



DEPARTMENT OF CORPORATIONS
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FRANCHISE OFFERING CIRCULAR
Velocity Sports Performance Franchise Systems, LLC
(A Georgia Limited Liability Company)
3650 Brookside Parkway, Suite 300
Alpharetta, Georgia 30022
(866) 955-0400

Velocity Sports Performance Franchise Systems, LLC, offers franchises for the establishment and operation of a distinctive and innovative business devoted to sports-performance training that is suitable for athletes of all ages and skill levels—from beginners to elite amateur and professional athletes. This training focuses on improving speed, power, agility, flexibility, coordination, and cardiovascular endurance. The Franchised Business operates under the service mark *Velocity Sports Performance*.

Under your Franchise Agreement, you must pay Velocity Sports Performance the following initial fees: (a) a \$30,000 Initial Franchise Fee if you are in the Gold Program or \$20,000 if you are in the Silver Program; (b) a \$24,000 Marketing and Training Fee; and (c) \$87,000-\$223,000 for weight-training equipment and flooring that Velocity Sports Performance will acquire for you. The estimated initial investment required ranges between \$215,150 and \$665,000.

Velocity Sports Performance Franchise Systems, LLC, offers area-development rights for franchise developers who want to develop and operate more than one franchised business in a designated territory.

When you sign an Area Development Agreement, you must pay Velocity Sports Performance development fees (the "Development Fees") equal to:

- o \$54,000 (to be credited against the first franchised business that you must develop and operate as described below); plus
- o \$20,000 for each additional franchised business you must open under your Area Development Agreement.

The Development Fees will be credited against the initial franchise fees and marketing and training fees due under the franchise agreements to be entered under your Area Development Agreement as follows:

- o the first \$54,000 of the Development Fees will be credited against the \$30,000 initial franchise fee and \$24,000 marketing and training fee due for the first franchised business that you must develop and operate;
- o the balance of the Development Fees will be credited against the first \$20,000 of the initial franchise fee due for each of the remaining franchised businesses that you must develop and operate; consequently, when you enter the franchise agreement for each of the franchised business, you need only pay \$10,000 to fully pay the initial franchise fee.

Except for the first franchised business you must develop and operate under your Area Development Agreement, the marketing and training fee due under each Franchise Agreement must be paid no later than when you must sign a Franchise Agreement for that franchised business, which must occur at least 90 days before that business's required opening date under your development

schedule. That fee will be discounted by \$9,000. The initial investment you must make under your Area Development Agreement ranges from \$74,000 to \$124,000 (including the Development Fees, which are credited against the Initial Franchise Fees).

Risk Factors:

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT PROVIDE THAT MOST DISAGREEMENTS MUST BE SETTLED BY MEDIATION AND/OR LITIGATION IN GEORGIA. OUT OF STATE MEDIATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE AND/OR LITIGATE WITH US IN GEORGIA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT GEORGIA LAW GOVERNS THE AGREEMENT, EXCEPT TO THE EXTENT THAT THE LANHAM ACT GOVERNS. GEORGIA LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. AS OF 9/30/06, WE HAD \$1,099,660 IN CURRENT ASSETS AND HAD \$1,861,787 IN CURRENT LIABILITIES. THIS MEANS THAT FOR EVERY DOLLAR OF LIABILITIES DUE WITHIN ONE YEAR, WE HAVE ONLY \$.59 IN CURRENT ASSETS. DURING THE PAST TWO YEARS AND THE FIRST NINE MONTHS OF 2006, WE HAVE LOST \$(3,848,994) CAUSING US TO HAVE A TOTAL DEFICIT OF \$(4,878,126).
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information about comparisons of franchisors is available. Call the state administrator listed in the next paragraph or your public library for sources of information.

Registration of this franchise with the state does not mean the state recommends it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission and the State of California Department of Corporations, 320 West 4th Street, Los Angeles, California 90013-2344.

Effective Date: _____

you enter an Area Development Agreement, you must also enter a separate Franchise Agreement for each Velocity Sports Performance franchised business you will operate. When you enter your Area Development Agreement, you must also enter a Franchise Agreement for the first Franchised Business you will operate.

General Market and Competition

Velocity Sports Performance believes that the general market for the services offered by the Franchised Business is developing. A few independent sports-training centers exist in major cities, although they generally serve clients from out-of-town who train for an extended periods while living at the training facilities. In addition, there may be local and regional companies providing a range of sports-performance training services. These are typically conducted at remote locations. Some hospitals and universities operate small sports-performance facilities that focus on rehabilitation and university athletes.

Industry Regulations

Some states and municipalities have bonding requirements for business that sell memberships or presell training such as the type your Franchised Business offers; they may also have liability-insurance requirements for health-clubs that may apply to the Franchised Business. Except for these laws and regulations, Velocity Sports Performance is not aware of any regulations specific to the Franchised Business.

Laws and regulations vary widely from place to place. Accordingly, you should consult an advisor in your area to determine all applicable laws and regulations.

