Athletic Positioning Shoe ™

Presentation to Under Armour
August 22, 2013

UNDER ARMOUR, INC. v. ATHALONZ, LLC
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Presentation Overview

- About AdMark Athletic Ventures (AdMark)
- AdMark's Athletic Positioning Innovation
- How and Why the Athletic Positioning Innovation Works
- "Game-Changer" in the Athletic Shoe Market
- Value of Athletic Positioning Innovation
- Why Under Armour
- IP Protection of the Athletic Positioning Innovation
- Transaction Opportunities

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About AdMark

- AdMark was formed in 2011
- **Business**:
  - Create and Develop athletic performance enhancing products, concepts, and techniques; and
  - Work with professional and ex-professional athletes and coaches to develop, protect, and bring their ideas to market;
- **Our Mission:** To make the performance enhancing ideas of professional athletes and coaches available to every athlete.
- **Members**:
  - **Rick Adair** – Baltimore Orioles Pitching Coach with over 30 years of experience in professional baseball;
  - **Tim Markison** – Patent Attorney with 25 years of experience and inventor with 69 issued patents and 143 pending patent applications;
  - **Dr. Preston Wolin** - Director and Founder of the Center for Athletic Medicine, Ltd. in Chicago, IL and Associate Professor of Orthopedics at University of Illinois with over 30 years of experience as an orthopedic surgeon;
  - **Wayne Tolleson** – 10 year MLB career, 20 years of experience as a Sales Executive;
  - **Rene Urrutia** – Certified Pedorthist with over 35 years of experience;
  - **Bill Lichte** – 21 year Military Veteran and 25 years of contracting experience;
  - **Travis Adair** – Minor League Baseball Player;

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Athletic Positioning Innovation

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Problem Recognition

- Rick has been studying elite athletes for nearly thirty years and has observed that:
  - From athlete to athlete, athletic potential varies; and
  - Many athletes don't live up to their athletic potential for a variety of reasons (i.e., there is a gap between their actual athletic performance and their athletic potential);

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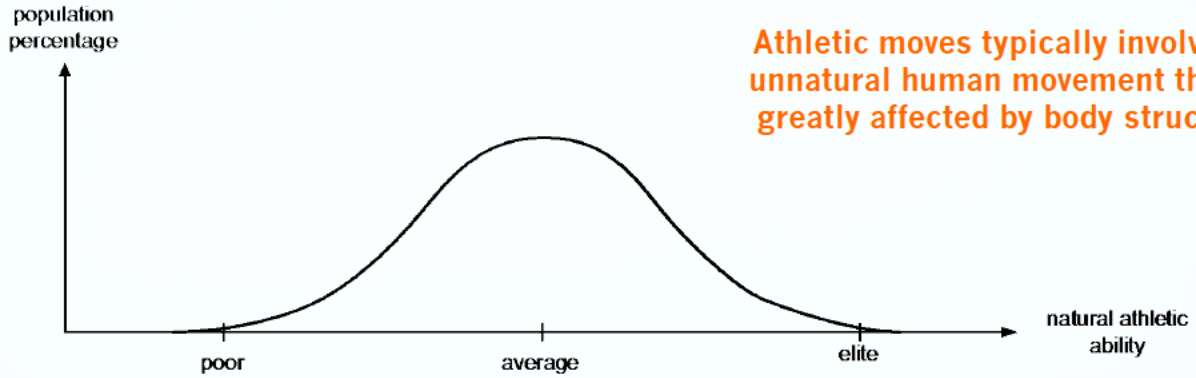
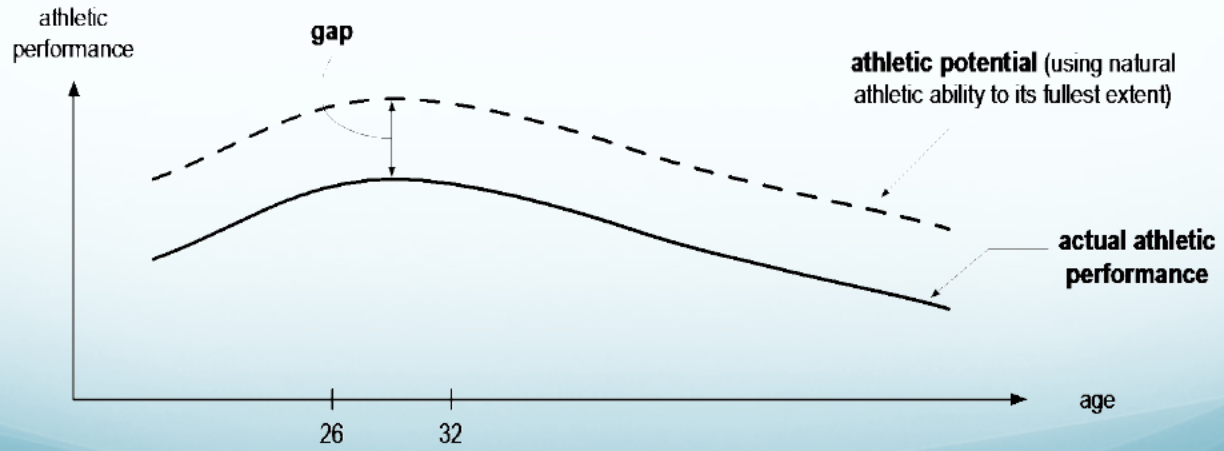
Problem Recognition



Athletic moves typically involve an unnatural human movement that is greatly affected by body structure



individual athletic performance v. age

from any point on the above curve

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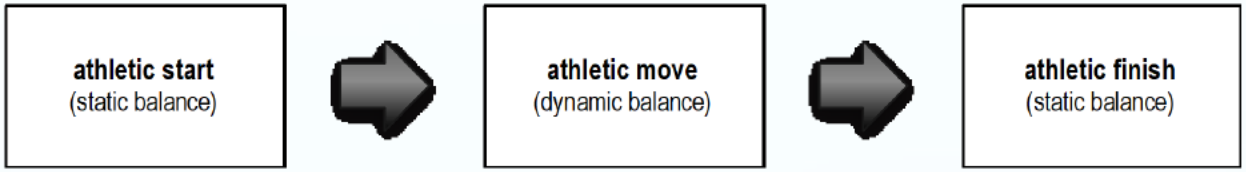
Problem Analysis

Break Down of an Athletic Move



Maximum athletic performance requires the states to be optimally performed

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Elements of Optimal Athletic Movement Performance

start for next athletic move

athletic start (static balance)	athletic move (dynamic balance)	athletic finish (static balance)
Athletic Position (Posture)	Athletic Posture	Athletic Position (Posture)
Feel	Rhythm & Feel	Feel
Energy Loading	Energy Transfer	Energy Absorption & Loading
Alignment	Direction of Force	Alignment

If any one of these elements is less than optimal, an athlete will never reach his or her athletic potential

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Other Factors For The Gap

- Inadequate mental preparation:
  - **Too much thought;**
  - Inadequate concentration;
  - Too many negative emotions;
  - Lack of belief;
- Inadequate training:
  - Poor technique, which may be a byproduct of poor athletic positioning;
  - Not enough reps;
  - Lack of effort;
  - Overtraining;
- Low energy level and/or fatigue;

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Reducing The Gap

- Rick developed a **"ground up"** approach to pitching that focused on improving Athletic Start, Athletic Move, Athletic Finish and transitions between them;
- While developed for professional pitchers, the Ground Up Approach works for any level of athlete in any sport that requires performance of an athletic move;

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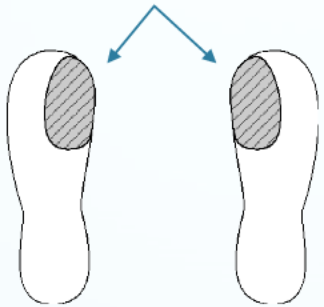
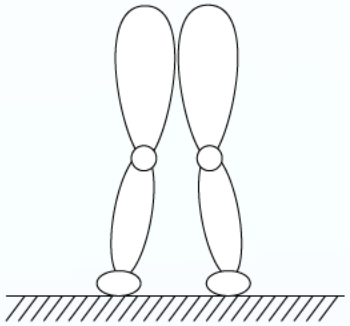
The Ground Up Approach

Athletic positioning starts with the feet:

