through 20043).

7. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations, and you are open for business.

8. **Registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.**

9. The highest interest rate allowed by law in California for late payments is ten percent (10%) per annum.

10. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this California Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

HAWAII ADDENDUM TO FRANCHISE AGREEMENT

1. The Franchise Agreements contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Hawaii Franchise Investment Law.

2. Any provisions of your Franchise Agreement that relate to non-renewal, termination, and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.

3. The Franchise Agreement permits us to terminate the Agreement on the bankruptcy of you and/or your affiliates. This Section may not be enforceable under federal bankruptcy law. (11 U.S.C. § 101, *et seq*.).

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

5. Initial Franchise Fees will be deferred until the franchisor has satisfied its pre-opening obligations to the franchisee and the franchisee has commenced business operations.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Hawaii Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
_______________________________	_______________________________
By: ____________________________	By: ____________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

1. Illinois law governs the agreements between the parties to this franchise.

2. The following statement is added to the Franchise Agreement for Illinois franchisees:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Section 4 of the Illinois Franchise Disclosure Act states that any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

4. Franchisees rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

6. The Illinois attorney General's Office has imposed the following due to the Franchisor's financial condition: Initial Franchise Fees will be deferred until the franchisor has satisfied its pre-opening obligations to the franchisee and the franchisee has commenced business operations (Section 200.508 of the Rules).

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Illinois Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ____________________________	By: ____________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

1. Sections 3.4 and 16.5 each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such provision is inapplicable under the Indiana Deceptive Franchise Practices Law, IC 23-2-2.7 § 1(5).

2. Under Section 8.3, you will not be required to indemnify us for any liability imposed on us as a result of your reliance on or use of procedures or products which were required by us, if such procedures were utilized by you in the manner required by us.

3. Section 19.9 is amended to provide that arbitration between you and us will be conducted at a mutually agreed-on location.

4. Section 17.11 is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law, I.C. 23-2-2.5, and the Indiana Deceptive Franchise Practices Law, I.C. 23-2-2.7, will prevail.

5. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.

6. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Indiana Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Maryland:

1. The following statement is added to the Franchise Agreement for Maryland franchisees:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. The provision in Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. A franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

6. Any limitation on the period of time litigation and/or arbitration claims may be brought shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

7. The acknowledgements and representations of the franchisee made in the franchise agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of your Redline Performance Center Law are not intended to nor shall they act to release, estoppel or waive any liability incurred under the Maryland Franchise Registration and Disclosure Law.

8. Section 1.3 and 1.4 of the Franchise Agreement are deleted in their entirety.

9. The following is added to the risk factors:

   Ownership Change: The franchisor recently had a change of ownership. The support provided by the franchisor may be different from previous owners. Therefore, the expenses related to operating the franchise and the potential revenue you might achieve may be different from past performance.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Maryland Addendum to Franchise Agreement on the same day as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

1. The following statement is added to the Franchise Agreement for Minnesota franchisees.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Article 8 is amended to add the following:

"We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks."

3. Sections 3.4 and 16.5 each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Minnesota Franchise Law.

4. Section 8 is amended to add the following:

With respect to franchises governed by Minnesota law and based upon the franchisor's financial condition: Initial Franchise Fees will be deferred until the franchisor has satisfied its pre-opening obligations to the franchisee and the franchisee has commenced business operations.

5. Section 15 is amended to add the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C. 14, Subds., 3, 4 and 5, which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of your Franchise Agreement.

6. Section 17.10 is amended as follows:

Pursuant to Minn. Stat. § 80C.17, Subd. 5, the parties agree that no civil action pertaining to a violation of a franchise rule or statute can be commenced more than three years after the cause of action accrues.

7. Sections 19.9, and 19.11 are each amended to add the following:

Minn. Stat. Sec. 80C.2 1 and Minn. Rule 2860.4400J prohibit us from requiring litigation or arbitration to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Under this statute and rule, franchisor cannot require you to consent to inunction relief; however, franchisor may seek injunctive relief from the Court. A court will determine if a bond is required.

8. Section 19.10 is amended to add the following:

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Minnesota Addendum to Franchise Agreement on the same day as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

1. Section 10.3 is amended to add the following:

However, you will not be required to hold harmless or indemnify us for any claim arising out of a breach of this Agreement by us or any other civil wrong of us.

2. Section 16.3 is amended to add the following:

However, we will not make any such transfer or assignment except to a person who, in our good faith judgment, is willing and able to assume our obligations under this Agreement, and all rights enjoyed by you and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

3. Section 16.5 is amended to add the following:

However, all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. Section 22 is amended to add the following:

No amendment or modification of any provision of this Agreement, however, will impose any new or different requirement which unreasonably increases your obligations or places an excessive economic burden on your operations.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this New York Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

NORTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO THE NORTH DAKOTA FRANCHISE LAW

1. Sections 3.4 and 16.5 each contain a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release is subject to and will exclude claims arising under the North Dakota Franchise Investment Law.

2. Section 11.3 is amended to add that covenants not to compete on termination or expiration of a Franchise Agreement are generally not enforceable in the State of North Dakota except in limited circumstances provided by North Dakota law.

3. Section 19.9 will be amended to add that any claim or right arising under the North Dakota Franchise Investment Law may be brought in the appropriate state or federal court in North Dakota, subject to the arbitration provision of the Agreement.

4. Section 19.11 will be amended to state that, in the event of a conflict of law, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will prevail.

5. Section 19.10 requires the franchisee to waive a trial by jury, as well as exemplary and punitive damages. These requirements are not enforceable in North Dakota pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law and are therefore not part of your Franchise Agreement.

6. Section 19.10 requirement that the franchise consent to a limitation of claims period of one year is not consistent with North Dakota law. The limitation of claims period under Franchise Agreement shall therefore be governed by North Dakota law.

7. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, are met independently without reference to this Addendum.

8. Based upon the franchisor's financial condition, the state of North Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

9. The State of North Dakota has determined that requiring a franchisee to consent to termination or liquidated damages in a franchise agreement is unfair, unjust, and inequitable within the intent of Section 51-10-09 of the North Dakota Franchise Investment Law. Any reference or requirement that a franchisee consent to termination or liquidated damages is deleted.

10. The State of North Dakota has determined that parties agreeing to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business is unfair, unjust, or inequitable withing the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee's place of business.

11. The State of North Dakota has determined that requiring a franchisee pay all costs and expenses incurred by the franchisor in enforcing the agreement to be unfair, unjust and inequitable within the intent of Section 512-19-09 of the North Dakota Franchise Investment Law. Therefore, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

12. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other

term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this North Dakota Addendum to Franchise Agreement on the same day as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

1. Sections 3.4 and 16.5 each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Rhode Island Franchise Investment Act.

2. This Agreement requires that it be governed by Arizona law. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under Sec. 19-28.1-14.

3. Section 19.11 of the Agreement will be amended by the addition of the following, which will be considered an integral part of this Agreement:

"§19-28.1-14 of the Rhode Island Franchise Investment Act provides that 'A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.'"

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act, §§ 19- 28-1.1 through 19-28.1-34, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Rhode Island Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to use undue influence to induce a franchisee to surrender any rights given to him under the franchise. If any provision of the franchise agreement involved the use of undue influence by the Franchisor to induce the franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The following statement is added to the Franchise Agreement for Virginia franchisees:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Virginia Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. <u>Advisory Regarding Franchise Brokers</u>. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Based upon the franchisor's financial condition, the state of Washington has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and franchise is open for business.

Section 19.5 of the franchise agreement is deleted in its entirety.

