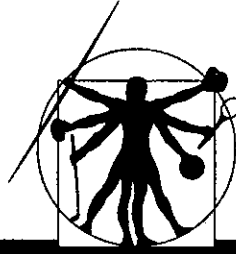


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**ATHLETIC NATION**

**Men's Fitness Gym™**

**INFORMATION FOR PROSPECTIVE FRANCHISEES  
REQUIRED BY THE FEDERAL TRADE COMMISSION**

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. *WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT.* IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ YOUR ENTIRE CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

**FEDERAL TRADE COMMISSION  
WASHINGTON, D.C. 20580**

Franchisor:

Athletic Nation Franchise Corp.  
6475 Camden Ave., Suite 100  
San Jose, CA 95120  
408-268-5310

**Offering Circular Dated \_\_\_\_\_**



## **FRANCHISE OFFERING CIRCULAR**

**Athletic Nation Franchise Corp.**  
a California corporation

6475 Camden Ave. Suite 100  
San Jose, CA 95120  
408-268-5310

We offer a franchise to operate a Athletic Nation Men's Fitness Gym™ business which provides personal and group fitness training to men.

Your initial franchise fee is \$25,000. The total initial investment for your franchise will range from \$42,815.00 to \$59,980.00.

### **RISK FACTORS**

**THE FRANCHISE AGREEMENT REQUIRES THE FRANCHISEE TO ARBITRATE WITH, OR SUE, THE FRANCHISOR (AND/OR RELATED PERSONS/ENTITIES) ONLY IN CALIFORNIA. IF YOU ARE NOT FROM CALIFORNIA, THIS OUT OF STATE ARBITRATION AND/OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH, OR SUE THE FRANCHISOR (AND/OR RELATED PERSONS-ENTITIES) IN CALIFORNIA THAN YOUR HOME STATE.**

**THE POSSIBLE SUCCESS OF YOUR FRANCHISE MAY BE DEPENDENT ON THE LOCATION OR AREA YOU CHOOSE, THE LOCAL MARKET FOR THE PRODUCTS AND SERVICES OFFERED, COMPETITION AND OTHER FACTORS. THESE FACTORS, ALONG WITH YOUR OWN ABILITY IN**

**OPERATING YOUR FRANCHISE SYSTEM, TOGETHER WITH YOUR FINANCIAL AND OTHER RESOURCES, ARE THE THINGS MOST LIKELY TO DETERMINE YOUR POSSIBLE SUCCESS. THERE ARE NO ASSURANCES THAT YOU WILL BE SUCCESSFUL AND THIS IS A SPECULATIVE INVESTMENT.**

**THE FRANCHISOR HAS BEEN IN EXISTENCE FOR A SHORT PERIOD OF TIME (SINCE August 2006). THEREFORE, THERE IS ONLY A BRIEF OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER OR NOT TO MAKE THIS INVESTMENT.**

**THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

Information comparing franchisees is available. Call the state administrators listed in Exhibit F or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends or has verified the information in this offering circular. If you learn that anything in this offering is untrue, contact the Federal Trade Commission and the appropriate state authority listed in Exhibit F.

The descriptions in this Offering Circular of the various documents that you will be asked to sign are required to be brief and are for general informational purposes only. The actual provisions of these documents will control in any case and you should refer to the Franchise Agreement and other documents for more complete information. You are urged to carefully review all documents, including a comparison to any prior Agreement if a cancellation, renewal, or replacement of an existing Franchise Agreement is involved, as well as this Offering Circular, with independent advisors who can provide legal, business, and/or economic guidance, such as a lawyer and/or accountant.

You should understand that every detail of your Franchise will be important not only to you, but to us and all other Franchisees in order to: (a) develop and maintain high and uniform operating standards based; (b) increase the demand for services we offer to the public; and (c) establish and maintain a reputation for offering uniform and high quality services, ethical business practices and integrity. A fundamental requirement of your joining and remaining part our franchised system will be your commitment to the operation of your franchise in accordance with our standards

You also should understand the following business realities: A Athletic Nation Men's Fitness Gym™ franchise involves business risks. Any volume of business, profit, and/or possible success is primarily dependent on your ability and efforts as an independent business operator, as well as the degree to which you follow our system. Your success cannot be guaranteed.