Prior Business Experience

Velocity Sports Performance has not itself conducted a business of the type you will operate. However, a company related to Velocity Sports Performance, namely VSP Rosewell, LLC (formerly Velocity-Marietta, LLC), has been operating a sports-performance training center since May 1999. Velocity Sports Performance began offering Velocity Sports Performance franchises in June 2002. Velocity Sports Performance has never offered franchises in any other line of business.

ITEM 2. BUSINESS EXPERIENCE

Chief Executive Officer: Troy Medley

Mr. Medley has been Velocity Sports Performance's Chief Executive Officer since September 2006. Mr. Medley is also owner/operator of a Velocity Sports Performance franchise in Irvine, California, which he has owned since March 2003. From May 2000 until March 2003, he was Director of Corporate Training and Development for New Horizons Computer Learning Centers in Anaheim, California, a franchisor of information technology training centers.

Chief Operating Officer: Mark DeGorter

Mr. DeGorter has been Velocity Sports Performance's Chief Operating Officer since September 2006. From April 2000 until October 2005, he was President and Chief Operating Officer of NTN Communications, Inc in Carlsbad, California.

Chief Information Officer: Ben Harris

Mr. Harris has been Velocity Sports Performance's Chief Information Officer since September 2006. From September 2005 until September 2006, he was Director of Operations & Programs for

Turner Government Operations in Milwaukee, Wisconsin. From September 2004 until May 2005, Mr. Harris was Acquisitions & Business Development Senior Consultant for Protech Solutions in Little Rock, Arkansas. From August 2003 until July 2004, he was Deputy Secretary of Operations and Technology for the Florida Department of Children and Families in Tallahassee, Florida. From January 2003 until August 2003, Mr. Harris was Chief Information Officer for the Florida Department of Children and Families in Tallahassee, Florida. From January 2000 until January 2003, he was Founder and President of Advanced Academics, Inc. in Oklahoma City, Oklahoma.

Chief Performance Officer: Loren Seagrave

Mr. Seagrave has been Velocity Sports Performance's Chief Performance Officer since it was created on April 15, 2002. From May 2001 until April 15, 2002, Mr. Seagrave was Chief Performance Officer of Velocity Development Company, Inc., in Atlanta, Georgia. From August 2001 to December 2002, he was the Director of the International Performance Institute of IMG Academics, in Bradenton, Florida. From January 1999 until July 2001, Mr. Seagrave was a co-founder and Performance Director for Velocity-Marietta, LLC, in Atlanta, Georgia. From January 1989 until December 1998, Mr. Seagrave was a high-performance sport consultant and owner of Self-Speed Dynamics-Atlanta, in Lilburn, Georgia.

Vice President of Finance: Mark R. Taylor

Mr. Taylor has been Velocity Sports Performance's Vice President of Finance since October 2006. From January 2006 until October 2006, he was Velocity Sports Performance's Chief Financial Officer. From April 2005 until January 2006, Mr. Taylor was a consultant for start-up and emerging businesses. From February 2000 until March 2005, he was Chief Financial Officer for The Business Development Corporation of Georgia, Inc., in Atlanta, Georgia. From November 1992 until February 2000, he was Controller for The Sports Section, Inc., in Atlanta, Georgia, a franchisor of youth sports photography franchises. Mr. Taylor is a certified public accountant.

Vice President of Products and Programs: Mike Linn

Mr. Linn has been Velocity Sports Performance's Vice President of Products and Programs since October 2006. From August 2004 until October 2006, Mr. Linn was co-owner and Business Director for the Velocity Sports Performance franchise in Chesterfield, Missouri. From January 2001 until July 2004, he was Head Strength and Conditioning Coach for St. Louis University in St. Louis, Missouri.

Co-Manager: John Woods

Mr. Woods has been one of Velocity Sports Performance's co-managers since July 2006. Mr. Woods is also currently a consultant for Oppeheimer & Co., in Atlanta, Georgia, a position he has had since July 1999. Mr. Wood also owns five Velocity Sports Performance franchises in Tennessee and Georgia.

Chairman of the Board and Co-Manager: James A. Bax, Ph.D.

Dr. Bax has been Velocity Sports Performance's Chairman of the Board and one of its co-managers since July 2006. From June 6, 2000, until June 6, 2004, he was a professor at Florida State University and the director of the Institute for Health & Human Services Research at Florida State University, in Tallahassee, Florida. Dr. Bax has been a self-employed investor since June 1996.

Co-Manager: Mark Scott

Mr. Scott has been Velocity Sports Performance's Chief Executive Officer and one of its co-managers since July 2006. From 1999 until September 2003, Mr. Scott was Chairman of Neovest Holdings, Inc, in New York, New York.

Co-Manager: Richard S. Novack

Mr. Novack has been one of Velocity Sports Performance's co-managers since July 2006. Mr. Novack co-owns a Velocity Sports Performance franchise and Sports-A-Rama, in Roswell, Georgia. Mr. Novack is also an owner and director of Georgia Commerce Bank, in Roswell, Georgia. From October 1992 until March 2005, Mr. Novack was the general manager for special accounts and public entities for WellPatient/Blue Cross Blue Shield of Georgia, in Atlanta, Georgia.