Weight on inner edge of balls of the feet, which are about shoulder width apart

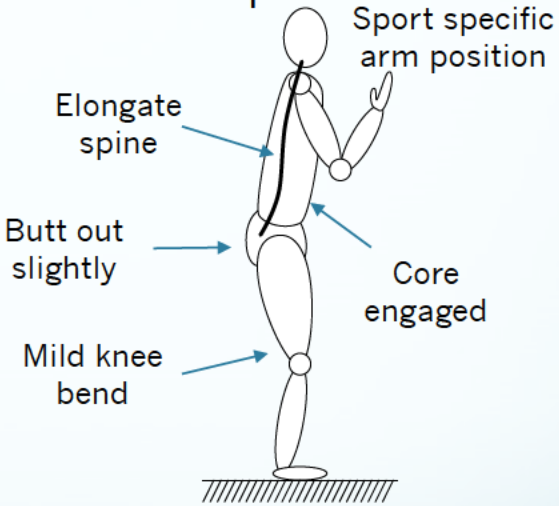


Lower half adjusts:



Weight on inside of legs: Ankles, calves, and thighs adjust to athletic positioning of feet

Elongated spine



Want to feel:

- Feet engaging the ground through the balls of the feet & weight on inside of legs **building energy in legs**;
- Butt sticking out & chest over toes;
- Spine elongating; and
- Core engaging;

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Issue With Ground Up Approach

- Rick experimented with pitchers teaching them how to get into a better athletic start using rosin bags;
- For some pitchers, after feeling a good athletic position with the use of the rosin bags, they were able to mimic the feeling without the rosin bags;
- However, many pitchers were not able to mimic the feeling and, of those that were able to mimic the feeling, they had to think about it and, at times, had a tendency to fall out of the good athletic starting position;

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Creating A Solution

- We created a sole and/or an insole that provides:
  - a linear heel section that is higher than the toe section (i.e., downward slope from heel to toe); and
  - The inner edge of the ball of the foot and/or big toe portion of the toe section is lower than the outer edge of the toe section (i.e., inward slope from outside edge of front foot area to inside edge of front foot area);
- **Our Athletic Positioning Concept gives the athlete the optimal foot positioning for an optimal Athletic Start**;

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Prototyping & Testing

- Have gone through several versions of prototypes to find a balance of angles, support, and materials;
- Have professional athletes wearing the prototype shoes in games;
- Tested athletes wearing the prototype athletic shoes for:
  - Generalized athletic moves; and
  - Sport specific athletic moves;
- The learning curve to convert better athletic positioning into better athletic performance has been fairly quick (closing the gap just by wearing the athletic positioning shoes, but some may need additional training to further reduce the gap);

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Prototyping

Professionals wearing Athletic Positioning Shoes in competition:

- Tommy Hunter: Major League Pitcher, Baltimore Orioles;
- Tyler Thornburg: Major League Pitcher, Milwaukee Brewers;
- Jim Johnson: Major League Pitcher, Baltimore Orioles;
- Jason Hammel: Major League Pitcher, Baltimore Orioles;
- Pedro Strop: Major League Pitcher, Chicago Cubs;
- Travis Adair: A+ Minor League Second Basemen, Baltimore Orioles;

Professionals having Athletic Positioning Shoes but have not yet used them in a game:

- Chris Tillman: Major League Pitcher, Baltimore Orioles;
- Darin O'Day: Major League Pitcher, Baltimore Orioles;
- Jake Arietta: Major League Pitcher, Chicago Cubs;

Making Athletic Positioning Shoes for:

- Doug Fister, Major League Pitcher, Detroit Tigers;

Former Major League Players:

- John Smoltz;
- Orel Hershieser;
- Jim Thome;

Six baseball players from Cleveland State JC;

Two Semi-Pro football players;

Several amateur basketball players;

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Tommy Hunter

With the Athletic Positioning Shoes:
ERA is down 46%
WHIP is down 29%
HR/9 is down 53%

Tommy Hunter's Stats	W	L	IP	ER	H	HR	BB	ERA	WHIP	HR/9 innings
Career Prior to AP shoes	33	25	475.2	252	528	85	111	4.77	1.34	1.6
Career with AP shoes	**3**	**1**	**59**	**17**	**45**	**5**	**11**	**2.59**	**0.95**	**0.76**

Stats through 8/14/13

"(With the AP shoes) Hunter has unbelievable command, velocity, and feel" – Rick Adair, April 2013

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Baseball Specific Athletic Performance Instructions

- Working with the following coaches to develop performance instructions to best leverage being in a good athletic position;
  - Pitching by Rick Adair;
  - Hitting by Ty Van Burkleo, Cleveland Indians Hitting Coach; and
  - Fielding by Perry Hill, Miami Marlins Infield & 1st Base Coach;

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How and Why Athletic Positioning Innovation Works

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What Do You See Here?

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Here?

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Here?

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Energy Transfer Is Key In Virtually All Sports

- The amount of energy required cannot be done with just the arm/leg alone;
- The arm/leg simply cannot generate that much force;
- The rest of the body must be 'recruited' to accomplish the athletic task;

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Energy Transfer In Throwing

- Anterior force on shoulder on cocking: 40% BWt;
- Distraction force: 80%;
- Speed of elbow: 600/nm;

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Energy Transfer

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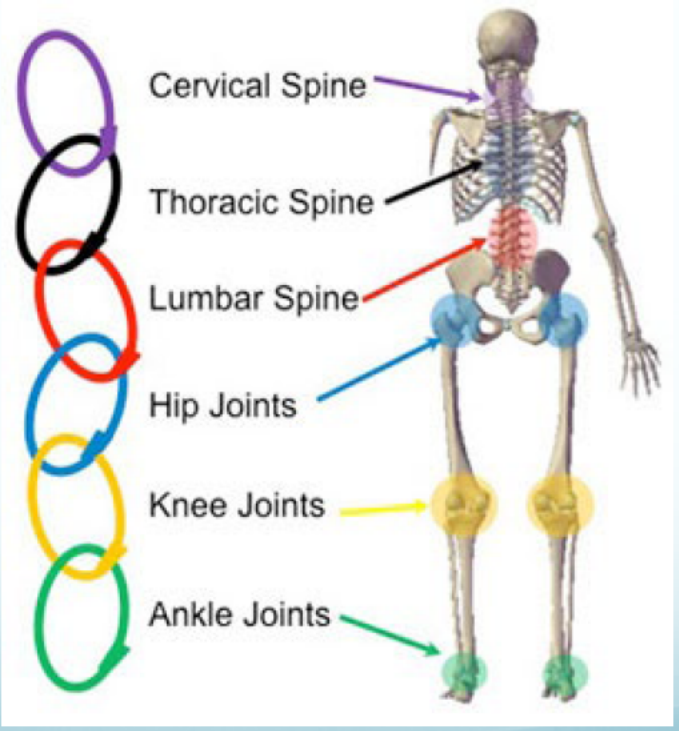
Biomechanics

- Series of Linkages that Allow for Transfer of Energy



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Athletic Performance

Optimal Athletic Performance Requires Maximum Efficiency of Energy Transfer

Arrows represent energy transfers

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Now What Do You See?

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Medical Opinion

- From a sports performance perspective the **concept** behind the shoes is to **place the foot in a more athletic position**.
- From a biomechanical standpoint, the effect is to enhance the ground foot interface. This **results in a more efficient movement throughout the kinetic chain and the delivery of energy**. The chain itself is a series of links connecting the foot to the ankle, knee, hip, trunk, etc.
  - In running sports the energy is largely delivered to the lower extremities.
  - In throwing sports and hitting sports the energy is eventually transferred to the arm through connections to the shoulder, elbow, wrist and hand.
- The idea of **enhancing the kinetic chain is well founded in sports science**. All sports involve the transfer of muscle energy from the ground up. A **more efficient transfer of energy results in more energy being delivered during the performance event**.
- Our experience has shown both improvement in performance testing and no injuries attributable to the shoes themselves. In fact increase efficiency of energy transfer has the **real potential to decrease injury**.