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**FRANCHISE OFFERING CIRCULAR**

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## **Item 1**

### **The Franchisor, its Predecessors and Affiliates**

Terminology: Within this document and the attachments, the words "we," "us," "Athletic Nation," or "our" means Athletic Nation Franchise Corp. The words "you" or "your" means the franchisee: the person or business entity that is looking into the possibility of buying our franchise. The license which we may provide to you to own and operate a business of the type described in this offering circular is called the "Franchise." The business which you would own under the Franchise which we may provide to you is called the "Franchised Business."

The Franchisor: The franchisor is Athletic Nation Franchise Corp., a California corporation. The corporation was formed on November 1, 2006. Its offices are located at 6475 Camden Ave. Suite 100, San Jose, California 95120. Our telephone number is (408) 268-5307. We do business under the name of Athletic Nation and Athletic Nation Men's Fitness Gym and we have applied for a trademark on the name Athletic Nation. We have no subsidiaries. We have no predecessors or affiliates. However, Dennis Mulgannon is majority owner of Athletic Nation Gym 001, LLC, a fitness gym located in San Jose, California. This business does not offer franchises for sale.

The Franchisor's Business: Athletic Nation offers franchisees the right to operate an Athletic Nation Men's Fitness Gym business. Athletic Nation Men's Fitness Gym facilities specialize in providing group and personal fitness programs and training specifically for men based on the principles of a book and video created by our Founder Dennis Mulgannon. Since we are a new company, we have no prior business history.

Agent for Service of Process: Depending on where you live, you may serve us by delivering documents to a state agency. A list of state agencies is attached to this offering circular as Exhibit F.

**Market and Competition:** Your customers will be men of all ages, but your target group will be men between the ages of 25-65. You will compete with national and local gyms and personal training facilities in your market area. We believe you will have a competitive advantage in your market based on our proprietary program and motivational techniques. Examples of companies you will compete with are 24Hour Fitness, Club One Fitness.

**Regulation of Business:** California has industry-specific statutes that may apply to your business if it is located in California. See California Civil Code §§1812.80 et seq. These statutes apply to health studios and require you to provide certain disclosures in contracts with your customers. These disclosures apply to such things as how much advance payment you may accept, acceptable refund policies, and other customer –related issues. The statutes and their interpretations may change from time to time. You should consult a lawyer concerning these requirements. Franchisees located in other jurisdictions also may be regulated by similar laws.

**Selectivity in Granting Franchises:** We reserve the right to be selective in granting franchises. If we present this document to you for your review, this does not in and of itself mean that we are offering you a franchise at that time or at any time in the future. When you sign the Franchise Agreement, it will not be approved or accepted by us until we actually sign it and provide you with a copy signed by us. If we do not sign the Franchise Agreement, this will mean that we have not approved it and your check which you gave us for the franchise fee shall be returned within ten business days from the date that we received it from you along with the original Franchise Agreement which you signed.

**Item 2**  
**Business Experience**

Dennis Mulgannon, President:

Dennis Mulgannon is the founder and president of Athletic Nation. He has over 20 years experience developing and growing franchise concepts. Working in various capacities, his primary success has been in launching new franchises and repositioning mature brands for new growth. Companies which Mr. Mulgannon has worked with as Director of Franchising include: Erik's Delicafe's, Home Care Assistance, and Pool Franchise Services. Dennis has owned and operated an Athletic Nation Men's Fitness Gym facility in San Jose, California, since August 2006. Mr. Mulgannon is an accomplished fitness industry author and producer with his book and video "Reality Fitness in 90 Days....FOR MEN".

Grant Gould, Vice President of Sales and Marketing:

Grant has more than 20 years of direct sales and marketing experience. He founded HOMES.com, originally known as RealEstateVillage.com, and built it into the largest real estate website development company in North America. He started his sales career with Glenn Ivy Resorts as Director of Marketing, where he managed a team of 150 inside salespeople. Mr. Gould's most recent position has been Executive Vice President with Aviatech, the franchise industries top franchise recruitment marketing firm.