Executive Vice President of Strategic Initiatives: Kevin G. Keegan

Mr. Keegan has been Velocity Sports Performance's Executive Vice President of Strategic Initiatives since July 2006. From September 1, 2005 until July 2006, he was Velocity Sports Performance's Executive Vice President of Operations. From October 2003 until September 1, 2005, he was Velocity Sports Performance's Vice President of Real Estate. Prior to working at Velocity Sports Performance, Mr. Keegan started the KGK Group, Inc., a real-estate-investment-and-management company. From January 1999 until May 2002, Mr. Keegan served as Division President for OneSource Franchise Systems, Inc., in Atlanta, Georgia. From June 1996 until January 1999, Mr. Keegan served as Chief Operating Officer and Senior Vice President for Integroup, Inc., a real estate development company in Jacksonville, Florida. He is a licensed real-estate broker.

Member and Director of Franchise Sales & Development: R. Daniel Burgner

Mr. Burgner has been one of Velocity Sports Performance's board members and Director of Franchise Sales & Development since September 2006. From March 1983 until June 2006, Mr. Burgner was Founder, President and Chief Operating Officer of The Sports Section, Inc., in Duluth, Georgia, a franchisor of youth sports photography franchises.

Executive Vice President of Franchise Sales: Russell G. Stinnett

Mr. Stinnett has been Velocity Sports Performance's Executive Vice President of Franchise Sales since October 2006. From February 1996 until October 2006, he was in Franchise Sales with Cendant Corporation in Dallas, Texas.

Director of Franchise Sales & Development: Susan Rosseel

Mrs. Rosseel has been Velocity Sports Performance's Director of Franchise Sales & Development since October 2006. From December 1999 until June 2006, she was Director of Sales & Operations for The Sports Section/TSS Photography, Inc., in Duluth, Georgia.

Director of Franchise Relations: George J. "Buddy" Curry Jr.

Mr. Curry has been Velocity Sports Performance's Director of Franchise Relations since September 2006. From November 2001 until September 2006, he was Vice President of Business Development for Competitive Resources Group in Lawrenceville, Georgia.

Director of Training & Development: Saralyn Smith

Ms. Smith has been Velocity Sports Performance's Director of Training since October 2006. Since October 2004, Ms. Smith has been President of Varsity Ventures, her own consulting

company, in Huntington Beach, California. From June 2001 until October 2004, she was Associate Consultant, Office Manager, Accountant, and Program Director for Organization Systems International in San Diego, California.

ITEM 3. LITIGATION

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

ITEM 4. BANKRUPTCY

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

Franchise Agreement

When you sign your Franchise Agreement, you must pay Velocity Sports Performance the following fees: (a) a \$30,000 Initial Franchise Fee if you are in the Gold Program or \$20,000 if you are in the Silver Program; and (b) a \$24,000 Marketing and Training Fee. You must also pay Velocity Sports Performance \$87,000-\$223,000, for the weight-training equipment and the flooring that Velocity Sports Performance will acquire for you. The amount you must pay for the weight-training equipment will depend on which equipment-purchase package you acquire, as well as the size of your training center. This amount is nonrefundable after Velocity Sports Performance processes your order and the manufacturer begins manufacturing it. Except for these fees, you do not pay Velocity Sports Performance, or its affiliates, any amounts for goods or services with which it, or its affiliates, may provide you before you open your Franchised Business.

Before the date you sign the Franchise Agreement, you must inform Velocity Sports Performance whether you need financing to acquire the Franchise (including leasing, building out, and equipping the Premises). If, after exercising your best efforts to secure financing—including, submitting at least one application to a suitable lending institution within seven business days after executing a Franchise Agreement—none of the lending institutions to which you have applied have accepted your loan application within the 60-day period following your execution of the Franchise Agreement (the “Application Period”), you may terminate the Franchise Agreement. To terminate your Franchise Agreement, you must deliver written notice to Velocity Sports Performance within seven days after the expiration of the Application Period. If you do terminate your Franchise Agreement, you are entitled to a refund of the Initial Franchise Fee and Marketing and Training Fee, less \$5,000 (which we may keep) if you have not attended Initial Franchise training, but if you have attended Initial Franchise Training, Velocity Sports Performance may keep the entire \$24,000 Marketing and Training Fee, plus \$5,000 of your Initial Franchise Fee.

If you have not selected an approved site for your Premises by the time you sign your Franchise agreement, you must submit three proposed sites within your Reserved Area within 120 days after signing the Franchise Agreement. If Velocity Sports Performance does not approve one of those sites, it may terminate your Franchise Agreement. If it does, and if you have not attended Initial Franchise Training, it must refund the Initial Franchise Fee, less \$5,000 (which it may keep) and Marketing and Training Fee; however, if you have attended Initial Franchise Training, we may keep the entire \$24,000 Marketing and Training Fee, plus \$5,000 of the Initial Franchise Fee. If we have

OBLIGATION	SECTION IN AREA DEVELOPMENT AGREEMENT	ITEM IN OFFERING CIRCULAR
e. Opening	Section 3	Item 11
f. Fees	Section 2	Items 5, 6, and 7
g. Compliance with standards and policies/operating manuals		
h. Trademarks and proprietary information		
i. Restrictions on products/services offered		
j. Warranty and customer service requirements		
k. Territorial development and sales quotas	Sections 3 and 6	Item 11
l. Ongoing product/service purchases		Item 8
m. Maintenance, appearance and remodeling		
n. Insurance		
o. Advertising		
p. Indemnification		
q. Owner's participation/management/staffing		
r. Records/reports		
s. Inspections/audits		
t. Transfer	Sections 8 and 9	Items 6 and 17
u. Renewal		
v. Post-termination obligations	Section 10	Item 17
w. Non-competition covenants	Section 7	Item 17
x. Dispute resolution	Sections 12 and 13	Item 17

ITEM 10. FINANCING

Velocity Sports Performance does not offer direct or indirect financing. Velocity Sports Performance does not guarantee your note, lease, or obligation.