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Mind – Body Connection

- Better athletic positioning improves mind-body connection;
  - Proprioception is improved:
    - The sense of the relative position of the neighboring parts of the body and strength of effort being employed in movement, which ties into the kinetic chain;
  - Spine is more open, allowing neurotransmitters to flow more freely;
  - Relaxation is improved by working within the natural movements of the body;

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“Game-changer” In The Athletic Shoe Market

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Athletic Shoe Market

Is Big:

2012 Athletic Shoe Market Size

	World Wide	N. America	USA
Sales	$29.70B	$14.92B	$13.80B
Units (M) *	495	249	230

* Assumes average selling price of $60.00

- Is Slow Growing: Sports footwear market CAGR is expected to be 2/1% from 2011-2018:
- Is Dominated by a Few: Nike, Adidas and Puma collectively control 87%. *The Athletic Shoe Industry Analysis*, Skip Spencer, Prezi, March 12, 2013
- Is Profitable: Gross Margins approximately 45-50%; source: various annual reports

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Need New Innovation To Disrupt Market Shares

- There are few untapped markets [in the athletic shoe market], **gaining market share means taking it from a competitor**, which adds to rivalry. All athletic shoes are very similar, with the exception of some technological advances patented by a manufacturer, meaning they are very substitutable, making price more important. *The Athletic Shoe Industry Analysis*, Skip Spencer, Prezi, March 12, 2013

- **New technological breakthroughs can differentiate a shoe** just enough that consumers will want it and may even switch from their normal brand, its all about looking for "the next big thing". *The Athletic Shoe Industry Analysis*, Skip Spencer, Prezi, March 12, 2013

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Example Of Innovation Disrupting Market Shares

- Reebok's Air Pump Shoes (While an old example, it is still a good example);
  - Jan, 1990 to June, 1991 Reebok shipped four million pairs of the inflatable sneakers;
  - Pump sales alone reached $500 million, a figure that would make the Pump the fourth-largest athletic shoe company in the United States if it were a separate company;
  - Reebok was No. 2 behind only Nike;
  - For three years prior to the Pump, profits were flat;
  - In each of 1990 and 1991, revenue grew by more than 8 percent;
  - Since the early 1990's, Reebok's sales where up and down until acquired by Adidias in 2005;
- Other Examples (Nike Air -1979; Asics Gel – 1986; Nike Flywire 2008; Brooks BioMoGo DNA – 2009; Reebok ZigTech – 2010; Under Armour CompFit – 2011; Puma Mobium – 2012)

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Limited Patented Athletic Shoe Innovations

- Innovation has been in three primary categories:
  - Comfort/Fit;
  - Durability;
  - Manufacturing;
- What performance innovation that has been patented is regarding:
  - Traction; or
  - Energy return/shock absorption;
  - Weight reduction
- For example, Nike has 163 issued patents regarding shoes*:
  - 115 in primary three categories (9 durability; 53 comfort; and 53 manufacturing);
  - 19 in performance category;
  - 29 regarding a variety of other features of shoes;

(*based on search of Nike as assignee and "shoe" in the abstract)

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Athletic Positioning Is A Disruptive Technology

- Athletic positioning is a disruptive technology because **it is the first athletic shoe innovation that focuses on obtaining a better athletic position to improve athletic performance.**
- Disruptive near term and for years to come:
  - Our patent pending technology includes:
    - Multiple versions of the basic concept of athletic positioning for near term product releases; and
    - Many advanced concepts enabling a series of disruption innovations for years to come.

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Value Of Athletic Positioning Innovation

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Footwear Applications

- **Athletic Positioning Shoes**:
  - Baseball;
  - Football;
  - Basketball;
  - Golf;
  - Soccer;
  - Tennis;
  - Running;
  - Skiing;
  - Training;
  - etc.
- **Athletic Positioning Insoles**;
- **Athletic Positioning Attachments**:

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Value In Athletic Shoe Market

- Increased profit margins:
  - Athletic shoes with new technology initially sell for $100 - $200;
  - Negligible increase in manufacturing costs to incorporate athletic positioning;
  - Gross profit margins: 60% - 80%; (assumes manufacturing cost of $30 and marketing cost of $10)
- Disruptive technology can increase annual market share by 1-5%, or more;
  - For 2012, 1% of US Market is $138M;
  - For 2012, 5% US Market is $690M;
- Annual licensing revenue:
  - License third parties in non-competing specific athletic shoe market segments at 1-2% of selling price (e.g., $1 - $4 per pair of shoes);
  - If non-competing specific athletic shoe market is 5% of total market, then for 2012 licensing revenue would have been $69M to $138M;

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Additional Value

- Redirects the word 'performance' from being a marketing tag line to a factual headline;
- Provides an answer to the question every professional / backyard athlete wants to know "how can you make me better?"
  - Is the buy-in for professional players;
  - Youth, adult amateurs, high school, and college athletes will follow;
- Expand brand recognition into new markets with insoles and attachments by obtaining shelf space with big retail chains;

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Why Under Armour

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Why Under Armour

- Under Armour's mission: TO MAKE ALL ATHLETES BETTER THROUGH PASSION, DESIGN AND THE RELENTLESS PURSUIT OF INNOVATION.
- Published on the walls around headquarters is the quote: "We haven't made our defining product yet." Plank truly believes his company is yet to make the one product that everyone wants, that will change the culture. *Wed Mar 6, 2013 3:41 PM EST, NBC News*
- Growth of footwear business is important to growth of Under Armour; (paraphrased from 2012 annual report)

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Why Under Armour

- We want to work with a company that embraces innovation and wants to disrupt the market;
- Our technology:
  - fits with Under Armour's mission of making athletes better;
  - is a game-changer giving Under Armour an opportunity to significantly increase its athletic shoe market share;
  - includes near-term and advanced innovations allowing Under Armour to release disruptive technology athletic shoes for years to come;
- Athletic Positioning Shoes could be one of Under Armour's defining products;

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IP Protection Of The Athletic Positioning Innovation

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Intellectual Property Strategy

- **Objective**: Have sufficient patent coverage that makes it virtually impossible to implement the athletic positioning concept without infringing one or more of the patents;
- **Implementation**: Create a patent portfolio of 15 – 20 patents that covers a wide spectrum of near-term and future applications and implementations of the athletic positioning concept;
  - File provisional application covering all inventions;
  - File initial non-provisional utility applications with direct priority to provisional application and including all subject matter of the provisional patent applications;
  - File Continuation patent applications and Continuation in part applications from pending initial non-provisional utility applications leveraging data gained from prototyping, testing, and user feedback;
- Tim Markison's issuance to filing ratio is about 95%, thus expect to most, if not all, of patents to issue;
- File Trademark applications regarding "Athletic Positioning"

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Pending Intellectual Property

- Patent Applications:

  Provisional patent application entitled "ATHLETIC POSITIONING FOOTWEAR", having a serial number of 61/450,485 and a filing date of 2011-03-08, which provides priority for:

  1. "ATHLETIC POSITIONING APPARATUS AND APPLICATIONS THEREOF", having a serial number of 13/355,778 and a filing date of 2012-01-23;
  2. "ATHLETIC POSITIONING APPARATUS INCLUDING A HEEL PLATFORM AND APPLICATIONS THEREOF" having a serial number of 13/355,801 and a filing date of 2012-01-23;
  3. "ADJUSTABLE ATHLETIC POSITIONING APPARATUS AND APPLICATIONS THEREOF" having a serial number 13/867,406 and a filing date of 2013-04-22 **(Track 1 filing)**;
  4. "ATHLETIC SHOE INCORPORATING AN ATHLETIC POSITIONING SOLE", having a serial number of 13/867,436 and a filing date of 2013-04-22 **(Track 1 filing)**;
  5. "BASEBALL SHOE WITH CLEAT PATTERN FOR PITCHING", having a serial number of 13/935,926 and a filing date of 2013-07-05;
  6. "ATHLETIC SHOE WITH ATHLETIC POSITIONING CLEAT PATTERN" having a serial number of 13/935,992 and a filing date of 2013-07-05 **(Track 1 filing)**;
  7. "ATHLETIC SHOE WITH ATHLETIC POSITIONING PATTERN", having a serial number 13/936,029 and a filing date of 2013-07-05;

- Trade Mark Applications for:
  - "Athletic Positioning Shoe"; and
  - "Athletic Positioning Technology";

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Disclosed Subject Matter

- Subject matter disclosed in pending patent applications but not yet claimed:
  1. Athletic positioning with differing big toe & ball-of-foot area (figures 11,14-21);
  2. Athletic positioning with compressible and rigid materials (figures 34 – 37);
  3. Athletic positioning with recoil material (figures 38 – 43, 86 - 88);
  4. Athletic positioning with combination angles (figures 48 – 54);
  5. Athletic positioning sole with stabilizing sole bottom (figures 65 – 66);
  6. Varying athletic positioning (figures 93 – 96, 101 - 110);
  7. Athletic positioning with custom fit (figures 97 – 100);
  8. Normal to athletic positioning (figures 112 – 115);
  9. Add-on athletic positioning (figures 129 – 139);
  10. Athletic positioning pitching rubber (figures 140 – 143); and
  11. Secure fit athletic positioning shoe (figures 144 – 150).