Tim Borland, Director of Training:

Mr. Borland graduated from California Polytechnic State University with a degree in Kinesiology (the scientific study of human movement). He has worked in the corporate wellness industry with clients such as Club One Fitness, Inc. Tim is an accomplished triathlete and marathon runner including competing in the Boston and Chicago Marathons.



**Ryan Cunningham: Director of Real Estate**

Mr. Cunningham acts as Athletic Nation's Director of Real Estate since August 1, 2005.

Mr. Cunningham is also President of Javelin Solutions, located in Denver, Colorado since its inception in May 2005. Before that, Mr. Cunningham was an Executive Vice President for Jones Lang LaSalle from July 1985 until April 2005.

**Item 3**  
**Litigation**

No litigation is required to be disclosed in this offering circular.

**Item 4**  
**Bankruptcy**

Our founder, Dennis Mulgannon, filed for protection under Chapter 7 of the Bankruptcy Code on January 12, 1999. Mr. Mulgannon was the president and personal guarantor of certain debts incurred by Ourpool.com, Inc., an Internet company that lost its corporate funding as part of the dot-com stock market crash of 1999. (The action was filed in the U.S. Bankruptcy Court, Northern District of California, case number 01-50119 gsj.) A complete discharge was granted by the Court on March 6, 2000.

Other than this action, no person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this item.

**Item 5**  
**Initial Franchise Fee**

Our franchisees pay an initial franchise fee to us of \$25,000.00. Once we accept you as a franchisee, your franchise fee will not be refunded under any circumstance. If we award one or more additional franchises to you, the franchise fee for all subsequent franchises will be \$15,000.00.

**Item 6**  
**Other Fees**

The following is a table of other recurring or one-time fees that you must pay us or our affiliates over the course of the franchise relationship.

<b>Name of Fee(1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fees (See notes 1,2 & 3)	10.0% of your total gross revenue from all sales of Athletic Nation Men's Fitness Gym products and services.	Deducted via EFT weekly on the Monday following the previous weeks sales ending Sunday	(EFT) means Electronic Funds Transfer from your bank to our bank
Weekly Cooperative Advertising Fee (See Notes 1,2 &3)	5.0 % (3.0% local market or \$500.00 whichever is greater and 2.0% national market) of your total gross revenue from all sales of Athletic Nation Men's Fitness Gym products and services.	Deducted via EFT weekly on the Monday following the previous weeks sales ending Sunday	(EFT) means Electronic Funds Transfer from your bank to our bank
Initial Franchisee Training Fee	(See Note 4)	(See Note 4)	(See Note 4)
Intranet fee (see note 5)	\$39.00 per month	Deducted via EFT weekly on the Monday following the previous weeks sales ending Sunday	(EFT) means Electronic Funds Transfer from your bank to our bank
Late Fees; Dishonored Checks; Interest	\$50 charged for dishonored check, plus 1.5% per month interest on all late payments	Payable on demand	
Transfer of Business or Rights	\$2,500.00 for administrative expenses	Prior to close of transfer. You may negotiate with transferee to pay this fee.	Payable when the Franchise Agreement or any interest in your business is transferred.
Renewal of Franchise	\$10,000.00	At time of renewal	
Audit Expenses	Costs of Audit	On Demand	Payable upon determination by audit of at least 3% discrepancy or more

Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are sued and/or held liable for certain claims
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- (1) All fees are non-refundable unless otherwise noted.
- (2) Royalty fees are 10.0% on all gross revenue. Weekly Cooperative Advertising Fees are 5.0% (3.0% local market and 2.0% national market) or \$500.00 whichever is greater on all gross revenue. There is no graduated or “sliding” scale.
- (3) Gross Revenue includes all revenues, less sales tax, which (a) are or could be received or earned by or with respect to your franchised business, (b) are or could be received or earned by you or on your behalf or for your benefit and which relate to the type of products, services, materials, inventory, items, supplies, promotional items, equipment or any other items which are or could be provided, through or in association with the franchised business and/or (3) are or could be received or earned by you or on your behalf or for your benefit and which are or could be provided, in association with any use of our trademarks, techniques, systems, procedures, know-how, or any other aspect of our franchised system. Billings are included in gross revenue for the month in which you send your billing to the customer. If the account proves to be uncollectible by you after (a) a minimum of 120 days and (b) your best efforts to collect the account, any royalty payment you have made to us with respect to such billing may be deducted from future royalties due us. To qualify as “best efforts”, you must engage in personal action by you (including written demand letters) to collect the account followed by either (i) referring the account to a collection agency or (ii) pursuing the matter in court. On our request, you must supply the documentation of such efforts. If the account is thereafter collected by you, you must immediately pay the royalty to us.