ITEM 11. FRANCHISOR'S OBLIGATIONS

Franchise Agreement

Except as listed below, Velocity Sports Performance need not provide any assistance to you.

Pre-Opening Obligations

Before you open your Franchised Business, Velocity Sports Performance will:

- approve your selection of the location for your Franchised Business if its acceptable, and designate your Protected Territory; (Franchise Agreement, Section 2.1)
- if, upon execution of your franchise agreement, the site for your Franchised Business has not been approved by Velocity Sports Performance, it will provide you with its site-selection criteria and make one on-site evaluation of your three proposed sites within your Reserved Area (Franchise Agreement Sections 2.1);
- arrange for you to retain a Designated Architect who it designates and who will provide you with the following Design Consulting Services at a discounted fee:
 - i. designing a site plan (the "Space Plan") specifically for the Premises based on the landlord's blueprint;
 - ii. preparing construction drawings (the "Construction Drawings") and construction requirements (including a bid template) (the "Construction Requirements"), which

can be given to prospective contractors to enable them to bid on improving the Premises; and

- iii. providing telephone assistance during construction to answer construction questions that might arise. (Franchise Agreement, Section 4.2)
- provide you with a Pre-Site Plan for two proposed sites if you retain the Designated Architect. (Franchise Agreement, Section 4.2.)
 - provide you with specifications for Velocity Sports Performance uniforms for your employees that you must purchase directly from approved suppliers. (Franchise Agreement, Section 2.2)
 - supply you with a list of required equipment, supplies, materials, and other items necessary to operate the Franchised Business and a list of approved suppliers of all items. (Franchise Agreement Section 2.4)
 - supply you with standardized accounting and cost-control systems or designate software programs that perform these functions and that you must purchase; (Franchise Agreement Section 2.3)
 - provide you with an initial set of forms, including the standard brochure and various operational forms (such as standardized periodic reporting forms for reporting accounting information and cost analysis), as well as purchase-order forms. (Franchise Agreement Section 2.4)
 - provide you with a schedule of items that you must purchase from Velocity Sports Performance or its affiliates, items include promotional materials and brochures and marketing and training videos, as well as other items that Velocity Sports Performance may periodically require you to purchase from it; (Franchise Agreement Section 2.4)
 - provide you with a schedule of recommended items such as equipment and supplies from third-party suppliers; (Franchise Agreement Section 2.4)
 - provide Initial Franchise Training for your Business Director and Sports Performance Director; (Franchise Agreement Section 2.5)
 - loan you one registered copy of each volume of the Velocity Sports Performance operating manuals (with periodic revisions); Velocity Sports Performance's customary practice is to deliver the Velocity Sports Performance operating manuals at or shortly before the time of Initial Franchise Training; (Franchise Agreement Section 2.6) The table of contents of the present form of the Velocity Sports Performance operating manual is attached to this offering circular as Exhibit C;
 - license the VQuickSM Software to you for scheduling and maintaining your client database; (Franchise Agreement, Section 2.10 and Software License Agreement)
 - provide you with one copy of the promotional video;
 - provide you with a disk of all ad slicks;
 - provide you with two 30-second commercial-quality spots after you have secured a local-media buy; and
 - provide you with a Web site and email address.

Post-Opening Obligations

During the operation of the Franchised Business, Velocity Sports Performance will:

- within 30 days after the Franchised Business opens, send one of its representatives to

provide on-site assistance at the Premises for two business days; this assistance will include a general inspection of the Premises, general assistance, and quality control; to further assist the grand opening of your Franchised Business, Velocity Sports Performance will provide you with a marketing-support package including:

- a. a New Center Marketing and Advertising Planner, which is a comprehensive plan explaining how to plan and layout marketing materials and how to use them;
 - b. a New Center Marketing and Advertising Budget Template, which explains how to effectively budget the activities discussed in the New Center Marketing and Advertising Planner;
 - c. a Athlete Recruitment Process, which is a comprehensive sales management tracking and analysis tool;
 - d. Direct Mail Pieces, which comprise at least 5,000 grand-opening post cards to be used for initial direct mail (which you are responsible for mailing);
 - e. 1500 client-development brochures (including 500 each of three different types of brochures);
 - f. Business-Opening Package consisting of 250 sheets of letterhead, 250 business cards (for your Business Director only), and 250 #10 envelopes and 250 catalog envelopes; and
 - g. Grand Opening Celebration Planning Information, which is an overall plan of how to conduct the grand opening of the Franchised Business; (Franchise Agreement, Section 2.8)
- maintain a toll-free telephone "hotline" for informational assistance available during regular business hours; (Franchise Agreement, Section 2.9)
 - provide advice on Local Advertising and provide you with specimen advertising slicks and radio copy suitable for Local Advertising; (Franchise Agreement Section 2.9)
 - in addition to the advertising slicks and radio copy described in the preceding paragraph, Velocity Sports Performance must provide you, at your expense, with printed brochures, printed mailers, leave behinds, and other printed marketing materials for Local Advertising; (Franchise Agreement Section 2.9)
 - conduct regional and national training programs; (Franchise Agreement Section 2.9) and
 - provide you with a license to use its proprietary scheduling Software or contact information for CheckFree/Aphelion Fitness Management Software. (Franchise Agreement, Section 2.10)

Local Advertising

Beginning on the Opening Date of your Franchised Business, each calendar month during the Term, you must spend not less than \$2,500 for Local Advertising. Area Developers may qualify to participate in the Local Advertising discount program described in Item 6. (See Addendum to Franchise Agreement Local Advertising Discount Program Second and Subsequent Units.) You must provide Velocity Sports Performance with all materials to be used for Local Advertising (and all other advertising and promotional materials), unless they have already been approved or consist solely of materials provided by the Franchisor. Velocity Sports Performance will attempt to review these materials within 10 business days from when it receives them. If you do not receive written approval within that period, the submitted materials are considered approved. All materials on which Velocity Sports Performance's proprietary marks are used must include the applicable

designation of service mark or other designation as Velocity Sports Performance may specify. Velocity Sports Performance may require you to withdraw and/or discontinue the use of any promotional materials or advertising materials, even if previously approved. (Franchise Agreement Section 7.1)

Velocity Sports Performance's Advertising Program—The Velocity Sports Performance Marketing Fund

Velocity Sports Performance reserves the right to create, once a total of 100 franchisee-owned units and Company-Owned Units are operating, a special fund called the "Velocity Sports Performance Marketing Fund" for the benefit of all franchisees and company-owned units that contribute to it. (The amount of the contributions is described in Item 6.) Velocity Sports Performance has the exclusive right to maintain, operate, and administer the Velocity Sports Performance Marketing Fund. (Franchise Agreement Section 7.4)

The Velocity Sports Performance Marketing Fund will be maintained and operated by Velocity Sports Performance to meet the costs of conducting local, regional, and/or national advertising and promotional activities (including the cost of advertising campaigns, test marketing, marketing surveys, public-relations activities, marketing materials, such as advertising slicks, and Internet services). Velocity Sports Performance may charge the Velocity Sports Performance Marketing Fund fees at reasonable market rates for advertising, marketing, and promotional services that Velocity Sports Performance itself actually provides in lieu of engaging third-party agencies to provide the services. Additionally, it may charge the Velocity Sports Performance Marketing Fund a management fee equal to 10% of the amount of monies it disburses from the Velocity Sports Performance Marketing Fund for authorized purposes. (Franchise Agreement Section 7.4)

The Franchise Agreement does not restrict the media in which advertising may be disseminated. The media may include print, radio, and television. The source of advertising may be either Velocity Sports Performance's in-house advertising department or an outside advertising agency.

Company-Owned Units contribute to the Velocity Sports Performance Marketing Fund on the same basis as franchisees. (Franchise Agreement, Section 7.8) Velocity Sports Performance may also require you to contribute at a different rate from other franchisees.

The Velocity Sports Performance Marketing Fund is administered by Velocity Sports Performance. The fund is not itself independently audited; however, Velocity Sports Performance must annually prepare a report of the Velocity Sports Performance Marketing Fund's operations as shown on its books. This report will be prepared at the Velocity Sports Performance Marketing Fund's expense and by written request, made available to you. (Franchise Agreement, Section 7.6)

If all advertising fees are not spent in the fiscal year in which they accrue, the Velocity Sports Performance Marketing Fund may hold or invest the unspent funds for authorized purposes in the future. (Franchise Agreement, Section 7.4)

As the Velocity Sports Performance Marketing Fund has not yet been established, there are no figures available concerning the percentages spent on production, media placement, administrative and other expenses.

Velocity Sports Performance is not required to spend any amount on advertising in the area or territory where your Franchised Business is located. (Franchise Agreement, Section 7.5)

None of the funds contributed to the Velocity Sports Performance Marketing Fund are used for advertising that is principally a solicitation for the sale of franchises.

Limit on Advertising Expenditures.

You are not required to pay more than 6% of your monthly Gross Revenues on monthly Local Advertising expenditures and Advertising Contributions to the Velocity Sports Performance Marketing Fund.