Section 1.4 does not apply in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

<u>EXHIBIT C</u>
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EXHIBIT D
FINANCIAL STATEMENTS

CliftonLarsonAllen LLP
20 East Thomas Road, Suite 2300,
Phoenix , AZ 85012-3111

phone 602-266-2248 **fax** 602-266-2907
CLAconnect.com

INDEPENDENT AUDITORS' ACKNOWLEDGMENT

Phoenix Franchising Group, LLC
Scottsdale, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated May 19, 2025 and amended on September 30, 2025, issued by Phoenix Franchising Group, LLC (Franchisor) of our report dated September 30, 2025, relating to the balance sheet of Franchisor as of January 1, 2025.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
September 30, 2025

PHOENIX FRANCHISING GROUP, LLC

FINANCIAL STATEMENT

JANUARY 1, 2025

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

PHOENIX FRANCHISING GROUP, LLC
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JANUARY 1, 2025

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INDEPENDENT AUDITORS' REPORT

Member
Phoenix Franchising Group, LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statement

Opinion

We have audited the accompanying balance sheet of Phoenix Franchising Group, LLC as of January 1, 2025, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Phoenix Franchising Group, LLC as of January 1, 2025 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Phoenix Franchising Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Phoenix Franchising Group, LLC's ability to continue as a going concern for one year after the date the financial statement is available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Phoenix Franchising Group, LLC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Phoenix Franchising Group, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
September 30, 2025

PHOENIX FRANCHISING GROUP, LLC
BALANCE SHEET
JANUARY 1, 2025

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 180,308
Accounts Receivable	19,220
Prepaid Expenses	6,874
Deferred Commissions, Current Portion	230,095
Total Current Assets	436,497
OPERATING RIGHT-OF-USE ASSET	224,130
PROPERTY AND EQUIPMENT	4,486
GOODWILL	2,709,009
OTHER ASSETS	
Intangible Assets	2,320,000
Deferred Commissions, Net of Current Portion	1,132,411
Total Other Assets	3,452,411
Total Assets	$ 6,826,533
LIABILITIES AND MEMBER'S EQUITY	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 197,586
Operating Lease Liability - Current Portion	99,536
Note Payable, Current Portion	150,311
Deferred Regional Development Fees, Current Portion	290,544
Deferred Franchise Fees, Current Portion	100,411
Deferred Marketing Fees	41,484
Total Current Liabilities	879,872
LONG-TERM LIABILITIES	
Operating Lease Liability, Net of Current Portion	124,594
Settlement Liability	292,500
Notes Payable, Net of Current Portion	1,810,175
Deferred Regional Development Fees, Net of Current Portion	1,481,242
Deferred Franchise Fees, Net of Current Portion	2,238,150
Total Long-Term Liabilities	5,946,661
Total Liabilities	6,826,533
MEMBER'S EQUITY	-
Total Liabilities and Member's Equity	$ 6,826,533

See accompanying Notes to Financial Statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

Phoenix Franchising Group, LLC (the Company) was formed on January 1, 2025, in the state of Arizona to effect the acquisition of Redline Athletics Franchising LLC. The Company was established for the purpose of selling franchises under the Redline Athletics brand.

Active franchises at January 1, 2025, are as follows:

Franchised Locations:	
Store Count as of January 1, 2025	45

Basis of Presentation

The Company's balance sheet has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

Allowances for Credit Losses and Accounts Receivable

Accounts receivable consists primarily of franchise royalty fees and receivables from franchised facilities. An allowance for credit losses is determined based on management's evaluation of historical losses and the financial stability of its franchisees.

The Company records accounts receivable and contract assets at their face amounts less an allowance for credit losses. The allowance represents an estimate of expected credit losses based upon a specific review of all significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing rates, based upon the age of the receivable, historical experience and current and expected future economic conditions. The Company writes off a receivable and charges it against its recorded allowance when management have exhausted collection efforts without success. There was no allowance for credit losses as of January 1, 2025.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Office Furniture and Equipment	5 to 7 Years
Computers and Software	3 to 5 Years

Business Combinations

The Company recognizes the fair value of the assets acquired and the liabilities assumed at the acquisition date, separately from goodwill. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the amount of the assets acquired, and the liabilities assumed. Assets acquired include tangible and intangible assets. The Company uses estimates and assumptions that it believes are reasonable as a part of the purchase price allocation, which includes the process to determine the value and useful lives of purchased intangible assets and the process to determine the value of any contingent consideration liabilities. While these estimates and assumptions are considered reasonable, they are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of the assets acquired and the liabilities assumed. Any such adjustments would be recorded as an offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair values, whichever comes first, any subsequent adjustments would be recorded in the statements of operations and comprehensive loss. The Company has adopted the Accounting Standards Update (ASU) 2021-08, *Business Combinations (Topic 805)*, which allows for acquirers to record contract assets and contract liabilities at the amount originated by the acquiree under Financial Accounting Standards Board's (FASB) *Accounting Standards Codification* (ASC) 606, *Revenue from Contracts with Customers (Topic 606)*.

Intangible Assets

Assets acquired in business combinations may include identifiable intangible assets such as tradenames, franchise agreements and regional developer agreements. The Company recognizes separately from goodwill the fair value of the identifiable intangible assets acquired. The Company has determined the fair value and useful lives of purchased intangible assets using certain estimates and assumptions that it believes are reasonable. The purchased intangible assets are amortized on a straight-line basis over their estimated useful lives.

The Company has also elected the alternative accounting for identifiable intangible assets in a business combination as its accounting policy. As a result, noncompete agreements and customer-related intangibles assets are not recognized separately from goodwill unless the customer-related intangibles assets are capable of being sold or licensed independently from the other assets of the business.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of purchase price over fair value of the net assets acquired. The Company amortizes goodwill on a straight-line basis over a 10-year period. Goodwill is reviewed for potential impairment if a triggering event occurs that indicates the Company's fair value may be below its carrying value. When impairment is likely, the Company calculates goodwill impairment as the amount the Company's carrying value including goodwill exceeds its fair value. As of January 1, 2025, management believes no triggering events occurred.

Long-Lived Assets

The recoverability of long-lived assets, including intangible assets, is assessed periodically or whenever adverse events or changes in circumstances or business climate indicate that the expected cash flows previously anticipated warrant a reassessment. When such reassessments indicate the potential of impairment, all business factors are considered and, if the carrying value of such assets is not likely to be recovered from future undiscounted operating cash flows, they will be written down for financial reporting purposes to their fair values. The Company determined that it was not necessary to perform an impairment test on the asset group given no triggering event occurred.

Deferred Commissions

Certain franchise agreements are associated with a commission paid upon signing of the agreement. The amount is equal to 40% of the area representation agreement or 10% for each individual franchise agreement. These are considered costs to obtain a contract. As these are costs associated with the licensing of intellectual property as described above, the Company amortizes the costs over the franchise term of 10 years on a straight-line basis.

Deferred Franchise Fee and Regional Development Fees

Deferred franchise fees and regional development fees represent franchise fee and regional development fees received that have not been fully earned and will be recognized in future periods.

Deferred Marketing Fees

Deferred Marketing Fees represent marketing fees received that have not been fully earned and will be recognized in future periods.

Leases

The Company leases its facility under a noncancelable lease arrangement. The Company determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if the Company has obtained substantially all of the rights to the underlying asset through exclusivity, if the Company can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the balance sheet. Finance leases, if any, are included in property and equipment and finance lease liabilities on the balance sheet. There were no finance leases at January 1, 2025. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Income Taxes

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of January 1, 2025, management of the Company does not believe it has any uncertain tax positions.

Subsequent Events

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through September 30, 2025, the date the financial statement was available to be issued.