- (4) There is no additional fee to you for the Initial Franchisee Training program if you purchase a franchise from us. There is a \$1,000 charge to you for the initial Franchisee training program if you purchase an existing franchise from another of our Franchisees. In either case, you are required to attend a mandatory 1-week training class at a time and place we designate. Your expenses and your personnel's expenses incident to attendance at the training class, including travel, lodging, meals, transportation, and other incidental expenses, shall be borne by you.
- (5) This fee is our actual cost to provide contracted services for Intranet services through a contracted relationship with FranConnect, Inc.

**Item 7**  
**Initial Investment**

The following is a table of expenditures that you will incur at the beginning of the franchise.

Expenditures	Estimated amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee	\$25,000.00 For your first franchise \$15,000.00 for each subsequent franchise	at signing of Franchise Agreement	Lump Sum	Non Refundable	Athletic Nation
Gym Supplies and Equipment (1)	\$10,000-\$12,500	Upon receipt of supplies and equipment	Lump Sum	Non Refundable	National Suppliers and Athletic Nation
Business Licenses	25- \$200.	Before engaging in business	As set by the Local agency	Non Refundable	Local agency
Tenant Improvements and Lease Deposit (2)	\$1,000 - \$5,000	Prior to opening for business	As agreed by you with suppliers	As agreed by you with suppliers	Landlord, contractors, and others
Real Estate Site Selection and Lease Negotiation	\$2,500.00	at signing of Franchise Agreement	Lump Sum	Non Refundable	Javelin Solutions
Business Liability Insurance	\$165.00-\$330.00	Prior to opening for business	As agreed by you with suppliers	Non Refundable	Insurance Carrier
Computer system, software and internet connection	\$250 - \$1,400	Prior to opening for business	As agreed by you with suppliers	As agreed by you with suppliers	Local suppliers
Grand Opening Advertising (3)	\$2,000-\$5,000 (there is a monthly advertising cost after opening)	Prior to opening for business	As agreed by you with suppliers	As agreed by you with suppliers	Local suppliers



Gym Interior Décor Package	\$375 - \$550	Prior to opening for business	As agreed by you with suppliers	As agreed by you with suppliers	Athletic Nation
Additional Funds as Working Capital (4)	\$1,500 - \$7,500	After opening for business	As agreed by you with suppliers	As agreed by you with suppliers	Local suppliers
<b>Totals (5)</b>	<b>\$42,815 to \$59,980</b>				

(1) See the Franchise Agreement for a complete list of your initial supplies and equipment.

The costs of your gym supplies and equipment can be financed by a third party which could reduce your initial cash requirement to open your gym to \$32,815 to \$44,980

(2) Your costs for tenant improvements may be higher if you make more extensive modifications and/or use more expensive material.

(3) Following the Grand Opening, you will be required to spend at least five percent (5.0%) or \$500.00 per month (which ever is higher) on advertising for your gym.

(4) You will need working capital after you start the business. Your expenses will include rent, insurance, advertising, your salary, employees' pay, taxes, and other payments for the normal goods and services typically required to operate a business. You cannot expect initial revenues to cover all of your expenses as you start operations. You should have adequate funds available to cover living expenses in addition to adequate operating capital. The amount necessary will vary according to your personal needs and lifestyle. The figures set forth in the table are estimates and we cannot guarantee that you will not have additional expenses in starting the business. Your costs will depend on factors such as how closely you follow our methods and procedures; your management skill; experience and business acumen; local economic conditions; the local market for our product or service; the prevailing wage rate; competition; and the level of sales reached during the start-up phase of the business.