Regional Advertising Cooperative

Velocity Sports Performance reserves the right to create regional advertising cooperatives. The membership of any cooperative will comprise franchised units and company-owned units located within an Area of Dominant Influence ("ADI") as determined by Arbitron. If Velocity Sports Performance forms a regional cooperative in an ADI in which your Franchised Business is located and asks you to join, you must become a member and contribute the amounts described in Item 6. (Franchise Agreement, Section 7.2)

Although Velocity Sports Performance is not directly responsible for administering regional cooperatives, any actions they undertake must first be approved by Velocity Sports Performance. Regional cooperatives must operate from written governing documents available for your review. Regional cooperatives will render quarterly and annual advertising-expenditure reports (and other financial statements as Velocity Sports Performance requires). Velocity Sports Performance will provide you with the reports upon your written request. Velocity Sports Performance reserves the right to change, dissolve, or merge regional cooperatives after they have been formed. (Franchise Agreement, Section 7.2)

The Franchise Advisory Service Team

Velocity Sports Performance has created a Franchise Advisory Service Team ("F.A.S.T.") to serve as an advisory council to Velocity Sports Performance for advertising, marketing, operations, new product and services suggestions, and other matters relating to the franchise system. F.A.S.T. will serve in an advisory capacity only and has no operational or decision-making power. F.A.S.T.'s membership will comprise of franchisees and other parties as we consider appropriate. Velocity Sports Performance reserves the right to change and dissolve the Advisory Council after it has been formed. (Franchise Agreement, Sections 10.1)

Internet Restrictions

Without Velocity Sports Performance's prior written consent, you must not operate—or advertise, market, or otherwise promote—the Franchised Business on the Internet. Nor may you register any domain name containing the words Velocity Sports Performance, or any variation of those words, or establish, operate, or participate in a Web site on which those words appear (other than any Web site operated by Velocity Sports Performance). For any aspect of the System, Chain, or Franchised Business (including, the use of the Proprietary Marks), Velocity Sports Performance retains the sole right to advertise on the Internet, create or operate a Web site or sites, and use Velocity Sports Performance as part of any domain name. Velocity Sports Performance exclusively owns all rights in the domain names and other domain names as Velocity Sports Performance designates in the Velocity Sports Performance Manuals.

Electronic Cash Registers and Computer Systems

Although Velocity Sports Performance does not currently require you to obtain and use a P.O.S. system, it may require you to do so in the future. The P.O.S. System may include computerized cash registers, printer, and modem (as well as other computer hardware, software, and peripherals that

Velocity Sports Performance may periodically designate). You must purchase these items according to any specifications Velocity Sports Performance may establish or from suppliers it designates. Velocity Sports Performance may require you to supplement or replace the P.O.S. System or any of its components. There are no contractual restrictions on its right to do so. If Velocity Sports Performance requests, you must provide it with independent access to the information and data generated and collected by your P.O.S. System. There are no contractual limits on Velocity Sports Performances' right to access this information and data.

You must currently acquire a computer system to operate the VQuickSM Software we license to you. You may choose, however, to license the CheckFree/Aphelion Fitness Manager Software which is comparable to our VQuickSM Software. The VQuickSM Software must be operated on a hosted server operated by ZeeWise.Com. You must also acquire special software to calculate and record accounting and financial information necessary for the operation of your Franchised Business. Computer hardware and the appropriate software must be purchased from suppliers designated by Velocity Sports Performance or comply with specifications that are established by Velocity Sports Performance and may be revised by Velocity Sports Performance in the future. (Franchise Agreement, Sections 4.7 and 4.8) At the present time, the minimum system requirements for your computer hardware are as follows:

HARDWARE COMPONENT	MINIMUM SPECIFICATION
Computer:	IBM compatible
Central Processing Unit:	Pentium 4
Random Access Memory:	256 megabytes
Hard Disk Drive:	20 gigabyte
Printer:	Laser Jet
Modem:	56.6 kilobytes per second
Back-Up Drive:	250 gigabytes
Unlimited Power Supply:	400 watts
 SOFTWARE OPERATING SYSTEM	 SPECIFICATION
Operating System:	Microsoft Windows XP Professional

You must use the Velocity Sports Performance's proprietary VQuickSM Software or the CheckFree/Aphelion Fitness Manager Software to schedule athletes' training sessions, staff hours, and coaching assignments, compile a client, contact, and prospect database and generate reports using information generated from that database, and to track client billings. To track client billings, you will also have to acquire and use the off-the-shelf accounting-management software package that Velocity Sports Performance designates (see next paragraph). Velocity Sports Performance licenses the VQuickSM Software at no extra charge. But to operate it, you must use a hosted server, which will cost you approximately \$505 per month. The Company that operates the hosted server is ZeeWise.Com. (1-678-383-4040). The CheckFree/Aphelion Fitness Manager Software is licensed to you at a monthly charge, which will cost you approximately \$425 per month. The business address for CheckFree Corporation is 1100 Nasa Parkway, Suite 606, Houston, TX 77058 (1-800-342-9800). (Franchise Agreement, Sections 2.10 and 4.8 and Software License Agreement, Section 2.) Velocity Sports Performance has been offering and using the VQuickSM Software since July 2002 and offering the CheckFree/Aphelion Fitness Manager Software since February 2005.

You must purchase the accounting software designated by Velocity Sports Performance.

Velocity Sports Performance currently requires you to purchase QuickBooks Pro for accounting. You must enter into a support contract with and purchase all upgrades and updates of the QuickBooks Pro accounting software. No compatible equivalent software program has been approved by Velocity Sports Performance for use with your system to perform the same functions.