NOTE 2 BUSINESS COMBINATION

On January 1, 2025, Phoenix Franchising Group, LLC acquired certain assets and assumed certain liabilities of Redline Athletics Franchising, LLC. The transaction resulted in a change of control requiring acquisition method accounting pursuant to ASC 805. The consideration transferred was comprised of a note payable to the seller. The original face amount of the promissory note was $3,237,941, which was subsequently amended and restated to $2,983,639 for certain purchase price adjustments and payments made during 2025 (see Note 8). The promissory note payable was adjusted to a fair value of $1,960,486. The excess of purchase consideration over fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The fair value assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair value of certain intangible assets was calculated by an independent third-party valuation specialist.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as the date of acquisition:

Cash and Cash Equivalents	$	180,308
Accounts Receivable		19,220
Prepaid Expenses and Other Current Assets		6,874
Fixed Assets		4,486
Deferred Costs		1,362,506
Intangible Assets		2,320,000
Goodwill		2,709,009
Accounts Payable and Accrued Liabilities		(197,586)
Settlement Liability		(292,500)
Deferred Revenue		(4,151,831)
Total Net Assets Acquired	$	1,960,486

NOTE 3 GOODWILL AND INTANGIBLES

Goodwill and intangibles consisted of the following as of January 1, 2025:

		Amount	Estimated Useful Life
Franchise Agreements	$	980,000	10 Years
Trademarks		750,000	10 Years
Regional Developer Agreements		590,000	5 Years
Goodwill		2,709,009	10 Years
Total	$	5,029,009	

NOTE 3 GOODWILL AND INTANGIBLES (CONTINUED)

Expected future amortization of goodwill and intangibles is as follows:

Year Ending December 31,	Amount
2025	$ 561,901
2026	561,901
2027	561,901
2028	561,901
2029	561,901
Thereafter	2,219,504
Total	$ 5,029,009

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at January 1, 2025:

	Amount
Furniture and Fixtures	$ 3,076
Software	1,410
Total Property and Equipment	$ 4,486

NOTE 5 DEFERRED COMMISSION COSTS

Estimated future deferred commission costs is as follows as of January 1, 2025:

Year Ending December 31,	Amount
2025	$ 230,095
2026	224,720
2027	210,714
2028	195,291
2029	167,866
Thereafter	333,820
Total	$ 1,362,506

NOTE 6 MEMBER'S EQUITY

The Company has one class of membership interests.

NOTE 7 OPERATING LEASES

The Company entered into a lease on January 1, 2025 for its corporate headquarters, which expires on February 28, 2027, with a five-year renewal option. Monthly payments also include certain common area maintenance charges.

The following table provides quantitative information concerning the Company's leases.

Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liability:	
Operating Cash Flows from Operating Lease	$ -
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liability	$ 224,130
Weighted-Average Remaining Lease Term - Operating Lease	2.25 Years
Weighted-Average Discount Rate - Operating Lease	3.62%

The Company classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of January 1, 2025, is as follows:

Year Ending December 31,	Amount
2025	$ 106,013
2026	109,194
2027	18,243
Total Lease Payments	233,450
Less: Interest	(9,320)
Present Value of Lease Liability	$ 224,130

NOTE 8 NOTES PAYABLE

On February 15, 2025, the Company entered into a note payable agreement with Redline Athletics Franchising LLC for payments totaling $3,237,941. On September 8, 2025, the Company entered into an amended and restated promissory note agreement for a revised amount of $2,983,639, which an effective date of July 30, 2025. The amount of the note was reduced for a purchase price adjustment of $191,032 and payments made through the date of the amendment totaling $75,414.

The Company recorded the fair value of the note payable of $1,960,486, which was determined by a third-party valuation specialist, based on the expected future payments and a discount rate of 12.8%. Under the terms of the agreement, the Company is obligated to make monthly payments equal to 1% of the total gross revenues generated by all franchised Redline Athletics locations. These payments are to be made until the debt has been satisfied.

NOTE 8 NOTES PAYABLE (CONTINUED)

The following future maturities are based on projected franchise total revenues:

Year Ending December 31,	Amount
2025	$ 150,311
2026	245,682
2027	264,959
2028	311,689
2029	387,213
Thereafter	1,687,055
Less: Fair Value Adjustment	(1,086,423)
Seller Note, Net of Fair Value Adjustment	$ 1,960,486

NOTE 9 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company is involved in various legal proceedings and tax matters. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties, and governmental factors. The Company records accruals for contingencies when it is probable that liability will be incurred, and the amount of loss can be reasonably estimated based on historical claim activity and loss development factors. There can be no assurance there will not be an increase in the scope of these matters or that any future or pending lawsuits, claims, proceedings, or investigations will not be material.

Accrual Balance Sheet

January 3, 2025

Unaudited

		Current Month
ASSETS		
Current Assets		
Cash & Cash Equivalents	$	-
Restricted Cash		11,043
Accounts Receivable, Net		128,067
Prepaid Expenses		251,886
Other Current Assets		-
Due from Redline		97,475
Deferred Costs, Current		-
Total Current Assets		488,472
Fixed Assets, Net		34,205
Right of Use Assets		224,130
Deferred Costs, Net of Current		1,144,327
Note Receivable, Net of Current		-
Other Assets, Net		17,469
Goodwill		6,283,491
Total Assets	$	8,192,095
LIABILITIES & EQUITY		
Current Liabilities		
Accounts Payable	$	190,946
Credit Cards		123,800
Settlement Liability		-
Lease Liability, Current		99,536
Accrued Payroll Liabilities		21,806
Deferred Revenue, Current		750,049
Debt, Current		-
Other Current Liabilities		64
Total Current Liabilities		1,186,201
Lease Liability, Net of Current		124,594
Debt, Net of Current		3,237,941
Deferred Revenue, Net of Current		3,528,073
Other Liabilities		38,910
Total Liabilities		8,115,719
Owner's Equity		-
Retained Earnings		-
Net Income		76,376
Total Equity		76,376
Total Liabilities and Equity	$	8,192,095

These financial statements have been prepared without an audit. Prospective Franchisees or Sellers of Franchises should be advised that no independent certified public accountant has audited the figures or expressed an opinion with regard to their content or form.

Phoenix Franchising Group, LLC
Profit and Loss
January - June, 2025

		Total
Income		
4000 Amortized Revenue		
4010 RD License Sales		450,544.13
4020 Franchise Sales		419,818.91
Total 4000 Amortized Revenue	**$**	**870,363.04**
4100 Monthly Franchisee/RD Income		
4110 Royalty Fees		525,090.96
4120 Technology Fees		211,934.00
4130 National Ad Fund Fees		88,755.51
Total 4100 Monthly Franchisee/RD Income	**$**	**825,780.47**
4600 Other Services		
4610 Other Revenues		37,500.00
4620 Presales/Central Booking		65,218.68
4625 Vendor Residuals		3,556.90
4630 Centralized Marketing		145,882.12
4635 Rental Income		5,500.00
Total 4600 Other Services	**$**	**257,657.70**
4700 Sales of Product Income		
4710 Merchandise		3,269.05
Total 4700 Sales of Product Income	**$**	**3,269.05**
Sales		0.00
Shopify Sales Tax		
Total Income	**$**	**1,957,070.26**
Cost of Goods Sold		
5000 Amortized Costs		
5010 Cost of Revenue - RD		54,721.15
5020 Cost of Revenue - Franchise		196,222.65
Total 5000 Amortized Costs	**$**	**250,943.80**
5110 RD Royalty Fees Earned		187,792.88
5200 Technology Cost of Revenues		
5210 Fitness Platform		104,089.98
5220 Software Support		8,000.00
5230 Point of Sale Software		67,336.30
5240 E-mail Services		18,727.23
5250 Communication Platform		64.83
Total 5200 Technology Cost of Revenues	**$**	**198,218.34**
5645 Apparel Merchandise Expense		2,645.98
Total Cost of Goods Sold	**$**	**639,601.00**
Gross Profit	**$**	**1,317,469.26**