(6) Your costs to commence business are difficult to predict due to the numerous factors involved. We strongly suggest that you carefully prepare a business plan and review it with an accountant, lawyer, and/or other business advisor.

## **Item 8**

### **Restrictions on Sources of Products and Services**

You must purchase certain goods and services from suppliers that we designate. The items are set forth below. Costs for each item are found in item 7 of this offering circular.

(a) **Equipment and Supplies:** You must purchase your initial gym package of supplies and equipment from a designated vendor that we approve. The price is estimated at \$10,000.00 to \$12,500.0 and a list of the equipment and supplies is attached to the Franchise Agreement. When your supplies and equipment need replacing, you will be required to purchase these items from vendors designated by us.

(b) **Training:** Your initial training is provided by us. You must have at least two trained persons available for your facility at all times. You are required to attend and receive certification in instruction in first aid and CPR (adult and pediatric) provided by the Red Cross. The Red Cross generally provides this service at no charge or a minimal fee. You must purchase certain other goods and services which adhere to our standards and requirements. All items that you will be required to purchase may be purchased from any supplier provided that each supplier provides goods in compliance with our standards and is approved by us. We will not unreasonably withhold our approval. All items purchased from third party sources will be subject to review by us. This review may entail examination or testing of items purchased (based on samples which you provide to us to examine); information provided by you regarding the supplier's history, business reputation, delivery performance and other information. Our review is typically completed in 30 days. We may revoke your right to use a given supplier by notifying you in writing at which time you must cease to do business with that supplier within 30 days.

The items which must be purchased in accordance with our specifications are set forth below. Costs which correspond to each item which you are required to purchase may be found in item 7 of this offering circular.

(a) **Computer Hardware/Software and Updates:** You will be required to use a computer system compatible with our specifications. This computer will be included in your start-up package of supplies and equipment. You will be responsible for providing a dedicated telephone connection to the computer and for providing Internet access. It may also be necessary for you to load software updates into the computer when we direct you to do so. You may be required to modify your computer system from time to time and you will be expected to comply with such modifications within a reasonable period of time. You will be required to maintain a modem on your computer in good working condition.

(b) **Repairs and Remodeling:** You may be required repair, refinish, repaint, replace, and/or remodel your business premises to comply with our specifications. You must use qualified, licensed contractors.

(c) **Insurance:** You must maintain liability and property damage insurance for your franchised business covering its operation and the location where the business is conducted. Coverage will be in a minimum amount of three million dollars (\$3,000,000). Coverage will include fire, products liability, and property damage. You also must carry such insurance as may be required by the lease of your location and/or by any lender or equipment lessor/sublessor. You must obtain workers compensation insurance as required by law.

(d) You are required to use FranConnect for your Intranet service provider as part of your Athletic Nation franchise. You are also required to use Javelin Solutions for your real estate site selection.

The purchase of items from us or from affiliated suppliers we designate will represent between 80% and 100% percent of your purchases in opening the franchised business and approximately 10% of your purchases in operating the franchised business on an ongoing basis.

## Item 9

### Franchisee's Obligations

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR

<u>Obligation</u> <u>Circular</u>	<u>Section in Agreement</u>	<u>Item in Offering</u>
a. Site selection and acquisition	Sections 1 and 9 of Agreement	Items 11 and 12
b. Pre-opening purchases/leases	Sections 1, 8, 9 and 11 of Agreement	Items 6, 7 and 8
c. Site development and other 12 pre-opening requirements	Sections 7, 8, 9 and 11 of Agreement	Items 6, 7, 11 and 12
d. Training	Section 10 of Agreement	Item 11
e. Opening	Sections 1, 11, and 12 of Agreement	Items 6-8 and 11
f. Fees	Sections 4-8 of Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	Sections 2, 3, 5, and 8-19 of Agreement	Item 11
h. Trademarks and proprietary information	Section 13 of Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 7-12 of Agreement	Item 16
j. Customer service requirements	Sections 8-11 of Agreement	Item 11
k. Territorial development	Sections 1 and 11 of Agreement	Items 12 and 16
l. Ongoing product/ service purchases	Sections 7 and 8 of Agreement	Item 8
m. Maintenance, appearance and remodeling requirement	Sections 9 and 11 of Agreement	Items 8 and 11
n. Insurance	Section 16 of Agreement	Items 7 and 8
o. Advertising	Section 12 of Agreement	Items 7 and 11
p. Indemnification	Section 22 of Agreement	Item 6