You must upgrade, update, and otherwise improve your P.O.S. System and other computer hardware and software as may be requested in the future by Velocity Sports Performance. There are no limitations on the frequency and cost of your obligation to upgrade, update, and otherwise improve your P.O.S. System and other computer hardware and software. (Franchise Agreement, Sections 4.7 and 4.8) Velocity Sports Performance estimates the annual cost to upgrade and/or update QuickBooks Pro will not exceed \$300. Velocity Sports Performance may periodically develop, or commission the development of, enhancements of the Software and provide them to you. Velocity Sports Performance may charge you development and related fees for such enhancements not to exceed \$1,000 in any year. [Software License Agreement, Section 3.]

Methods Used to Select the Location of Your Franchised Business

You are solely responsible for selecting the site of the Premises for your Franchised Business. Velocity Sports Performance merely has the right to approve or disapprove your selection. Under ordinary circumstances, you will have selected, and Velocity Sports Performance will have approved, if acceptable, the site at or before the time you sign your Franchise Agreement. However, if a site for your Franchised Business has not yet been selected and approved at the time of signing, you must select a Reserved Area acceptable to Velocity Sports Performance, within which area you must subsequently select a site acceptable to Velocity Sports Performance in the manner described below. (Franchise Agreement, Section 2.1)

If you have not selected an approved site for the Premises by the time you enter your Franchise Agreement, within 120 days after executing it, you must submit three proposed sites within the Reserved Area for your Premises. Velocity Sports Performance will attempt to review those proposed sites within seven days from when it receives them. If Velocity Sports Performance does not approve one of the sites, it may terminate your Franchise Agreement. If it does, and if you have not attended Initial Franchise Training, it must refund your Initial Franchise Fee and Marketing and Training Fee, less \$5,000 (which it may keep); however, if you have attended Initial Franchise Training, Velocity Sports Performance may keep the entire \$24,000 Marketing and Training Fee, plus \$5,000 of the Initial Franchise Fee. Velocity Sports Performance may not unreasonably withhold approval of any site that meets its standards for or concerning demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, the proximity to other businesses, educational institutions, and sports facilities, and the nature of these businesses, institutions, and facilities the size, appearance, and other physical characteristics of the site, and any other factors that Velocity Sports Performance may consider relevant to approving or disapproving a site. The Premises (and any proposed site) must be located at least two miles from the boundary of the Protected Territory. Velocity Sports Performance will review site approval submissions on a first-in basis. Within 30 days after it approves a site, you must, at your expense, complete the acquisition or lease arrangements to acquire or lease the approved Premises for the Franchised Business. (Franchise Agreement, Section 4.1)

Time between Signing the Franchise Agreement and Opening the Franchised Business

The typical length of time between your signing of the Franchise Agreement and the opening of your business is expected to be from four to six months. Factors that may affect this typical time period include your ability to negotiate and obtain a lease at a satisfactory location, negotiate and obtain financing, procure the requisite building permits, comply with zoning and local ordinances, install equipment, fixtures, and signage, recruit competent staff, and schedule and complete initial franchise training. In any event, you must be prepared to open your Franchised Business not later than 120 days after both your Business Director and Sports Performance Director have completed Initial Franchise Training, but in no event later than six months after the Agreement Date. (Franchise Agreement, Section 4.4)

Training Program

Both your Business Director and Sports Performance Director must attend and complete, to Velocity Sports Performance's satisfaction, Initial Franchise Training. The training lasts approximately two weeks for both your Business Director and Sports Performance Director and is conducted at Velocity Sports Performance's training facilities in Alpharetta, Georgia, or at other locations as Velocity Sports Performance specifies. Before their appointment to those positions and before they may attend Initial Franchise Training, the Business Director and the Sports Performance Director must have been approved by Velocity Sports Performance. In addition to a written test, Initial Franchise Training includes instruction in sales techniques; community outreach; public relations; marketing, promotions, and advertising; management; sports-performance training and philosophy; operations; athlete and staff scheduling; hiring; and computer applications at a time Velocity Sports Performance schedules. Initial Franchise Training will be provided approximately 60-90 days before the Opening Date. (Franchise Agreement, Section 2.5)

The Marketing and Training Fee reimburses Velocity Sports Performance for providing you with:

- instructors, facilities, training materials, and technical training tools used in connection with Initial Franchise Training;
- transportation to and from Initial Franchise Training, lodging, and meals (including breakfast and lunch but not dinner);
- site-selection and site-planning services (including travel to proposed site); and
- grand opening marketing package (including postcards, client-development brochures, video, ad slicks, Web site, e-mail address and Business-Opening Package).

If Velocity Sports Performance determines that either your Business Director or Sports Performance Director has failed to satisfactorily complete Initial Franchise Training, it may require either that the failing director repeat, and satisfactorily complete, Initial Franchise Training or that you appoint a replacement director who must attend, and satisfactorily complete, Initial Franchise Training. If either the director repeating training or the replacement director fails to satisfactorily complete Initial Franchise Training, Velocity Sports Performance may terminate your Franchise Agreement. If it does, it will refund your Initial Franchise Fee, less \$5,000, but may keep the entire Marketing and Training Fee. (Franchise Agreement, Section 2.5)

Initial Franchise Training is taught by Mike Linn and Saralyn Smith.

