

## 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<sup>®</sup>," "Redline<sup>®</sup> Sports Performance Centers," and/or "Redline<sup>®</sup>."

The total investment necessary to begin operation of a Redline Performance Center is \$373,496 to \$578,796. This includes \$66,196 to \$78,196 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](http://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](#)

## 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 ~~mediation~~, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to ~~mediate~~, 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.

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.

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### EXHIBITS

- A. State Administrators/Agents for Service of Process
- B. Franchise Agreement
- C. Table of Contents of Operations 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

**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 4<sup>1</sup>, 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®

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 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 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.

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

<b>Fee (1), (2)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
			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 1 <sup>st</sup> 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 <a href="#">provided that we may not increase the Technology Fee by more than ten percent (10%) per year.</a>
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, redecorating or refurbishing costs	At least \$1,000 every 5 years	As incurred	Payable directly to vendors when you remodel, expand, redecorate, or refurbish the Redline Performance Center for your Redline Performance Center.

<b>Fee (1), (2)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
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, ~~and are~~ imposed by, collected by, and payable to us. 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. ~~All fees are non-refundable.~~
- (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

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	<a href="#">Us</a>
Security and Utility Deposits (2)	\$15,000	\$15,000	As agreed	Before opening	<a href="#">Security and Utility companies</a>
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
Insurance (3 months) (11)	\$2,000	\$3,000	As agreed	Per policy terms	Insurers

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.
- (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. 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. New businesses often generate a negative cash flow.- 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.

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 ~~reserve the right to increase this fee after giving you~~ may increase the Technology Fee upon thirty (30) days ~~prior~~ 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
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

Obligations	Section in Franchise Agreement	Disclosure Document Item
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 <a href="#">8</a> 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

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 ~~reserve the right to increase this fee after giving you~~ may increase the Technology Fee upon thirty (30) days ~~prior~~ 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
<b>Total Hours</b>	<b>28.0</b>	<b>17.0</b>	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 their ~~designated~~ 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

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

~~We have~~The franchisor has not been in business ~~long enough to provide~~ for three years or more and cannot include all the financial statements generally required by this ~~Item~~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 dated as of January 31, 2025 and unaudited financials through June of 2025. The franchisor's fiscal year ends December 31.

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. 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231
NORTH DAKOTA	<del>Office of</del> <a href="#">North Dakota Insurance &amp; Securities Department</a> Commissioner <del>Fifth Floor,</del> 600 East Boulevard Bismarck, ND 58505-0510 (701) 328- <del>4712</del> <a href="#">22910</a>	North Dakota <a href="#">Insurance &amp; Securities Commissioner Department</a> <del>Fifth Floor,</del> 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- <del>4823</del> <a href="#">3563</a>	Department of Labor and Regulation Division of Securities, 124 South Euclid Suite 104, Pierre, SD 57502 (605) 773- <del>4823</del> <a href="#">3563</a>
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising, 1300 East Main Street, 9 <sup>th</sup> Floor, Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> 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

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 (1<sup>st</sup>) 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

**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: \_\_\_\_\_

## 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 ~~disclaimer~~statement, questionnaire, ~~clause, or statement~~or acknowledgment signed ~~or agreed to~~ by a franchisee in connection with the commencement of the franchise relationship shall ~~be construed or interpreted as~~have the effect of (i) waiving any claims ~~of~~under any applicable state franchise law, including fraud in the inducement, ~~whether common law or statutory, or as~~or (ii) disclaiming reliance on ~~or the right to rely upon~~any statement made ~~or information provided~~ by any franchisor, ~~broker~~franchise seller, or other person acting on behalf of the franchisor ~~that was a material inducement to a franchisee's investment~~. This provision supersedes any other ~~or inconsistent~~ 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.

## 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 state that arbitration involving a franchise purchased in North Dakota must be held in a location mutually agreed on prior to the arbitration, or if the parties cannot agree on a location, at a location to be determined by the arbitrator.~~
3. ~~4.~~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. ~~5.~~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. ~~6.~~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. ~~7.~~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. ~~8.~~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. ~~9.~~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 within 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 51-19-09 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: \_\_\_\_\_

## **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, 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, ~~C~~chapter 19.100 RCW will prevail.

**2. Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement ~~in~~ 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 ~~which may~~ that supersede the franchise agreement ~~in~~ or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those ~~areas of termination and renewal of your franchise~~ 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 ~~executed by a franchisee may not include 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 such as those which~~ 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 provisions contained in the franchise agreement or elsewhere that conflicts with these limitations ~~are~~<sup>is</sup> 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.

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

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: \_\_\_\_\_

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

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.

~~Although Franchise Agreement provides that the place of arbitration will be located at the office of the American Arbitration Association closest to our principal executive offices, we agree that the place of arbitration will be a location that is in close proximity to the site of your Redline Performance Center.~~

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 with 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.