Expenses		
6000 Salaries and Benefits		
6010 Salaries & Wages		369,654.69
6025 Salaries & Wages - Commission		28,187.92
6040 Salaries & Wages - Taxes		32,835.76
6050 Health Insurance		46,203.23
6060 Salaries & Wages - Fees		1,004.72
6070 Reimbursements		0.00
Total 6000 Salaries and Benefits	**$**	**477,886.32**
6100 Selling and Marketing		
6110 Advertising & Marketing		53,524.29
6120 Website Maintenance		17,473.01
6130 Sales Support and Training		12,276.00
6140 Managed Marketing Services		89,227.31
6150 Subscription Costs		5,000.00
Total 6100 Selling and Marketing	**$**	**177,500.61**
6200 National Ad Fund Expenses		79,940.94
6310 Rent		66,792.94
6320 Utilities		3,283.35
6321 Telephone/Cable/Internet		2,384.09
6325 Janitorial		3,775.00
6410 Worker's Comp Insurance		561.81
6415 Insurance D&O, EPL, E&O		16,212.72
6500 Professional Fees		
6510 Accounting & Audit Fees		69,284.47
6515 Legal Fees		42,665.26
6520 Professional & Consulting Fees		25,000.00
Total 6500 Professional Fees	**$**	**136,949.73**
6610 Travel		5,566.95
6630 Meals		1,450.48
6635 Entertainment		123.12
6710 Office & General		4,099.75
6715 Dues & Subscriptions		7,426.49
6745 RD Conference Summit		-555.07
6755 Gifts		97.02
6810 Licenses & Permits		-607.75
6820 Taxes		36.20
6900 Bank Service Charges		
6901 Bank Fees		193.30
6904 Merchant Fees		10,990.22
6905 Shopify Fees		96.49
Total 6900 Bank Service Charges	**$**	**11,280.01**
6910 Bad Debt		26,150.00
Total Expenses	**$**	**1,020,354.71**

Net Operating Income	**$**	**297,114.55**
Other Income		
7010 Interest Income		1.13
7020 Other Income		73,440.92
Total Other Income	**$**	**73,442.05**
Other Expenses		
8010 Interest Expense		8,403.78
8040 Depreciation Expense		3,780.60
Total Other Expenses	**$**	**12,184.38**
Net Other Income	**$**	**61,257.67**
Net Income	**$**	**358,372.22**

Wednesday, Aug 20, 2025 02:37:09 PM GMT-7 - Accrual Basis

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

Phoenix Franchising Group, LLC
Balance Sheet
As of June 30, 2025

		Total
ASSETS		
Current Assets		
Bank Accounts		
1011 BMO Ad Fund (7019) - Redline Due/To From		0.00
1012 BMO Operating (7027) - Redline Due/To From		0.00
1015 Stripe Clearing Account (USD)		29,901.70
1020 Chase Operating (6001)		60,218.11
1025 Chase 2 Hr Learning (5995)		7,500.00
1030 Chase Ad Fund (1755)		48,611.90
1203 Unprocessed AR		0.00
Total Bank Accounts	**$**	**146,231.71**
Accounts Receivable		
1120 Accounts Receivable (A/R)		79,780.09
Total Accounts Receivable	**$**	**79,780.09**
Other Current Assets		
1200 Undeposited Funds		67,393.93
1201 Shopify Undeposited Funds		0.00
1215 Prepaid Ins D&O, EPL, E&O		11,270.61
1220 Prepaid Other		27,315.15
1290 Deferred Costs-Current		191,429.20
1300 Due To/From Redline		-2,218.49
Uncategorized Asset		0.00
Total Other Current Assets	**$**	**295,190.40**
Total Current Assets	**$**	**521,202.20**
Fixed Assets		
1400 PROPERTY AND EQUIPMENT, NET		
1410 Software - RAF		1,410.12
1415 Furniture and Equipment - RAF		3,075.54
1520 Accumulated Depreciation		-3,780.60
Total 1400 PROPERTY AND EQUIPMENT, NET	**$**	**705.06**
Total Fixed Assets	**$**	**705.06**
Other Assets		
1705 Security Deposits		17,469.16
1800 Deferred Costs		
1810 Deferred Costs - RD		145,672.96
1820 Deferred Costs - Franchise		1,124,871.93
1830 Deferred Costs - Transfer		63,532.17
1890 Deferred Costs - current, offset		-191,429.20
Total 1800 Deferred Costs	**$**	**1,142,647.86**

1850 Right of Use Assets		173,946.26
1900 Goodwill		6,324,964.00
Total Other Assets	**$**	**7,659,027.28**
TOTAL ASSETS	**$**	**8,180,934.54**
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 Accounts Payable		275,609.55
Total Accounts Payable	**$**	**275,609.55**
Credit Cards		
2020 American Express		
2021 AMEX (1007/1023)		0.00
2022 AMEX GC		35,749.91
Total 2020 American Express	**$**	**35,749.91**
2025 Credit Card (5277)		0.00
2030 C. PEARSON (7811) - 1		77,269.52
Total Credit Cards	**$**	**113,019.43**
Other Current Liabilities		
2120 Accrued Expenses		10,989.58
2125 Deferred Marketing Revenue - Franchisee		52,237.69
2130 Payroll Liabilities		
2131 AZ Income Tax		321.56
2132 AZ Unemployment Tax		0.00
2133 Federal Taxes (941/943/944)		0.00
2134 Federal Unemployment (940)		0.00
2136 NH Unemployment Tax		0.00
2137 Direct Deposit Payable		0.00
2138 Accrued Payroll		86,592.42
2139 Benefit Liability		1,250.18
Total 2130 Payroll Liabilities	**$**	**88,164.16**
2145 Deferred Revenue - 2HR Learning		7,500.00
2211 Settlement Liability - Mehmert		292,500.00
2220 RD Conference Sponsorships		0.00
2250 Lease Liabilities - Current		102,949.61
2280 Promissory Note, Current		189,612.80
2290 Deferred Rev - Current		573,201.18
Arizona Department of Revenue Payable		0.00
Out Of Scope Agency Payable		0.00
Total Other Current Liabilities	**$**	**1,317,155.02**
Total Current Liabilities	**$**	**1,705,784.00**
Long-Term Liabilities		
2300 Deferred Revenue		
2310 Deferred Revenue - RD		1,321,242.15

2320 Deferred Revenue - Fran. Sales		2,157,769.66
2330 Deferred Revenue - Transfer		139,072.08
2390 Deferred Rev - current, offset		-573,201.18
Total 2300 Deferred Revenue	**$**	**3,044,882.71**
2450 Lease Liability - Long Term		71,992.11
2460 Promissory Note, net of Current		2,794,025.94
2500 Due to Related Parties		
2510 Due to Related Party - Loan - Chance Pearson		205,877.56
Total 2500 Due to Related Parties	**$**	**205,877.56**
Total Long-Term Liabilities	**$**	**6,116,778.32**
Total Liabilities	**$**	**7,822,562.32**
Equity		
3200 Retained Earnings		
Net Income		358,372.22
Total Equity	**$**	**358,372.22**
TOTAL LIABILITIES AND EQUITY	**$**	**8,180,934.54**

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These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

EXHIBIT E
CONFIDENTIALITY/NON-DISCLOSURE AGREEMENT

THIS AGREEMENT made and entered into this ______ day of , 20____, by and between Phoenix Franchising Group, LLC, an Arizona limited liability company, (hereinafter referred to as "the Company") and ________________________________, whose address is ________________________________ (hereinafter referred to as "Prospective Franchisee").

WHEREAS, Prospective Franchisee desires to obtain certain confidential and proprietary information from Franchisor for the sole purpose of inspecting and analyzing said information in an effort to determine whether to purchase a franchise from Franchisor; and

WHEREAS, Franchisor is willing to provide such information to Prospective Franchisee for the limited purpose and under the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITION.** "Confidential Information" is used herein to mean all information, documentation and devices disclosed to or made available to Prospective Franchisee by Franchisor, whether orally or in writing, as well as any information, documentation or devises heretofore or hereafter produced by Prospective Franchisee in response to or in reliance on said information, documentation and devises made available by Franchisor.