Mike Linn's professional experience is described in Item 2 above. Saralyn has been self-employed operating as President of her own company, Varsity Ventures. Saralyn's consulting experience focuses heavily on competency modeling and its applications for performance management. She also has conducted strategy sessions, team building and personality workshops, and goal setting seminars, among others. She received her Master of Science in Organizational Behavior, Summa cum Laude, University of Hartford in May, 2001 and Saralyn qualified to become a professional beach volleyball player for the Association of Volleyball Professionals (AVP) tour.

TRAINING PROGRAM						
SUBJECT	HOW OFTEN HELD	INSTRUCTIONAL MATERIAL	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	INSTRUCTOR	LOCATION WHERE TRAINING HELD
Initial Franchise Business Training ¹	Once a month before franchise opening	Manuals, Workbooks,	8		Linn; Smith	Alpharetta, Georgia corporate offices
	Once a month before franchise opening	Manuals, Workbooks, Videos, Exercise Cards	8		Linn; Smith	Alpharetta, Georgia corporate offices
	Once a month before franchise opening	Manuals, Workbooks, Videos, Software	6	2	Linn; Smith	Alpharetta, Georgia corporate offices
	Once a month before franchise opening	Manuals, Workbooks, Exercise Cards	6	2	Linn; Smith	Alpharetta, Georgia corporate offices
	Once a month before franchise opening	Manuals, Workbooks, Software	6	2	Linn; Smith	Alpharetta, Georgia corporate offices
TOTAL			34 Hours	6 Hours		
	Once a month before franchise opening	Manuals, Workbooks, Videos, Exercise Cards	4	4	Linn; Smith	Alpharetta, Georgia corporate offices
	Once a month before franchise opening	Manuals, Exercise Cards	4	4	Linn; Smith	Alpharetta, Georgia corporate offices
	Once a month before franchise opening	Manuals, Exercise Cards	4	4	Linn; Smith	Alpharetta, Georgia corporate offices
	Once a month before franchise opening	Manuals, Exercise Cards	4	4	Linn; Smith	Alpharetta, Georgia corporate offices
	Once a month before franchise opening	Manuals, Exercise Cards	4	4	Linn; Smith	Alpharetta, Georgia corporate offices
TOTAL			20 Hours	20 Hours		
On-site Training Follow-up	30 days after opening	Manuals, other resources		30	Linn; Smith	Franchisee site
TOTAL				30 Hours		

Velocity Sports Performance may provide refresher training programs, seminars, or advanced management training at Velocity Sports Performance's principal training facility (or other locations

¹ For both your Business Director and Sports Performance Director.

designated by Velocity Sports Performance). Velocity Sports Performance must provide the following supplemental training:

- every year Velocity Sports Performance must conduct a minimum of one regional training conference, which your Business Director and Sports Performance Director must attend; you need not pay any fee for the parties to attend, but you must pay all their travel, lodging, and meal expenses related to attending; and
- every year or every other year Velocity Sports Performance must conduct a national training conference, which your Business Director and Sports Performance Director must attend; you must pay a registration fee for the parties to attend and pay for all their travel, lodging, and meal expenses related to attending. (Franchise Agreement, Section 2.9)

Area Development Agreement

Under your Area Development Agreement you must develop a stated number of Velocity Sports Performance Franchised Businesses within a Designated Territory and designated time. This is addressed in Section 3. of your Area Development Agreement and in the Development Schedule that is attached to that agreement. If you do not open a Franchised Business before the required opening date under the Development Schedule, we may either terminate your right to develop that Franchised Business or terminate your entire Area Development Agreement. At all times during the Development Schedule, you must continuously operate the number of Franchised Businesses then required to be operated under the Development Schedule. (Area Development Agreement, Sections 3 and 6.)

ITEM 12. TERRITORY

Franchise Agreement

Grant for a Specific Area

Your Velocity Sports Performance Franchise is granted for a specific location that you select and Velocity Sports Performance approves if acceptable. This location may not be changed without Velocity Sports Performance's prior written consent. Although you must operate the Franchised Business only at the Premises, you may provide authorized services off-site (at places such as high-school- and college-team sports facilities) within the Protected Territory according to Velocity Sports Performance Manuals. You must not service clients from locations outside of your Protected Territory. Your Premises must be located at least two miles from the boundary of the Protected Territory.

Protected Territory

The Franchise Agreement grants you a Protected Territory generally defined in terms of a geographic area encompassing a minimum of 20,000 to 50,000 children and young adults between the ages of 0 and 24. This geographic area is computed by a demographic software program based on the results of the United States Census. If you are not in default under your Franchise Agreement, Velocity Sports Performance must not open or franchise or operate another Velocity Sports Performance franchised business or Company-Owned Unit within the Protected Territory.

You must participate in either the Gold Program or the Silver Program. If you are in the in the Gold Program:

- your Protected Territory must encompass a population of at least 50,000 children and young adults not older than 24 years old; and