q. Owners participation/ management/staffing	Sections 9 – 11 of Agreement	Items 11 and 15
r. Records/reports	Sections 12 and 15 of Agreement	Items 6 and 8
s. Inspections/ Audits	Section 15 of Agreement	Items 6 and 11
t. Transfer	Section 17 of Agreement	Item 17
u. Renewal	Section 2 of Agreement	Item 17
v. Post-termination obligations	Section 19 of Agreement	Item 17
w. Non-competition covenants	Section 20 of Agreement	Item 17
x. Dispute resolution	Section 25 of Agreement	Item 17
y. Other - ADA Compliance	Section 9 of Agreement	Item 16
Other – Licensing	Section 11 of Agreement	Item 16

**Item 10**  
**Financing**

We do not offer any direct or indirect financing. We will not guarantee any of your notes, leases, or other obligations. We may provide you with referrals to vendors who may finance your gym supplies and equipment.

**Item 11**  
**Franchisor's Obligations**

Except as listed below, we need not provide any assistance to you.

Before you open your business, we will:

(a) **Grant You a License:** We grant you a 15-year license to operate an Athletic Nation Men's Fitness Gym franchise, along with the right to renew to franchise if conditions are met.

(b) **Provide You With a Territory:** We will grant you the right to operate an Athletic Nation Men's Fitness Gym franchise within a designated geographical territory. No other Athletic Nation Men's Fitness Gym franchise or facility owned or operated by us will be located within your geographic territory.

(c) **Help You With Site Selection:** Before you open your business, we will assist you with site selection.

(d) **Provide You With Gym Requirements:** We will provide you with guidelines and minimum standards for the appearance and operation of your Athletic Nation Men's Fitness Gym franchise. However, you remain solely responsible for complying with all laws, regulations, codes, and rules.

(e) **Provide Training:** We will use our best efforts to train you and your employees to meet all standards of an Athletic Nation Men's Fitness Gym franchise. Prior to the opening of your Franchised Business, you may designate up to two persons to receive our initial training. Additional persons may be added if space permits. This initial training takes place in San Jose, CA. We do not provide food, lodging, or transportation during any training. All such costs are the responsibility of you.



**(f) Loan You an Operations Manual:** We will deliver on loan to you a confidential Operations Manual and provide instruction on operating procedures. The Operational Manual will address various aspects concerning the operations, administration, and marketing of your business. The Operations Manual will always remain our absolute property and must be returned to us in the event that your franchise ends or is terminated. The Operations Manual must be followed, with no deviations without approval from us. We may amend the Operations Manual from time to time.

After you open your business, we will:

**(a) Provide Marketing, Promotion, and Advertising Guidelines:** We will provide you with guidelines and suggestions on advertising that we create. We may prohibit you from using advertising that does not meet our standards. All advertising that you use must be submitted to us for approval. There is no national advertising program at this time.

**(b) Provide You With Ongoing Assistance:** We will provide you with limited ongoing assistance concerning the operation of your franchise including on-going operations, sales and marketing, administration support.

**(c) Maintain a Website:** We will maintain a website concerning various aspects of Athletic Nation Men's Fitness Gym and the related franchise. It will include information on franchisee locations and the services provided.

**(d) Maintain a Nationwide Telephone Number:** We will maintain a nationwide, toll free telephone number that the public may use to obtain information about the products and services that you provide at your franchise.

**Item 12**  
**Territory**

If you become an Athletic Nation Men's Fitness Gym franchisee, we will grant you an exclusive territory. Your territory will be the area within one (1) mile of your gym. No other Athletic Nation Men's Fitness Gym franchise or facility owned or operated by us will be located within your geographic territory. Other Athletic Nation Men's Fitness Gym franchisees may advertise in your territory and accept customers from your territory, but they may not be physically located there. Likewise, you are not restricted on where you may advertise or from where you may accept customers.