2. **TERM.** The parties hereto agree that the restrictions and obligations of Section 4 of this Agreement shall be deemed to have been in effect from the commencement on the ______ day of _______, 20____, of the ongoing negotiations between Prospective Franchisee and Franchisor and continue in perpetuity until disclosed by Franchisor.

3. **TRADE SECRET ACKNOWLEDGEMENT.** Prospective Franchisee acknowledges and agrees that the Confidential Information is a valuable trade secret of Franchisor, and that any disclosure or unauthorized use thereof will cause irreparable harm and loss to Franchisor.

4. **TREATMENT OF CONFIDENTIAL INFORMATION.** In consideration of the disclosure to Prospective Franchisee of Confidential Information, Prospective Franchisee agrees to treat Confidential Information in confidence and to undertake the following additional obligations with respect thereto:

4.1 To use Confidential Information for the sole purpose of inspecting and analyzing the information in an effort to determine whether to purchase a franchise from Franchisor and solely in its operation of Franchisor Franchise;

4.2 Not to disclose Confidential Information to any third party;

4.3 To limit dissemination of Confidential Information to only those of Prospective Redline Franchisee's officers, directors and employees who have a need to know to perform the limited tasks set forth in Item 4 (a) above; and who have agreed to the terms and obligations of this Agreement by affixing their signatures hereto;

4.4 Not to copy, download, save, duplicate, or record any Confidential Information or any portions thereof; and

4.5 To return Confidential Information and all documents, notes, or physical evidence thereof, to Franchisor upon a determination that Prospective Franchisee no longer has a need therefore, or a request therefore, from Franchisor, whichever occurs first.

5. **SURVIVAL OF OBLIGATIONS.** The restrictions and obligations of this Agreement shall survive any expiration, termination or cancellation of this Agreement and shall continue to bind Prospective Franchisee, his heirs, successors and assigns in perpetuity.

6. **NEGATION OF LICENSES.** Except as expressly set forth herein, no rights to licenses, expressed or implied, are hereby granted to Prospective Franchisee as a result of or related to this Agreement.

7. **APPLICABLE LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of Arizona.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company	**FRANCHISEE**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

EXHIBIT F
LIST OF FRANCHISEES

REDLINE PERFORMANCE CENTERS

Opened as of December 31, 2024

State(s)	City/ Territory	Name of Franchisee	Address	Phone Number
AZ	Scottsdale	Brad Hinkle	14000 N Hayden Rd. 100, Scottsdale, AZ 85260	480-382-6689
CA	4S Ranch San Diego	Dani & Patrick Antique	17227 Ragalo Ln San Diego, CA 92128	858-722-8935
CA	Lake Forest	David Leblond and Tina Wang	22600 Lambert St. Suite F Lake Forest, CA 92630	323.236.5552
CA	Ventura	Kirk Johnson Malcolm Gamble	5120 Ralston St. Ventura, CA 93003	858-722-8937
CA	San Marcos	Biraj & Anand P	2937 Norman Strasse Rd San Marcos, CA 92069	760-703-7473
CA	Anaheim	Sara & Aaron Morton	149 E Orangethorpe Ave, Anaheim, CA 92801	
CO	Denver East	Aaron Bradford, Mike Haynes	2701 Lawrence St. #1000 Denver, CO 80238	303.809.9388
CO	Longmont	David Jones	700 9th Ave. Longmont, CO 80501	720-232-8417
CO	Parker	Chris Elsom	3417 Rialito Ave. Centennial, CO 80111	970-590-9836
CO	Westminster	Todd Daniels	1401 W. 122nd Ave. Westminster, CO 80234	720-400-8808
CO	Montebello Square	Ian & Amy Chambers	2340D Montebello Square Drive Colorado Springs, CO 80918	
FL	Carrollwood	Lauren Marez	14420 N Dale Mabry Hwy Tampa, FL 33618	813-961-2022
FL	Ft. Myers	Andy Kalikas	13485 Mandrin Circle, Naples FL 34109	239.994.2560
FL	Weston	Joseph Virginio	1756 N. Commerce Pkwy. Weston, FL 33326	954-650-7655
GA	Buford	Orly Vincent	1839 Buford Hwy NE. Ste 200. Buford, GA 30518	813-610-1908
GA	Cumming	Brian Burns	1670 Redi Rd. Cumming, GA 30040	770-781-9160
GA	Peachtree Corners	Jim & Tracy MacNaughton	4975 Avalon Ridge Pkwy. Peachtree Corners, GA 30071	678-489-1358
IL	Buffalo Grove/ Chicago	Ron Klein	1455 Busch Pkwy., Buffalo Grove, IL 60089	847-243-8199
KS	Lenexa	Lisa Tinkler	14851 W 101st Terrace Lenexa, KS 66215	913-717-6746
MD	Bowie	Tamara Williams	4891 Tesla Drive. Ste E Bowie, MD 20721	301-455-5591
MD	Clarksburg	Mark Lindsey	6003 Henning St. Bethesda, MD 20817	202.465.6213
MD	Kensington	Mark Lindsey	6003 Henning St. Bethesda, MD 20817	202.465.6213
MI	Farmington Hills	Christian & Elise Cullen	24800 N Industrial Dr. Farmington Hills, MI 48335	248-376-6049

State(s)	City/ Territory	Name of Franchisee	Address	Phone Number
MN	Eagan	Jake Devney	9533 Inver Grove Trl, Inver Grove Heights, MN 55076	612.730.7955
MO	Springfield	Lisa Tinkler	4234 S Reed Ave., Springfield, MO 65804	417-880-0826
MO	Liberty	Chris Hawkins	750 Haines Drive, Suite 100, Liberty MO 64068	
NC	Cary	Chad Fields	2978 Kildaire Farm Rd. Cary, NC 27518	919-925-3451
NC	Raleigh	Meryl & Shannon Jenkins	6325 Falls of Neuse Rd. Ste 24 Raleigh, NC 27615	908-244-3770
NH	Bedford	Rachel & Elie Elfata	21 Commerce Park North Bedford, NH 03110	603.289.0946
NJ	Morris Plains	Kelly & Eric Gillenwater	900 The American Road Unit 1 Morris Plains, NJ 07950	201-982-2115
OH	Columbus	Ken Green	2097 London Rd. Delaware, OH 43015	614-563-3615
OH	Maumee	Brett Coluccio	440 W Dussel Dr. Maumee, OH 43537	419-794-1425
OK	Jenks	Paige Wilson	3412 W 114th St S Jenks, OK 74037	(918) 612-7659
OK	Edmond	Chris Wright	6433 BOUCHER DRIVE EDMOND, OK 73034	
PA	Montgomeryville	James Duggan	101 Commerce Dr. Montgomeryville, PA 18936	267-471-4353
SC	Mount Pleasant	Brandon Curtis	3400 Turgot Ln. Mt Pleasant, SC 29466	843.396.2595
SD	Sioux City	Travis O'Connor	300 Centennial Dr, North Sioux City, SD 57049	605.316.3155
TX	Arlington	Andrew & Ginger Resta	1120 Eden Rd. Ste 104 Arlington, TX 76001	817-422-9070
TX	Coppell	Tony & Jena Roisch	801 Hammond Street, Suite 100 Coppell, TX 75019	682-593-0855
TX	Crowley/Burleson	Devin Phillips	320 E Main St. Ste 2 Crowley, TX 76036	817-851-4325
TX	Frisco	Jesen Merle	145 Rose Lane Frisco, TX 75034	206.304.1902
TX	Keller	Tony & Jena Roisch	5951 Park Vista Cir #100 Keller, TX 76244	682-593-0855
TX	Sugarland	Ronit Patel	826 Summer Park Dr. #800 Stafford, TX 77477	832-215-5467
TX	Tradesman	Don Clark	14886 Tradesman Dr. San Antonio, TX 78249	405-830-9195
TX	Webster	Adam Jefferson	1425 Atlantis Dr. Webster, TX 77598	281-614-9465
TX	Woodlands/ Houston	Lois Decker	602-B Todd St. Oak Ridge North, Texas 77385	832-979-7438
TX	McKinney	Jesen Merle	8410 W University Dr Building C McKinney, TX 75071	469-457-2343
WA	Gig Harbor	Collene & John Wright, Val & Shelley Manada	10648 Rocky Peak Place Gig Harbor, WA 98332	209.747.4363