## **REQUIRED BY THE STATE OF WASHINGTON**

### **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, 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, ~~C~~chapter 19.100 RCW will prevail.

**2. Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement ~~in 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 ~~which may~~that supersede the franchise agreement ~~in or related agreements concerning your relationship with the franchisor.~~ Franchise agreement provisions, including those ~~areas of termination and renewal of your franchise~~ 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 ~~executed by a franchisee may not include 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 such as those which~~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 provisions contained in the franchise agreement or elsewhere that conflicts with these limitations ~~are~~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.

~~These requirements must be included in an addendum to Franchise Agreement you sign for the State of 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.

~~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.~~

~~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.~~



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## 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

[CLAcconnect.com](http://CLAcconnect.com)

**PHOENIX FRANCHISING GROUP, LLC  
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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**

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	<b>\$</b>	<b>6,826,533</b>
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**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
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**MEMBER'S EQUITY**

-

Total Liabilities and Member's Equity	<b>\$</b>	<b>6,826,533</b>
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*See accompanying Notes to Financial Statement.*

**PHOENIX FRANCHISING GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 1, 2025**

**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
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**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.

**PHOENIX FRANCHISING GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**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.

**PHOENIX FRANCHISING GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 1, 2025**

**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.

**PHOENIX FRANCHISING GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 1, 2025**

**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.

**PHOENIX FRANCHISING GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 1, 2025**

**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	<u><u>\$ 1,960,486</u></u>

**NOTE 3 GOODWILL AND INTANGIBLES**

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

	<u>Amount</u>	<u>Estimated Useful Life</u>
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	<u><u>\$ 5,029,009</u></u>	

**PHOENIX FRANCHISING GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 1, 2025**

**NOTE 3 GOODWILL AND INTANGIBLES (CONTINUED)**

Expected future amortization of goodwill and intangibles is as follows:

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

**NOTE 4 PROPERTY AND EQUIPMENT**

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

	<u>Amount</u>
Furniture and Fixtures	\$ 3,076
Software	1,410
Total Property and Equipment	<u>\$ 4,486</u>

**NOTE 5 DEFERRED COMMISSION COSTS**

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

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

**NOTE 6 MEMBER'S EQUITY**

The Company has one class of membership interests.

**PHOENIX FRANCHISING GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 1, 2025**

**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:

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

**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.

**PHOENIX FRANCHISING GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 1, 2025**

**NOTE 8 NOTES PAYABLE (CONTINUED)**

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

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

**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.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**Accrual Balance Sheet**  
**January 3, 2025**  
*Unaudited*

		Current Month
<b>ASSETS</b>		
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
<b>LIABILITIES &amp; EQUITY</b>		
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

<p>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.</p>
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**Phoenix Franchising Group, LLC**  
**Profit and Loss**  
January - June, 2025

		Total
<b>Income</b>		
<b>4000 Amortized Revenue</b>		
4010 RD License Sales		450,544.13
4020 Franchise Sales		419,818.91
<b>Total 4000 Amortized Revenue</b>	<b>\$</b>	<b>870,363.04</b>
<b>4100 Monthly Franchisee/RD Income</b>		
4110 Royalty Fees		525,090.96
4120 Technology Fees		211,934.00
4130 National Ad Fund Fees		88,755.51
<b>Total 4100 Monthly Franchisee/RD Income</b>	<b>\$</b>	<b>825,780.47</b>
<b>4600 Other Services</b>		
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
<b>Total 4600 Other Services</b>	<b>\$</b>	<b>257,657.70</b>
<b>4700 Sales of Product Income</b>		
4710 Merchandise		3,269.05
<b>Total 4700 Sales of Product Income</b>	<b>\$</b>	<b>3,269.05</b>
<b>Sales</b>		0.00
<b>Shopify Sales Tax</b>		
<b>Total Income</b>	<b>\$</b>	<b>1,957,070.26</b>
<b>Cost of Goods Sold</b>		
<b>5000 Amortized Costs</b>		
5010 Cost of Revenue - RD		54,721.15
5020 Cost of Revenue - Franchise		196,222.65
<b>Total 5000 Amortized Costs</b>	<b>\$</b>	<b>250,943.80</b>
<b>5110 RD Royalty Fees Earned</b>		187,792.88
<b>5200 Technology Cost of Revenues</b>		
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
<b>Total 5200 Technology Cost of Revenues</b>	<b>\$</b>	<b>198,218.34</b>
<b>5645 Apparel Merchandise Expense</b>		2,645.98
<b>Total Cost of Goods Sold</b>	<b>\$</b>	<b>639,601.00</b>
<b>Gross Profit</b>	<b>\$</b>	<b>1,317,469.26</b>