**Item 13**  
**Trademarks**

We have a pending application for a trademark on “Athletic Nation”.

By not yet having a Principal Register federal registration, we do not have certain presumptive legal rights granted by registration.

You must notify us immediately of any apparent or actual infringement of, or challenge to your use of the Marks, or any claim by any person of any rights in the Marks. You will not communicate with anyone other than our counsel, regarding any infringement, challenge or claim. We have right and discretion to take whatever action we deem appropriate and the right to control any litigation or other proceeding arising out of any infringement challenge or claim to any Mark, including the right to direct any settlement of the claims. You must sign any documents and give any assistance our attorneys believe are necessary or advisable in order to protect and maintain the interests we have in any litigation or administrative proceeding related to the Marks.

If it becomes advisable at any time in our judgment for you to modify or discontinue the use of any of the Marks or for you to use one or more additional or substitute trademarks or service marks, you will immediately comply (at your expense) with our directions to modify or otherwise discontinue the use of the Marks, and/or use one or more additional or substitute trademarks or service marks. We will not have any liability or obligation to you for modification, discontinuance or otherwise.

You should understand that there is always a possibility there might be one or more businesses, similar to the business, covered by the Franchise offered in this Offering Circular, operating in or near the area(s) where you may do business, using a name and/or trademarks similar to ours and/or with superior rights to the name and/or trademarks. We strongly suggest that you research this possibility, using telephone directories, local

**filings and other means, before paying any money, signing any binding documents or making any binding commitments.**

## **Item 14**

### **Patents, Copyrights and Proprietary Information**

There are no patents that are material to the Franchised Business. We claim copyright protection in our Manuals and related materials, electronic and computerized media and advertising and promotional materials although these materials have not been registered with the United States Registrar of Copyrights. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in the Franchise Agreement.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect, which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend any copyrights or you in connection with any copyrights.

## **Item 15**

### **Obligation to Participate in the Actual Operation of the Franchised Business**

We do require that you personally supervise the franchised business for the first (90) ninety days of operations, after which time you may select a trained manager to operate the franchised business. If you do not personally supervise the franchised business, you still must utilize trained and competent managers capable of supervising the business. You remain responsible for strict compliance with all franchise agreement requirements. You must have at least one individual trained by you employed by your facility as a back-up trainer.

## **Item 16**

### **Restrictions on What the Franchisee May Sell**

We require that you offer and sell only those goods and services that we have approved in conjunction with your franchised business. These are the following:

- (a) Group fitness training services;
- (b) Personal one-on-one training services;
- (c) Book and videos, supplements; and
- (d) Related products and services as set forth in the Operations Manual.

You must comply with all legal and ethical requirements in providing your goods and services. This includes, but is not limited to, all other federal, state, and local laws, regulations, codes and rules. Law, regulations, codes and rules (and interpretations thereof) may change from time to time. You are responsible for keeping abreast of changes. We reserve the right to make necessary changes to the franchised system should it conflict with any law, regulation, code, or rule either now or in the future. No other products or services may be sold by you in conjunction with your Franchised Business. You may only use our name, logo, know-how, system, or advertising to offer and sell products we have authorized.

**Item 17**

**Renewal, Termination, Transfer and Dispute Resolution**

<u>PROVISION</u>	<u>SECTION IN FRANCHISE AGREEMENT</u>	<u>SUMMARY</u>
a. Term of Franchise	Section 2	term of franchise is 15 years
b. Renewal or Extension of Term	Section 2	if you are in good standing, you may renew for addition 10 year terms
c. Requirements to Renew or Extend	Section 2	you must sign a then-current franchise agreement; sign a release, be in good standing, and pay us a fee
d. Termination by You	Section 18	You may not terminate the franchise agreement
e. Termination by Us Without Cause	Section 18	We may not terminate your franchise without cause
f. Termination by Us for Cause	Section 18	We may terminate your franchise for cause. You may be entitled to notice and opportunity to cure depending on cause
g. "Cause" defined - defaults which can be cured	Section 18	You have 30 days to cure nonpayment of fees and other defaults not listed in "h" below
h. "Cause" defined - defaults which cannot be cured	Section 18	Non-curable defaults include conviction of a felony, loss of a required license, repeated defaults even if cured, abandonment, misuse of trademark, unapproved transfer, breach of your sublease and other defaults listed in franchise agreement