REDLINE PERFORMANCE CENTERS

Signed But Not Opened as of December 31, 2024

State(s)	City/ Territory	Name of Franchisee	Address	Phone Number
AR	Fayetteville	Scott & Sarah Sanchez	105 N Double Springs Road Farmington, AR 72730	865-684-7455
CA	Chula Vista	Chris Zora & Allen Zoura	3653 Bonita Ranch Ct. Bonita, CA 91902	619.669.8671
CA	Orange County	Joe Pecot	2421 Amelia Court Signal Hill, CA 90755	310.874.4477
CA	Los Angeles	Patrick Smylie	11335 Wembley Road Rossmoor, CA 90720	619-200-5895
CA	Los Angeles	Ahmar Masood	825 12th St Apt 1 Santa Monica, CA 90403	202-352-2355
FL	Oviedo	Brenny Bohne, Matthew Nebel, & Tom Bohne	12833 Forestedge Cir. Orlando, FL 32828	407.697.6185
FL	South Tampa	Lauren Marez, Lawrence & Debbie Shepard	18106 Hampton Pl. Tampa, FL 33618	813.493.3321
FL	Miami	Joel O'Brien	19102 SW 17 Ct. Miramar, FL 33029	954.549.8446
FL	Miami	Joseph Virginio, John Virginio	115 Cameron Ct. Weston, FL 33326	954.650.7655
FL	Miami	Joseph Virginio, John Virginio	115 Cameron Ct., Weston, FL 33326	954.650.7655
FL	Winter Park	Al Walker	134 Jackson St, South River, NJ 08882	904.537.9524
FL	Boca Raton	Sean Alarcon	22299 Martella Ave, Boca Raton, FL 33433	561.312.1424
FL	Tallahassee	David Harrington	6211 Buck Run Circle, Tallahassee, FL 32312	904.254.9333
FL	Port St. Lucie	Blake Dailey	761 SW Canoe Creek Ter. Palm City, FL 34990	904.200.1407
FL	Miami	Deborah Hernandez	7230 SW 19th Terrace, Miami, FL 33155	305.439.1236
FL	Miami	Deborah Hernandez	7230 SW 19th Terrace, Miami, FL 33155	305.439.1236
FL	Miami	Deborah Hernandez	7230 SW 19th Terrace, Miami, FL 33155	305.439.1236
FL	Kissimmee	Sheldon Wright	1108 Hilltop Place Saint Cloud, FL 34772	407-693-6631
GA	Sandy Springs	Brian Weis	5800 Garber Dr. Atlanta, GA 30328	404.290.7959
GA	Savannah	Rob Ali	103 Grays Creek Ct, Savannah, GA	912.661.2108
ID	Boise, ID	Destin and Jeffrey Tonkin	2480 N Edgewood Rd. Eagle, ID 83616	208.870.1730
MD	Washington DC	Mark Lindsey	6003 Henning St., Bethesda, MD 20817	202.465.6213
MD	Rockville	Mark Lindsey	6004 Henning St., Bethesda, MD 20817	202.465.6213
MI	Michigan	Eric Doroan	6752 Country Club Lane, West Bloomfield, MI 48322	248-376-6049
MN	Plymouth	Nick Lucca	6135 Yellowstone Ln N	719-64-16785

State(s)	City/ Territory	Name of Franchisee	Address	Phone Number
			Plymouth, MN 55446	
NC	N. Charlotte	Karlene Patterson	10214 Blackstock Rd. Huntersville, NC 28078	678.520.7935
NE	Omaha	David Michaelis	6112 S 196th St Omaha, NE 68135	402.694.1998
NH	New Hampshire	Rachel & Elie Elfata	21 Commerce Park North, Bedford, NH 03110	603.289.0946
NH	Londonderry	Ryan Surrette	9 Liberty Court, Auburn, NH, 03032	603.718.5040
NJ	N New Jersey	Kelly Ann Dougherty	306 Roanoke Road, Westfield, NJ 07090	201.982.2125
NJ	New Jersey	Chirag Pankhawala	4 Hennion Dr Parsippany, NJ 07054	203-414-5718
NJ	New Jersey	Chirag Pankhawala	4 Hennion Dr Parsippany, NJ 07054	203-414-5718
NJ	New Jersey	Chirag Pankhawala	4 Hennion Dr Parsippany, NJ 07054	203-414-5718
NM	New Mexico	Jodi Medell	460 St Michael's Dr #100, Santa Fe, NM 87505	505.670.0136
NV	Nevada	James Campbell	6720 N Hualapai Way 145, Las Vegas, NV 89149	702.769.3252
NV	Nevada	James Campbell	6721 N Hualapai Way 145, Las Vegas, NV 89149	702.769.3252
NV	Nevada	Brandy White	10547 Regal Stallion Ave Las Vegas, NV 89135	702-858-4211
NV	Nevada	Brandy White	10547 Regal Stallion Ave Las Vegas, NV 89135	702-858-4211
NV	Nevada	Brandy White	10547 Regal Stallion Ave Las Vegas, NV 89135	702-858-4211
NV	Henderson	Nathan Belen-Carmody	841 Loch Katrine Avenue Henderson, NV 89012	949-910-2595
OH	S Ohio	Ken Green	5010 Augusta Dr., Westerville, OH 43082	614.563.3615
OH	S Ohio	Ken Green	5010 Augusta Dr., Westerville, OH 43082	614.563.3615
OH	S Ohio	Ken Green	5010 Augusta Dr., Westerville, OH 43082	614.563.3615
OH	S Ohio	Ken Green	5010 Augusta Dr., Westerville, OH 43082	614.563.3615
SC	Pineville	Brandon Curtis	3400 Turgot Ln, Mt Pleasant, SC 29466	843.396.2595
SD	Tea	Bryce Snyder	1407 Belmont Park Ave North Sioux City, SD	605-261-1747
TX	Round Rock	James Wenneker	4497 Wanderling Vine Trail, Round Rock, TX 78665	281.850.2597
TX	Austin	James Wenneker	4497 Wanderling Vine Trail, Round Rock, TX 78665	281.850.2597
TX	Dallas	Farhaj Haq	8731 Laurel Canyon Rd., Irving, TX 75063	860.983.0861
TX	Dallas	Terrance Underwood	315 Hudson Falls, Arlington, TX 76002	832.567.5835
UT	Jordan	Andrew Child	10966 S Springland Dr, South Jordan, UT 84095	801.891.0817

State(s)	City/ Territory	Name of Franchisee	Address	Phone Number
WA	Vancouver	Brandon Richardson	701 NW 150th St. Vancouver, WA 98685	360.281.4891
WA	Gig Harbor	Collene & John Wright, Val & Shelley Manada	10648 Rocky Peak Place, Gig Harbor, WA 98332	209.747.4363
WA	Soto	Stanley Daniels II, Alfred (Steve) Banks Jr.	1126 17th Ave. Seattle, WA 98122	206.536.5930
WY	Cheyenne	Josh Schmidt	4009 Magnolia Dr, Cheyenne, WY 82009	406.261.7404

The name, city and state and current business telephone number or if unknown, the last known home telephone number of every franchisee who has had an outlet transferred under the franchise agreement during the most recently completed fiscal year.