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Transaction Opportunities

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Transaction Options

- Acquisition of Rights:
  - Purchase some or all of the IP portfolio;
  - Exclusive license some or all of the IP portfolio; or
    - Use limits (e.g., baseball, football, etc.);
  - Non-Exclusive license some or all of the IP portfolio;
    - Use limits (e.g., baseball, football, etc.);
- Compensation:
  - Up front cash payment;
  - On-going royalty for Under Armour sales of products that include athletic positioning; and
  - If Rights are purchased, a percentage of licensing revenue generated by Under Armour in licensing (or sub-licensing) athletic positioning to third parties;

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Pre-Patent Issuance Transaction Options

- Enter into an agreement with the following general terms and conditions:
  - Up front payment;
  - Minimal on-going royalty that ramps up as patents issue for Under Armour sales of products that include athletic positioning;
  - A percentage of licensing revenue generated by Under Armour in licensing (or sub-licensing) athletic positioning to third parties that starts when a patent issues and ramps up as more patents issue;
  - On-going patent prosecution remains AdMark's responsibility;
- Wait Until Patent(s) Issue;

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Next Steps

- Option period for evaluation
- Term Sheet
- Definitive Agreement

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Additional Slides

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  1. "ATHLETIC POSITIONING APPARATUS AND APPLICATIONS THEREOF", having a serial number of 13/355,778 and a filing date of 2012-01-23;
  2. "ATHLETIC POSITIONING APPARATUS INCLUDING A HEEL PLATFORM AND APPLICATIONS THEREOF" having a serial number of 13/355,801 and a filing date of 2012-01-23;
  3. "ADJUSTABLE ATHLETIC POSITIONING APPARATUS AND APPLICATIONS THEREOF" having a serial number 13/867,406 and a filing date of 2013-04-22 **(Track 1 filing)**;
  4. "ATHLETIC SHOE INCORPORATING AN ATHLETIC POSITIONING SOLE", having a serial number of 13/867,436 and a filing date of 2013-04-22 **(Track 1 filing)**;
  5. "BASEBALL SHOE WITH CLEAT PATTERN FOR PITCHING", having a serial number of 13/935,926 and a filing date of 2013-07-05;
  6. "ATHLETIC SHOE WITH ATHLETIC POSITIONING CLEAT PATTERN" having a serial number of 13/935,992 and a filing date of 2013-07-05 **(Track 1 filing)**;
  7. "ATHLETIC SHOE WITH ATHLETIC POSITIONING PATTERN", having a serial number 13/936,029 and a filing date of 2013-07-05;

- Trade Mark Applications for:
  - "Athletic Positioning Shoe"; and
  - "Athletic Positioning Technology";

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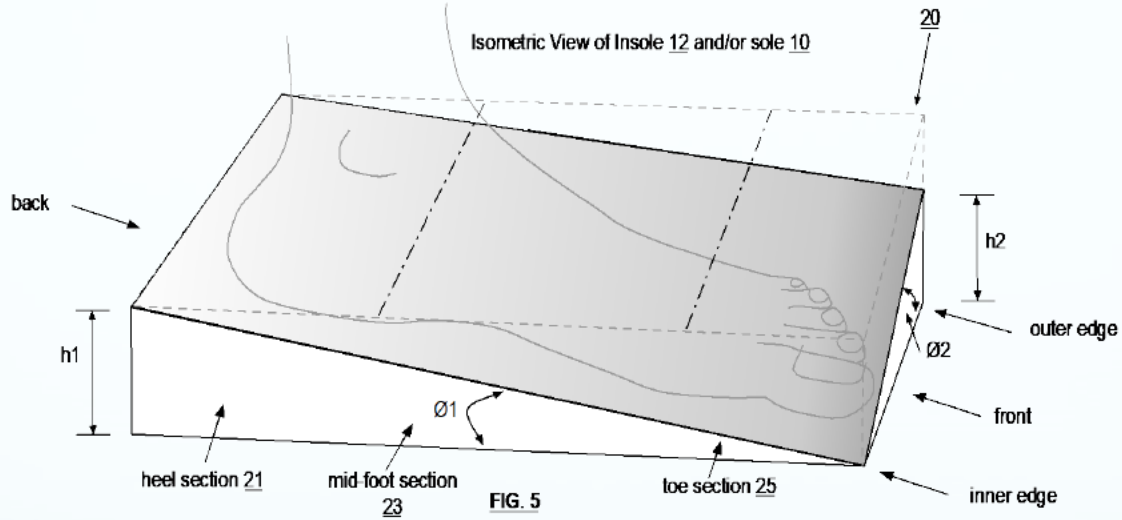
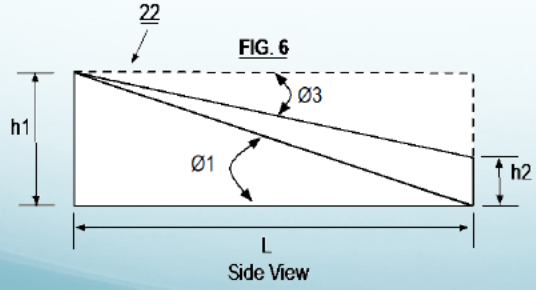
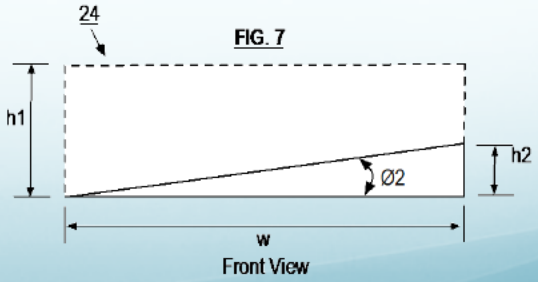
Athletic Positioning Platform







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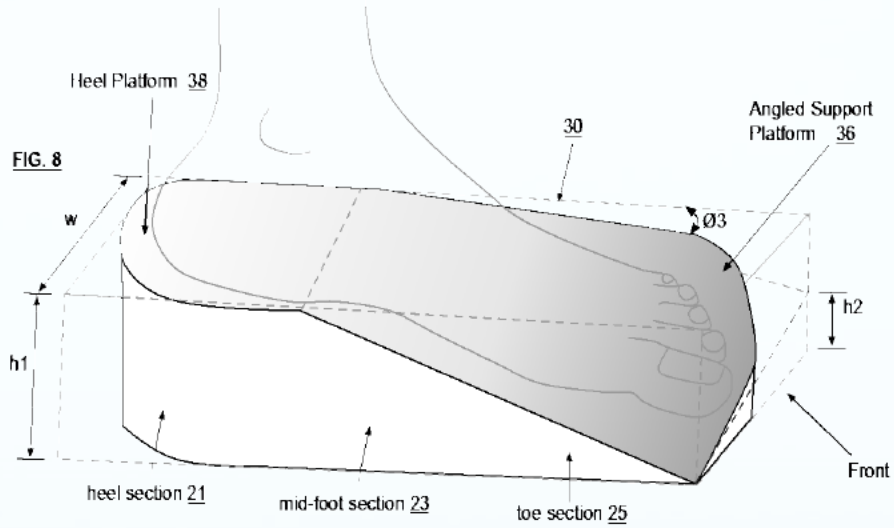
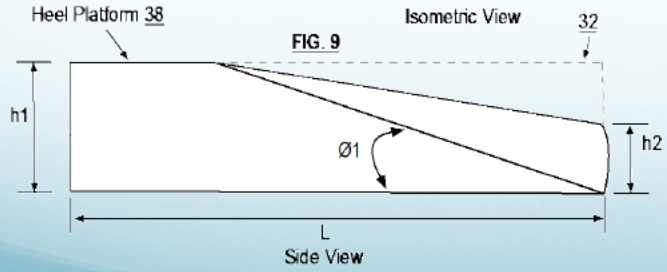
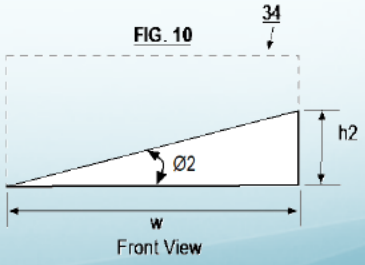
Athletic Positioning with Heel Platform