<u>PROVISION</u>	<u>SECTION IN FRANCHISE AGREEMENT</u>	<u>SUMMARY</u>
i. Your obligations on termination or non-renewal	Section 19	you must de-identify, pay all amounts due, return our manuals and other items, and terminate your equipment sublease
j. Assignment of Contract by Us	Section 17	no restriction on our right to assign franchise agreement
k. "Transfer" by you - definition	Section 17	includes transfer of contract, assets, or ownership
l. Our Approval of Transfer by You	Section 17	we have the right to approve all transfers, but will not unreasonably deny consent
m. Conditions for us to approve transfer	Section 17	new franchisee qualifies, transfer fee paid, new sublease for equipment, new franchisee signs contract, you sign release
n. Our Right of First Refusal to Buy Your Business	Section 17	we may match any offer for your business
o. Our Option to Purchase Your Business	none	N/A
p. Your Death or Disability	Section 17	franchise must be assigned to approved buyer within six months
q. Non-competition covenants during term of franchise	Section 20	no involvement in similar business anywhere in U.S.
r. Non-competition covenants after franchise expires or is terminated	Section 20	you may not compete within five miles of your former location for a period of two years

<u>PROVISION</u>	<u>SECTION IN FRANCHISE AGREEMENT</u>	<u>SUMMARY</u>
s. Modification of the Agreement	Section 24	no modifications, but we may make changes to our Operations Manual
t. Integration/Merger Clause	Section 24	only the terms of the franchise agreement are binding (subject to state law) and other promises may not be enforceable
u. Dispute Resolution by Mediation or Arbitration	Section 25	all disputes must be resolved by binding arbitration unless otherwise provided by law
v. Choice of Forum (Venue)	Section 25	all disputes must be resolved in California (Santa Clara County) unless otherwise provided by law
w. Choice of Law	Section 25	California law applies
-END-		

Some states have laws that supersede contractual provisions related to dispute resolution in franchise agreements. California franchisees should review Corporations Code §31000 et seq. and Business and Professions Code §20000 et seq. Also see the California Addendum attached to this Offering Circular as Exhibit E.

**Item 18**  
**Public Figures**

We do not use any public figures to promote our franchise.

**Item 19**  
**Earnings Claims**

We do not furnish or authorize our officers, directors, employees, or salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Athletic Nation Men's Fitness Gym franchise. Actual results will vary among our franchisees and we cannot estimate the results of any particular franchise. It is in fact possible that you will achieve no income as a result of starting and operating this franchised business or from any guidance that you receive from us. You should conduct your own independent investigation as to the potential profitability of the franchised business.

**Item 20**  
**List of Outlets**

We have sold no franchises prior to the date of this offering circular.

We estimate that six franchises will be sold during the one-year period following the date of this circular.

No franchised units have been canceled, terminated or not renewed by us within the last three years.

**Item 21**  
**Financial Statements**

Attached as Exhibit B are our current audited Balance Sheet and Financial Statement.

**Item 22**  
**Contracts**

A copy of the Franchise Agreement that you will sign is attached as Exhibit A.

**Item 23**  
**Receipt**

THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY. IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS OFFERING CIRCULAR BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- (2) TEN BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT;
- (3) TEN BUSINESS DAYS BEFORE A PAYMENT TO US BY YOU.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF WE DO NOT DELIVER THIS OFFERING CIRCULAR TO YOU, OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION AND THE CALIFORNIA COMMISSIONER OF CORPORATIONS.

Attached as Exhibit C is a Receipt for Franchisee Fee that we will provide to you when you pay your initial franchise fee. Attached as Exhibit D is Statement of Prospective Franchisee to Athletic Nation Franchise Corp. We will ask you to carefully review this form and fill it out if we offer you a franchise.