State(s)	City/ Territory	Name of Franchisee	Address	Phone Number
TX	McKinney	Marc Clough	7285 Calypson Ln Frisco, TX 75036	260-304-1902
TX	Sugar Land	Ronit Patel	4206 Birch Vale Ln Sugar Land, TX 77479	832-215-5467

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of Franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under Franchise Agreement with us during our most recently completed fiscal year or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document:

State(s)	City/ Territory	Name of Franchisee	Address	Phone Number
GA	Roswell	Eric Haynes	612 W Crossville Rd. Ste 200 Roswell, GA 30075	813-610-1908
OH	Delaware	Sean Apke	2097 London Rd. Delaware, OH 43015	614-586-2121
OH	Loveland	Tommy Brand	10606 Loveland Madeira Rd. Loveland, OH 45140	513-304-0983
OH	West Chester	Tommy Brand John Reischel	9149 Cincinnati Columbus Rd. West Chester Township, OH 45069	513-304-0983
MO	Lee’s Summit	Lisa Tinkler	2660 NE Hagan Rd Lee’s Summit, MO 64064	816-272-6264
MD	Glen Burnie	Che Woods	7963 Baltimore Annapolis Blvd. Glen Burnie, MD 21060	410-695-2554
IL	Old Irving/Chicago	Ed Hosty	3800 N. Milwaukee Ave. Chicago, IL 60641	312-515-9042
FL	Daytona	Scott & Andrea Wilford	230 G-600 Daytona Blvd. Daytona Beach, FL 32114	386-868-5913

<u>EXHIBIT G</u>
GENERAL RELEASE – FORM

GENERAL RELEASE

The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act. RCW 19.100, and the rules adopted thereunder.

THIS GENERAL RELEASE ("Release") is executed on ___________________________ by ___________________________________ ("Franchisee") and ___________________ ("Guarantors") as a condition of PICK ONE: the transfer of a Redline Performance Center by Franchisee [or] the renewal of a Redline Performance Center franchise agreement dated ________________ ("Franchise Agreement") between Franchisee and Phoenix Franchising Group LLC [or] the termination of a Redline Athletics Franchise Agreement dated __________________ ("Franchise Agreement") between Franchisee and Phoenix Franchising Group LLC ("Franchisor").

1. **Release by Franchisee and Guarantors.** Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, "Franchisee Releasors") freely and without any influence forever release and covenant not to sue Franchisor and its parent, subsidiaries and affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively "Franchisor Releasees") with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "Claims"), which any Franchisee Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releasor and any Franchisor Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

2. **Risk of Changed Facts.** Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors

have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. **Covenant Not to Sue.** Franchisee and Guarantors (on behalf of the Franchisee Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of crossclaim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. **Complete Defense.** Franchisee and Guarantors: **(A)** acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and **(B)** consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of Franchisor and each Franchisee Releasor.

7. **Governing Law.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. Franchisor, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where Franchisor's principal offices are located. Franchisor may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. **Miscellaneous**

8.1 This Release constitutes the entire, full, and complete agreement between the parties concerning the release of Claims by the parties and supersedes any and all prior or contemporaneous negotiations, discussions, understandings, or agreements. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

8.2 The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

8.3 The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

8.4 All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

8.5 All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

8.6 This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown below.

FRANCHISEE

____

By:___________________________________

Title:_________________________________

Date: _________________________________

FRANCHISEE
(IF FRANCHISEE IS AN INDIVIDUAL)

____

By:___________________________________

Title:_________________________________

Date:__________________________________

GUARANTOR

____
Signature

____
Print Name

Date: __________________________________

GUARANTOR

____
Signature

____
Print Name

Date: _________________________________

[Attach additional signature pages as needed]
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto affix their signatures and execute this Release as of the day and year first above written.

PHOENIX FRANCHISING GROUP LLC an Arizona limited liability company

____

By: ___________________________

Title: _________________________

Date: _________________________

FRANCHISEE

____

By: ___________________________

Title: _________________________

Date: _________________________

OWNERS

____

By: ___________________________

Title: _________________________

Date: _________________________

____

By: ___________________________

Title: _________________________

Date: _________________________

____

By: ___________________________

Title: _________________________

Date: _________________________

EXHIBIT H
STATE-SPECIFIC DISCLOSURES

REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA CORPORATIONS CODE SECTION 31125 REQUIRES THAT THE FRANCHISOR GIVE THE FRANCHISEE A DISCLOSURE DOCUMENT APPROVED BY THE DEPARTMENT OF CORPORATIONS PRIOR TO A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

OUR WEBSITE (www.Redlineathletics.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

Neither we nor any person or franchise broker identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in that association or exchange.

ITEM 5, INITIAL FEES.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations, and you are open for business.

ITEM 6, OTHER FEES.

The highest interest rate allowed in California is ten percent (10%) per annum.

ITEM 17, ADDITIONAL DISCLOSURES.

The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, and non-renewal of a franchise. If Franchise Agreement contains a provision that in inconsistent with the law, the law will control. We may not terminate your franchise except for good cause, and we must give you a notice of default and a reasonable opportunity to cure the defects (except for certain defects specified in the statute, for which no opportunity to cure is required by law). The statute also requires that we give you notice of any intention not to renew your franchise at least 180 days before expiration of your Franchise Agreement.

You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under Redline Performance Center Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under Redline Performance Center Relations Act (Business and Professions Code 20000 through 20043).

Registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of your franchise. This provision may not be enforceable under California law.

THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAW OF ARIZONA. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

To the extent permitted by law, you and we waive any right to or claim for any punitive or exemplary damages against each other and agree that in the event of a dispute between us, each will be limited to the recovery of actual damages only (except in limited circumstances). Each party further waives trial by jury and, to the extent permitted by law, all claims arising out of or relating to Franchise Agreement must be brought within one year from the date on which you or we knew or should have known of the facts giving rise to such claims (except for claims relating to nonpayment or underpayment of amounts you owe us).

The Franchise Agreement requires binding arbitration. The arbitration will occur at the office of the American Arbitration Office closest to our principal executive offices. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

REQUIRED BY THE STATE OF HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

WITH RESPECT TO FRANCHISES GOVERNED BY HAWAII LAW AND BASED UPON THE FRANCHISOR'S FINANCIAL CONDITION: INITIAL FRANCHISE FEES WILL BE DEFERRED UNTIL THE FRANCHISOR HAS SATISFIED IT'S PRE-OPENING OBLIGATIONS TO THE FRANCHISEE AND THE FRANCHISEE HAS COMMENCED BUSINESS OPERATIONS.

INITIAL FRANCHISE FEES WILL BE DEFERRED UNTIL THE FRANCHISOR HAS SATISFIED ITS PRE-OPENING OBLIGATIONS TO THE FRANCHISEE AND THE FRANCHISEE HAS COMMENCED BUSINESS OPERATIONS.

NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGMENT SIGNED OR AGREED TO BY A FRANCHISEE IN CONNECTION WITH THE COMMENCEMENT OF THE FRANCHISE RELATIONSHIP SHALL HAVE THE EFFECT OF: (I) WAIVING ANY CLAIMS UNDER ANY APPLICABLE STATE FRANCHISE LAW, INCLUDING FRAUD IN THE INDUCEMENT; OR (II) DISCLAIMING RELIANCE ON ANY STATEMENT MADE BY ANY FRANCHISOR, FRANCHISE SELLER, OR OTHER PERSON ACTING ON BEHALF OF THE FRANCHISOR. THIS PROVISION SUPERSEDES ANY OTHER TERM OF ANY DOCUMENT EXECUTED IN CONNECTION WITH THE FRANCHISE.