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Adjustable Athletic Positioning

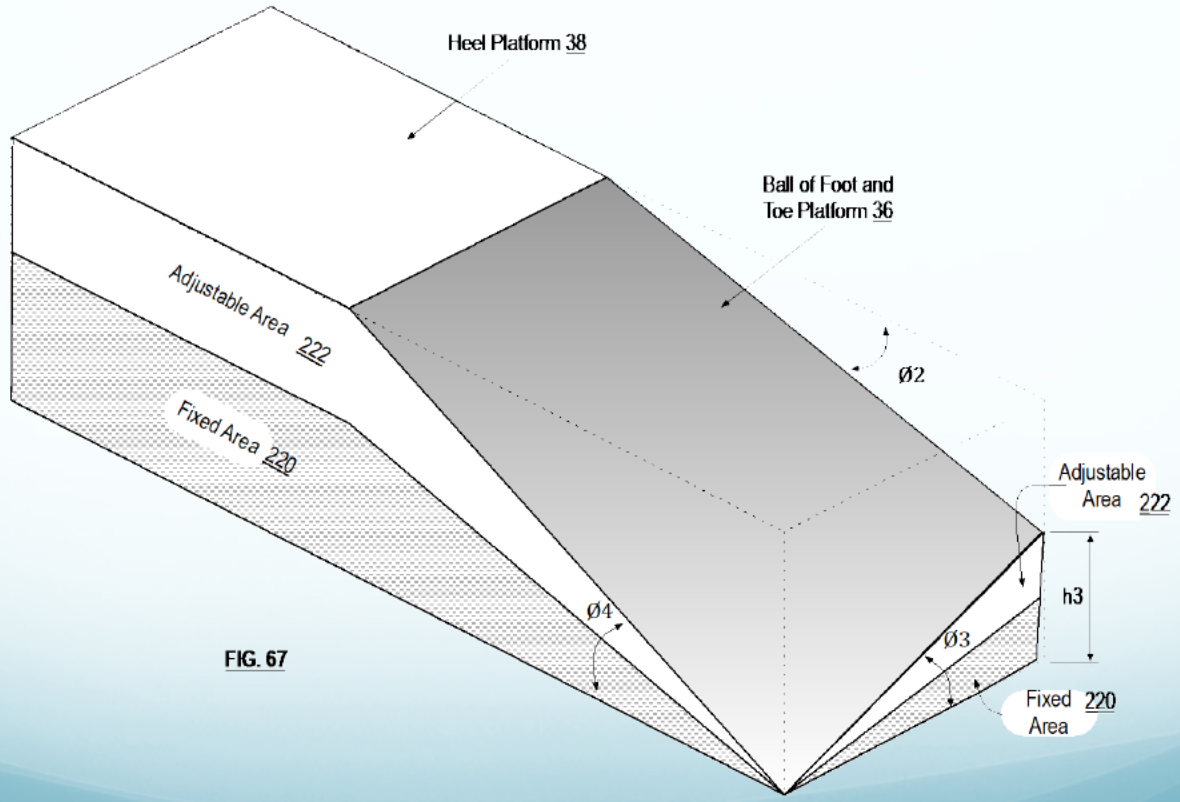

FIG. 67

Athletic Positioning Gradient Platform

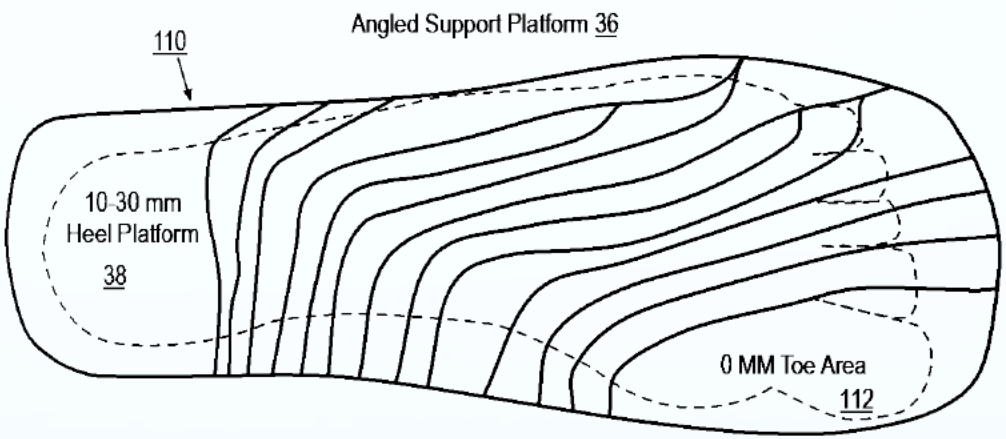

FIG. 20

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Pitcher Cleat Pattern for Athletic Positioning Baseball Shoe