Expenses

<b>6000 Salaries and Benefits</b>	
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
<b>Total 6000 Salaries and Benefits</b>	<b>\$ 477,886.32</b>
<b>6100 Selling and Marketing</b>	
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
<b>Total 6100 Selling and Marketing</b>	<b>\$ 177,500.61</b>
<b>6200 National Ad Fund Expenses</b>	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
<b>6500 Professional Fees</b>	
6510 Accounting & Audit Fees	69,284.47
6515 Legal Fees	42,665.26
6520 Professional & Consulting Fees	25,000.00
<b>Total 6500 Professional Fees</b>	<b>\$ 136,949.73</b>
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
<b>6900 Bank Service Charges</b>	
6901 Bank Fees	193.30
6904 Merchant Fees	10,990.22
6905 Shopify Fees	96.49
<b>Total 6900 Bank Service Charges</b>	<b>\$ 11,280.01</b>
6910 Bad Debt	26,150.00
<b>Total Expenses</b>	<b>\$ 1,020,354.71</b>

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

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

	<b>Total</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
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
<b>Total Bank Accounts</b>	<b>\$ 146,231.71</b>
<b>Accounts Receivable</b>	
1120 Accounts Receivable (A/R)	79,780.09
<b>Total Accounts Receivable</b>	<b>\$ 79,780.09</b>
<b>Other Current Assets</b>	
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
<b>Total Other Current Assets</b>	<b>\$ 295,190.40</b>
<b>Total Current Assets</b>	<b>\$ 521,202.20</b>
<b>Fixed Assets</b>	
<b>1400 PROPERTY AND EQUIPMENT, NET</b>	
1410 Software - RAF	1,410.12
1415 Furniture and Equipment - RAF	3,075.54
1520 Accumulated Depreciation	-3,780.60
<b>Total 1400 PROPERTY AND EQUIPMENT, NET</b>	<b>\$ 705.06</b>
<b>Total Fixed Assets</b>	<b>\$ 705.06</b>
<b>Other Assets</b>	
1705 Security Deposits	17,469.16
<b>1800 Deferred Costs</b>	
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
<b>Total 1800 Deferred Costs</b>	<b>\$ 1,142,647.86</b>

1850 Right of Use Assets		173,946.26
1900 Goodwill		6,324,964.00
<b>Total Other Assets</b>	<b>\$</b>	<b>7,659,027.28</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>8,180,934.54</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
2000 Accounts Payable		275,609.55
<b>Total Accounts Payable</b>	<b>\$</b>	<b>275,609.55</b>
<b>Credit Cards</b>		
<b>2020 American Express</b>		
2021 AMEX (1007/1023)		0.00
2022 AMEX GC		35,749.91
<b>Total 2020 American Express</b>	<b>\$</b>	<b>35,749.91</b>
2025 Credit Card (5277)		0.00
2030 C. PEARSON (7811) - 1		77,269.52
<b>Total Credit Cards</b>	<b>\$</b>	<b>113,019.43</b>
<b>Other Current Liabilities</b>		
2120 Accrued Expenses		10,989.58
2125 Deferred Marketing Revenue - Franchisee		52,237.69
<b>2130 Payroll Liabilities</b>		
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
<b>Total 2130 Payroll Liabilities</b>	<b>\$</b>	<b>88,164.16</b>
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
<b>Total Other Current Liabilities</b>	<b>\$</b>	<b>1,317,155.02</b>
<b>Total Current Liabilities</b>	<b>\$</b>	<b>1,705,784.00</b>
<b>Long-Term Liabilities</b>		
<b>2300 Deferred Revenue</b>		
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
<b>Total 2300 Deferred Revenue</b>	<b>\$</b>	<b>3,044,882.71</b>
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
<b>Total 2500 Due to Related Parties</b>	<b>\$</b>	<b>205,877.56</b>
<b>Total Long-Term Liabilities</b>	<b>\$</b>	<b>6,116,778.32</b>
<b>Total Liabilities</b>	<b>\$</b>	<b>7,822,562.32</b>
<b>Equity</b>		
3200 Retained Earnings		
Net Income		358,372.22
<b>Total Equity</b>	<b>\$</b>	<b>358,372.22</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$</b>	<b>8,180,934.54</b>

Wednesday, Aug 20, 2025 02:37:40 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.

**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 | F. List of Franchisees        |
| B. Franchise Agreement                                | G. General Release Agreement  |
| C. Table of Contents of Manual                        | H. State Specific Disclosures |
| D. Financial Statements                               | I. State-Effective Dates      |
| E. Confidentiality/Non-Disclosure Agreement           | 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](mailto:tj@redlineathletics.com).

**RECEIPT**  
**(OUR COPY – SIGN, DATE AND RETURN TO US)**

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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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|---|-------------------------------|
| A. State Administrators/Agents for Service of Process | F. List of Franchisees        |
| B. Franchise Agreement                                | G. General Release Agreement  |
| C. Table of Contents of Manual                        | H. State Specific Disclosures |
| D. Financial Statements                               | I. State-Effective Dates      |
| E. Confidentiality/Non-Disclosure Agreement           | 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](mailto:tj@redlineathletics.com).