REQUIRED BY THE STATE OF ILLINOIS

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act states that any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Franchisees rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

5. The Illinois attorney General's Office has imposed the following due to the Franchisor's financial condition: Initial Franchise Fees will be deferred until the franchisor has satisfied its pre-opening obligations to the franchisee and the franchisee has commenced business operations (Section 200.508 of the Rules).

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

REQUIRED BY THE STATE OF INDIANA

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of your franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of your franchise unlawful unless there is a material violation of your Franchise Agreement, and the termination is not done in bad faith.

If Indiana law requires Franchise Agreement and all related documents to be governed by Indiana law, then nothing in Franchise Agreement or related documents referring to Arizona law will abrogate or reduce any of your rights as provided for under Indiana law.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

Although Franchise Agreement requires arbitration to be held at the office of the American Arbitration Association closest to our principal executive offices, arbitration held pursuant to Franchise Agreement must take place in Indiana if you so request. If you choose Indiana, we have the right to select the location in Indiana.

REQUIRED BY THE STATE OF MARYLAND

A franchisee located within the state of Maryland shall not be required to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise which would act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

The provisions in Franchise Agreement relating to the general release that is required as a condition of renewal, sale and assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Lawsuits by either you or us may take place in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any limitation of claims provision(s) in Franchise Agreement shall not act to reduce the 3-year statute of limitations afforded to you for bringing a claim under the Law. Any claims arising under the Maryland Franchise Registration and Law must be brought within 3 years after the grant of the franchise to you.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The following is added to the risk factors:

Ownership Change: The franchisor recently had a change of ownership. The support provided by the franchisor may be different from previous owners. Therefore, the expenses related to operating the franchise and the potential revenue you might achieve may be different from past performance.

REQUIRED BY THE STATE OF MINNESOTA

We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Marks.

Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release. Any release you sign as a condition of renewal or transfer will not apply to any claims you may have under the Minnesota Franchise Law.

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C. 14, subds., 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of your Franchise Agreement.

Minn. Stat. § 80C.17, Subd. 5, states that no civil action pertaining to a violation of a franchise rule or statute can be commenced more than three years after the cause of action accrues

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Under Minnesota law, we cannot require you to consent to inunction relief; however, we may seek injunctive relief from the Court.

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

Item 5 & 7 is amended to add the following:

With respect to franchises governed by Minnesota law and based upon the franchisor's financial condition: Initial Franchise Fees will be deferred until the franchisor has satisfied its pre-opening obligations to the franchisee and the franchisee has commenced business operations.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

REQUIRED BY STATE OF NEW JERSEY

Liquidated damages are void if unreasonable under the totality of the circumstances, including whether a statute governs the relationship and concerns liquidated damages clauses; and the common practice in the industry.

REQUIRED BY THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3: With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), title**d "Requirements for a franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

> However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**," and Item 17(w), titled "**Choice of law**":

> The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the

execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

REQUIRED BY THE STATE OF NORTH DAKOTA PURSUANT TO THE NORTH DAKOTA FRANCHISE LAW

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of your franchise. This provision may not be enforceable under North Dakota law.

The Franchise Agreement requires that you consent to the jurisdiction of a court in close proximity to our principal executive offices. This provision may not be enforceable under North Dakota law because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.

Although Franchise Agreement provides that it will be governed by and construed in accordance with the laws of the State of Arizona, we agree that the laws of the State of North Dakota will govern the construction and interpretation of your Franchise Agreement.

A contractual requirement that you sign a general release may be unenforceable under the laws of North Dakota.

Although Franchise Agreement requires the franchisee to consent to a waiver of trial by jury, the Commissioner has determined that a requirement requiring the waiver of a trial by jury to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota.

Although Franchise Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages, the Commissioner had determined these types of provisions to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota.

Although Franchise Agreement requires the franchisee to consent to a limitation of claims period within one year, the Commissioner had determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The limitation of claims period is therefore governed by North Dakota law.

To the extent any provision of your Franchise Agreement requires you to consent to a waiver of exemplary or punitive damages, the provision will be deemed null and void.

Based upon the franchisor's financial condition, the state of North Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

The State of North Dakota has determined that requiring a franchisee to consent to termination or liquidated damages in a franchise agreement is unfair, unjust, and inequitable within the intent of Section 51-10-09 of the North Dakota Franchise Investment Law. Any reference or requirement that a franchisee consent to termination or liquidated damages is deleted.

The State of North Dakota has determined that parties agreeing to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business is unfair, unjust, or inequitable withing the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee's place of business.

The State of North Dakota has determined that requiring a franchisee pay all costs and expenses incurred by the franchisor in enforcing the agreement to be unfair, unjust and inequitable within the intent of Section 512-19-09 of the North Dakota Franchise Investment Law. Therefore, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

REQUIRED BY THE STATE OF RHODE ISLAND

Even though our Franchise Agreement says the laws of Arizona apply, § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

REQUIRED BY THE STATE OF SOUTH DAKOTA

Based upon the franchisor's financial condition, the state of South Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

REQUIRED BY THE STATE OF VIRGINIA

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to use undue influence to induce a franchisee to surrender any rights given to him under the franchise. If any provision of the franchise agreement involved the use of undue influence by the Franchisor to induce the franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in

Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Based upon the franchisor's financial condition, the state of Washington has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and franchise is open for business.

EXHIBIT I
STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	Pending
Hawaii	5/21/2025
Indiana	5/21/2025
Maryland	Pending
Minnesota	Pending
New York	Pending
North Dakota	10/2/2025
Rhode Island	5/29/2025
South Dakota	6/5/2025
Virginia	10/23/2025
Washington	Pending
Wisconsin	5/20/2025

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J
RECEIPTS

RECEIPT
(YOUR COPY – RETAIN FOR YOUR FILES)

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Phoenix Franchising Group, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable law.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

If Phoenix Franchising Group, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed in Exhibit A.

The franchisor is Phoenix Franchising Group, LLC, located at 14000 North Hayden Road, Suite 101, Scottsdale, Arizona 85260. Its telephone number is (480) 386-9708.

The following salespeople will represent us in connection with the sale of our franchises:

- T.J. O'Connor at 14000 North Hayden Road, Suite 101, Scottsdale, Arizona 85260, and telephone number (480) 386-9708.
- ____

Issuance Date: May 19, 2025, as Amended September 30, 2025

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Franchise Disclosure Document dated May 19, 2025, as Amended September 30, 2025. This Disclosure Document included the following Exhibits:

A. State Administrators/Agents for Service of Process
B. Franchise Agreement
C. Table of Contents of Manual
D. Financial Statements
E. Confidentiality/Non-Disclosure Agreement
F. List of Franchisees
G. General Release Agreement
H. State Specific Disclosures
I. State-Effective Dates
J. Receipts

Date: ____

Signature of Prospective Franchisee: ______________________________

Print Name: ____

You may return the signed receipt either by signing, dating, and mailing it to us at Phoenix Franchising Group, LLC, located at 14000 North Hayden Road, Suite 101, Scottsdale, Arizona 85260, or by emailing a copy of the signed and dated receipt to us at tj@redlineathletics.com.

RECEIPT
(OUR COPY – SIGN, DATE AND RETURN TO US)

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Phoenix Franchising Group, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable law.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

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G. General Release Agreement
H. State Specific Disclosures
I. State-Effective Dates
J. Receipts

Date: ____

Signature of Prospective Franchisee: ______________________________

Print Name: ____

You may return the signed receipt either by signing, dating, and mailing it to us at Phoenix Franchising Group, LLC, located at 14000 North Hayden Road, Suite 101, Scottsdale, Arizona 85260, or by emailing a copy of the signed and dated receipt to us at tj@redlineathletics.com.