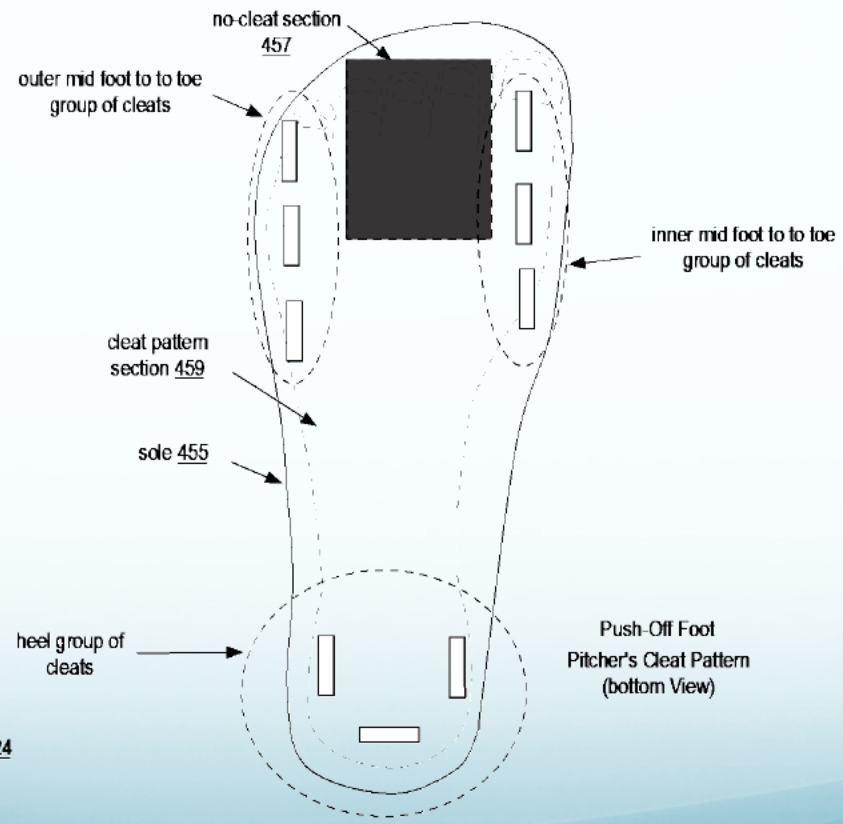

FIG. 124

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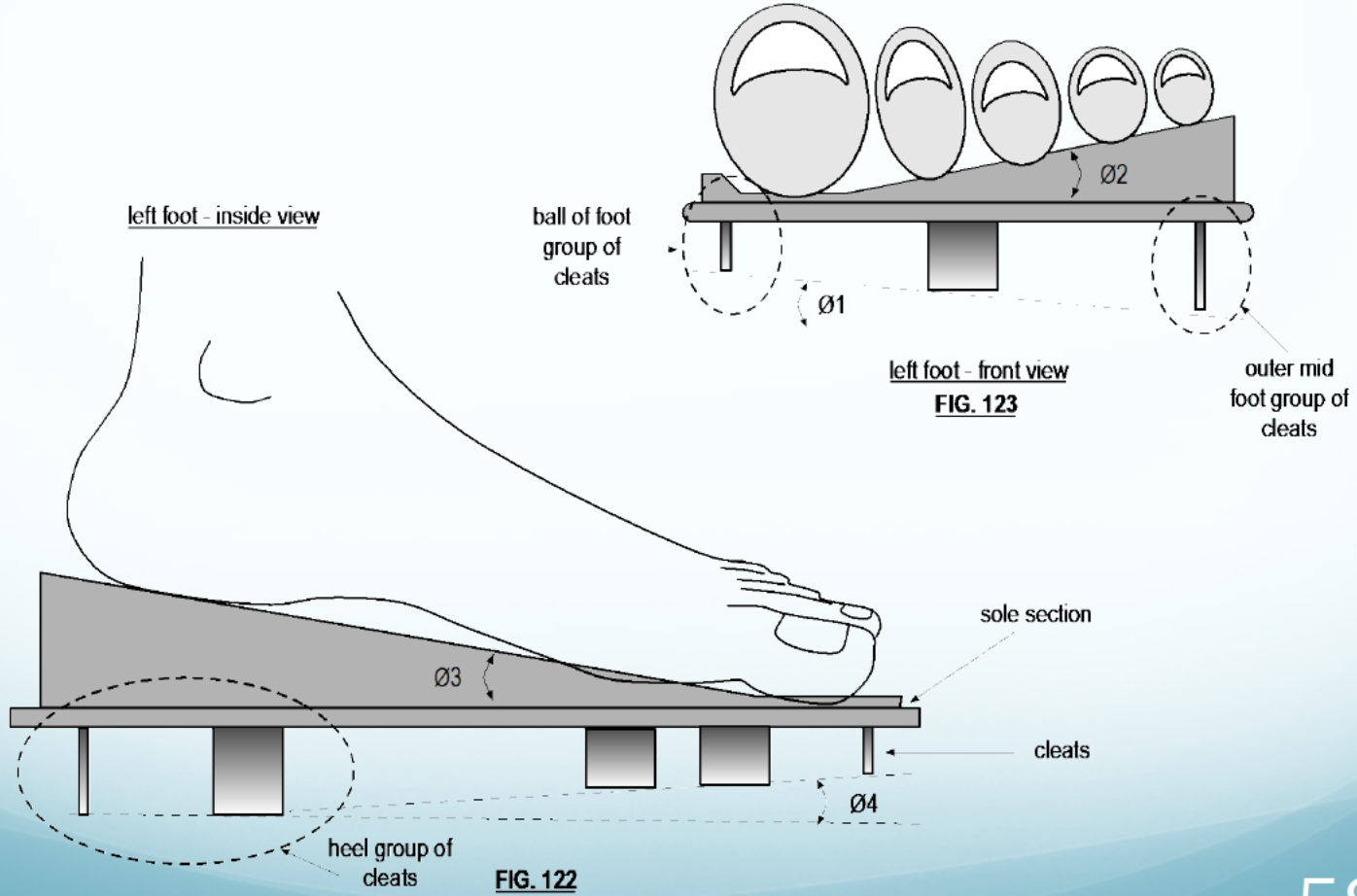
Athletic Positioning Cleat Pattern



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Athletic Positioning Cleat Pattern

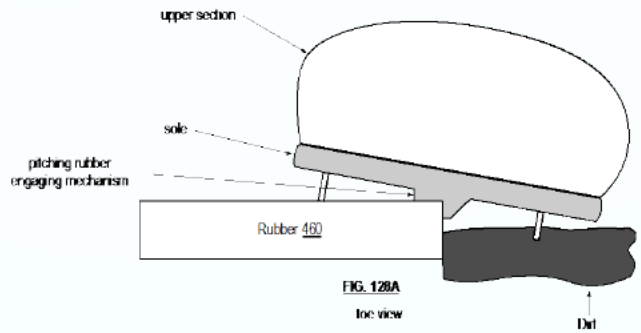

FIG. 128A

toe view

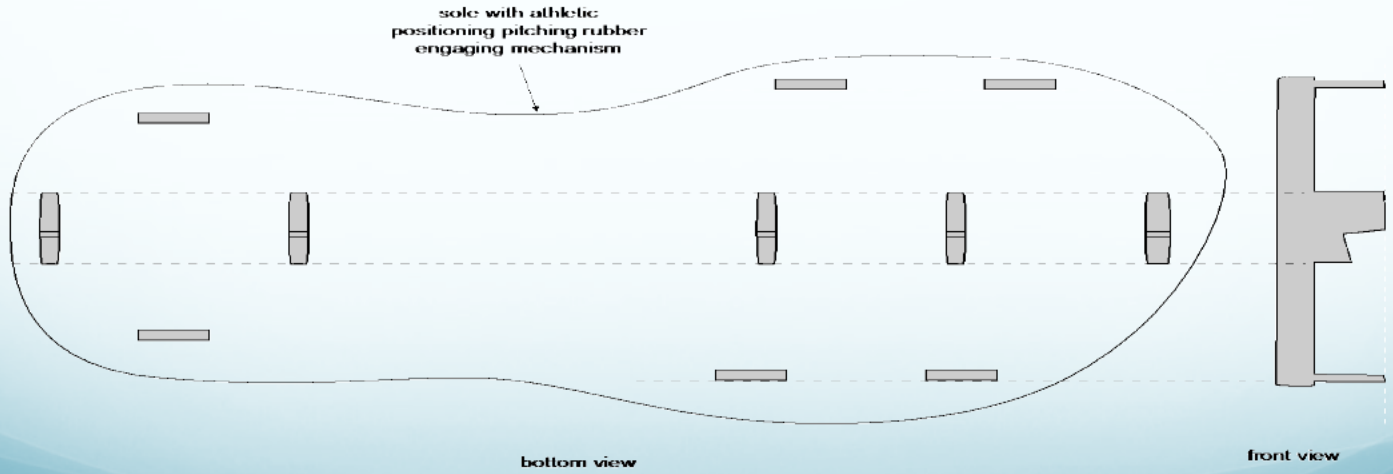

FIG. 128G

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Disclosed Subject Matter

- Subject matter disclosed in pending patent applications but not yet claimed:
  1. Athletic positioning with differing big toe & ball-of-foot area (figures 11,14-21);
  2. Athletic positioning with compressible and rigid materials (figures 34 – 37);
  3. Athletic positioning with recoil material (figures 38 – 43, 86 - 88);
  4. Athletic positioning with combination angles (figures 48 – 54);
  5. Athletic positioning sole with stabilizing sole bottom (figures 65 – 66);
  6. Varying athletic positioning (figures 93 – 96, 101 - 110);
  7. Athletic positioning with custom fit (figures 97 – 100);
  8. Normal to athletic positioning (figures 112 – 115);
  9. Add-on athletic positioning (figures 129 – 139);
  10. Athletic positioning pitching rubber (figures 140 – 143); and
  11. Secure fit athletic positioning shoe (figures 144 – 150).

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Athletic Positioning with Different Toe Section

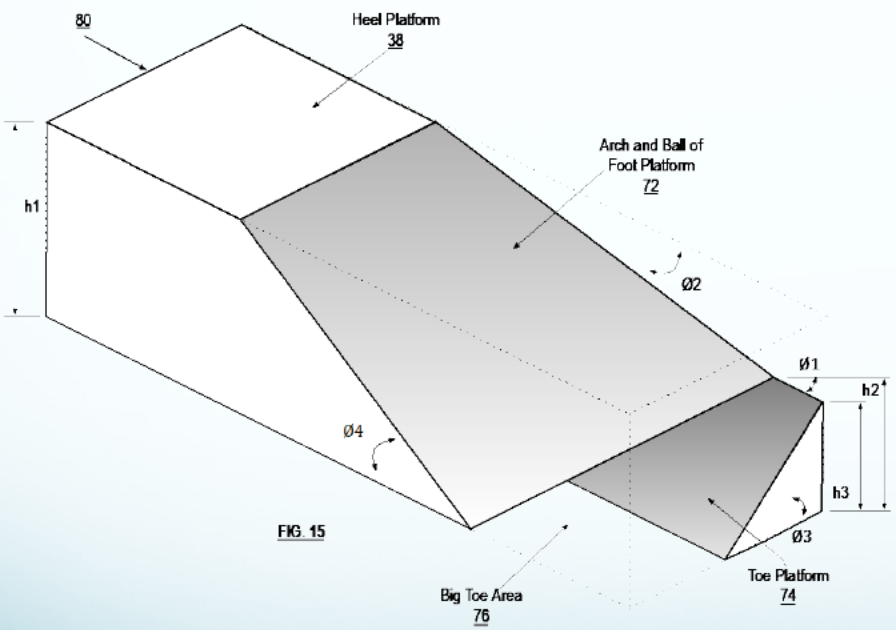


FIG. 15

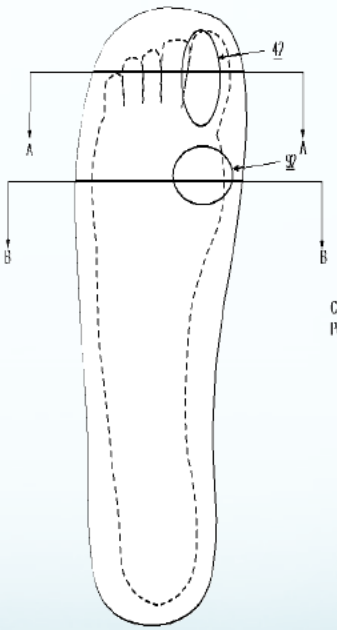
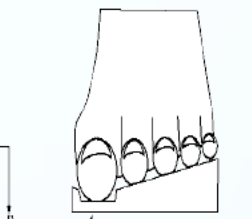


FIG. 16



Cross Section A-A

FIG. 17

Cross Section B-B

FIG. 18

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Athletic positioning with compressible and rigid materials

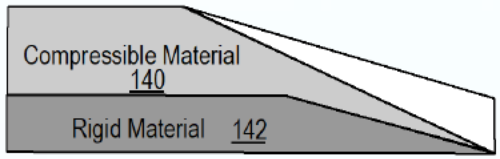

FIG. 34
Insole Side View

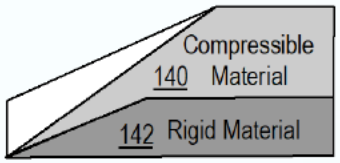

FIG. 35
Front View

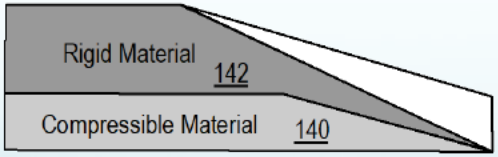

FIG. 36
Insole Side View

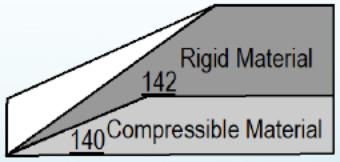

FIG. 37
Front View

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Athletic positioning with recoil material

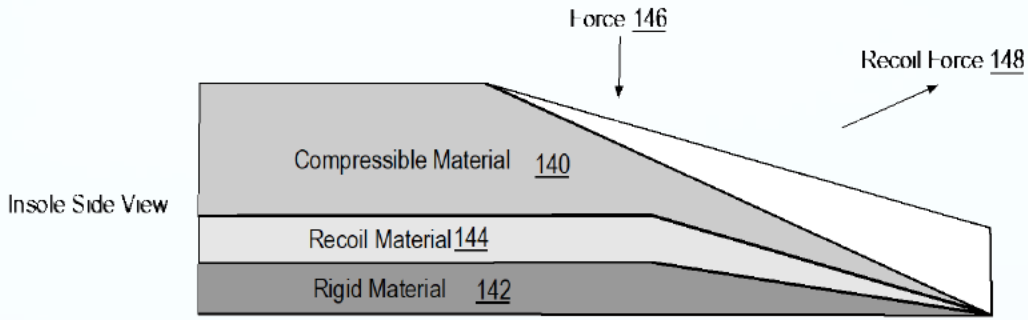

FIG. 38

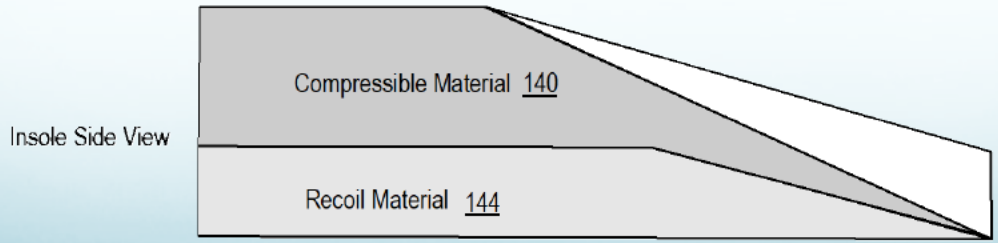

FIG. 39

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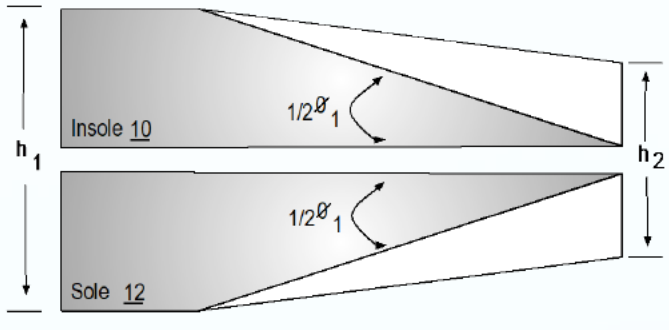
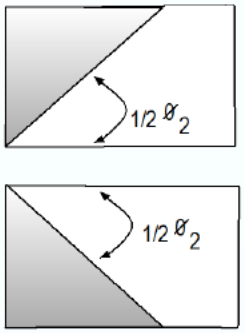
Athletic positioning with combination angles

Side

FIG. 48

Can be other ratio than 50/50 could have more or less insole.





Front

FIG.51

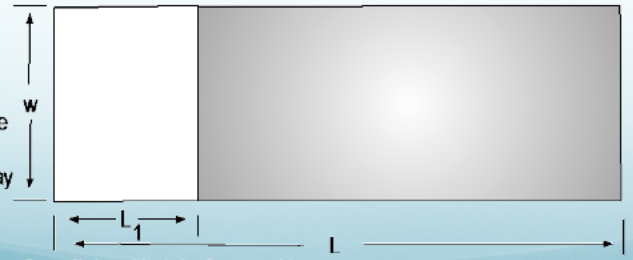
Top

FIG. 49

Bottom

FIG. 50

NOTE: Could have various rounding of corners, overall shape more like a sole or insole. Shown this way for slopes



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Athletic positioning sole with stabilizing sole bottom

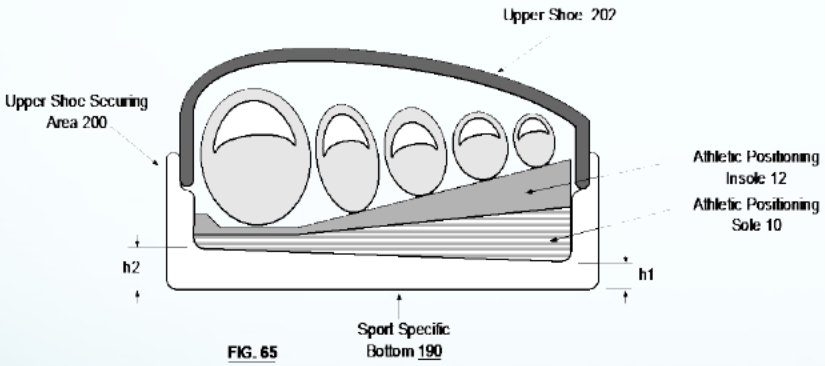

FIG. 65

Left Foot - Front View

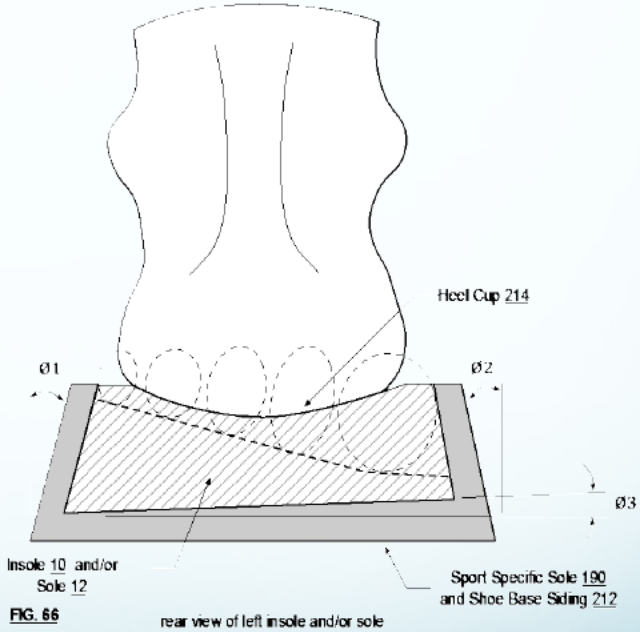

FIG. 66

rear view of left insole and/or sole

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Varying athletic positioning

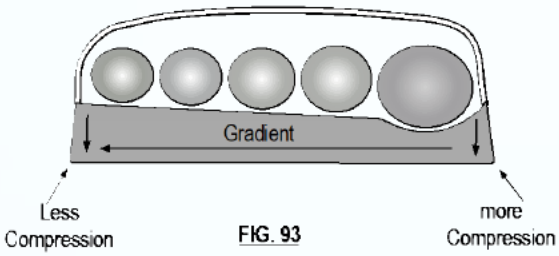

FIG. 93

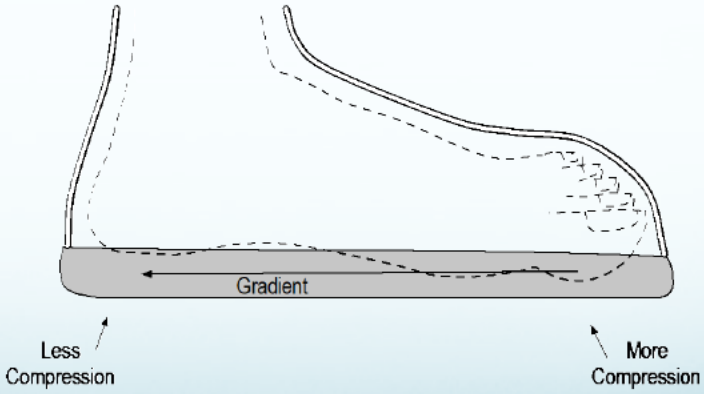

FIG. 94

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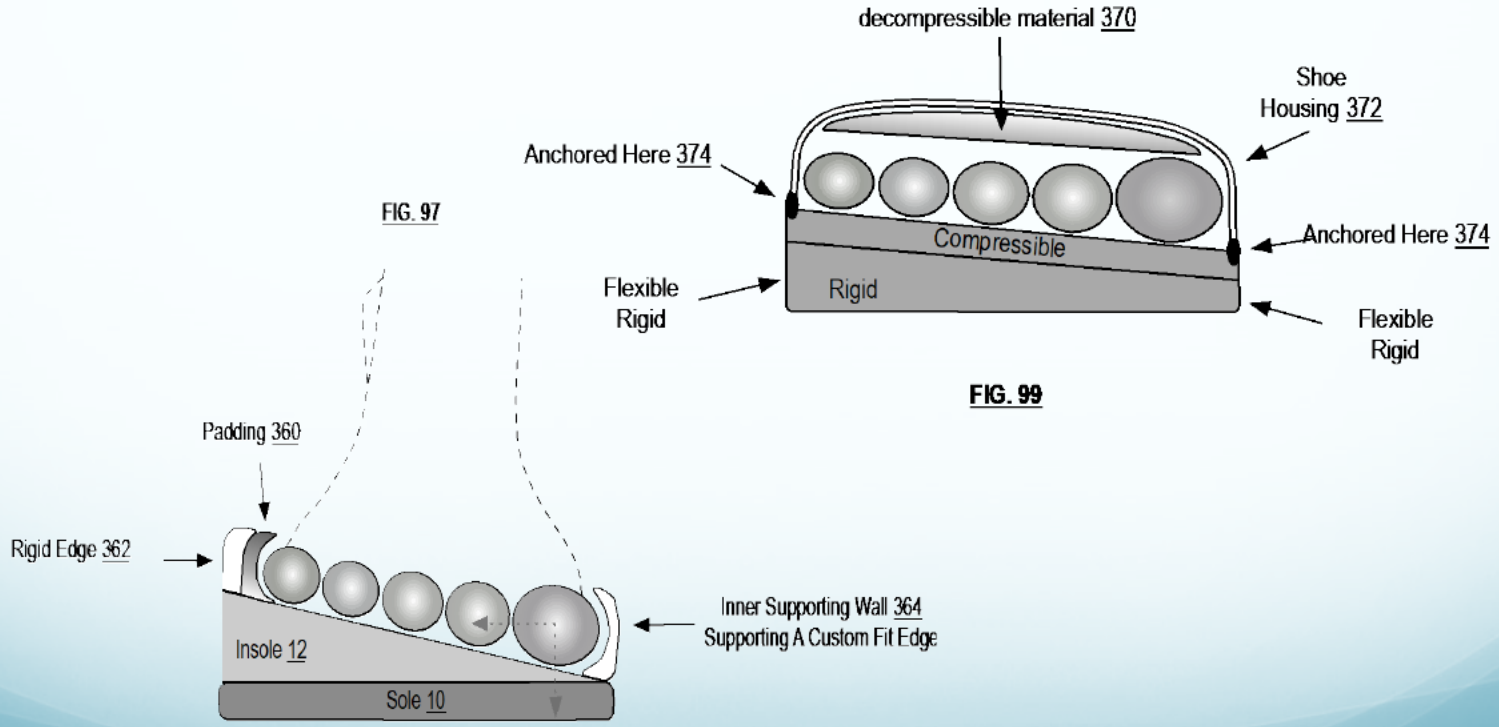
Athletic positioning with custom fit



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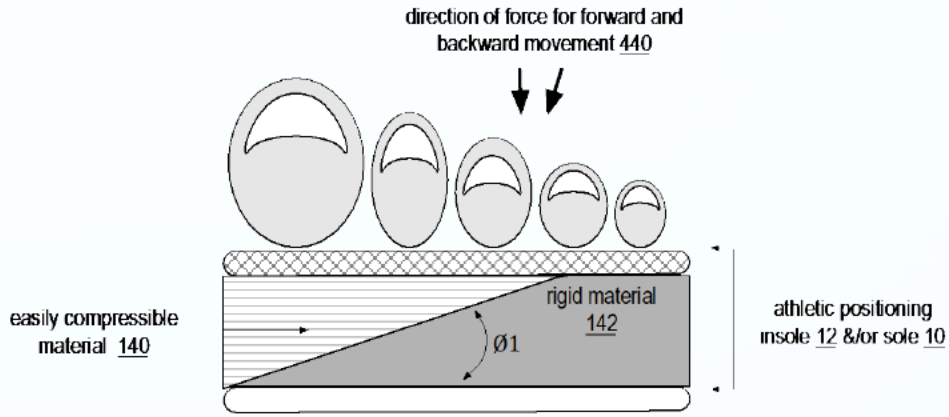
Normal to athletic positioning



left foot - front view

FIG. 112

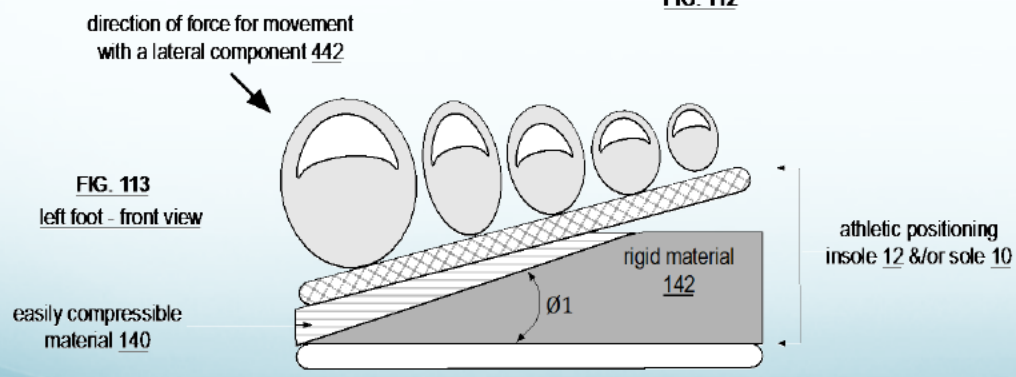


FIG. 113

left foot - front view

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Add-on athletic positioning

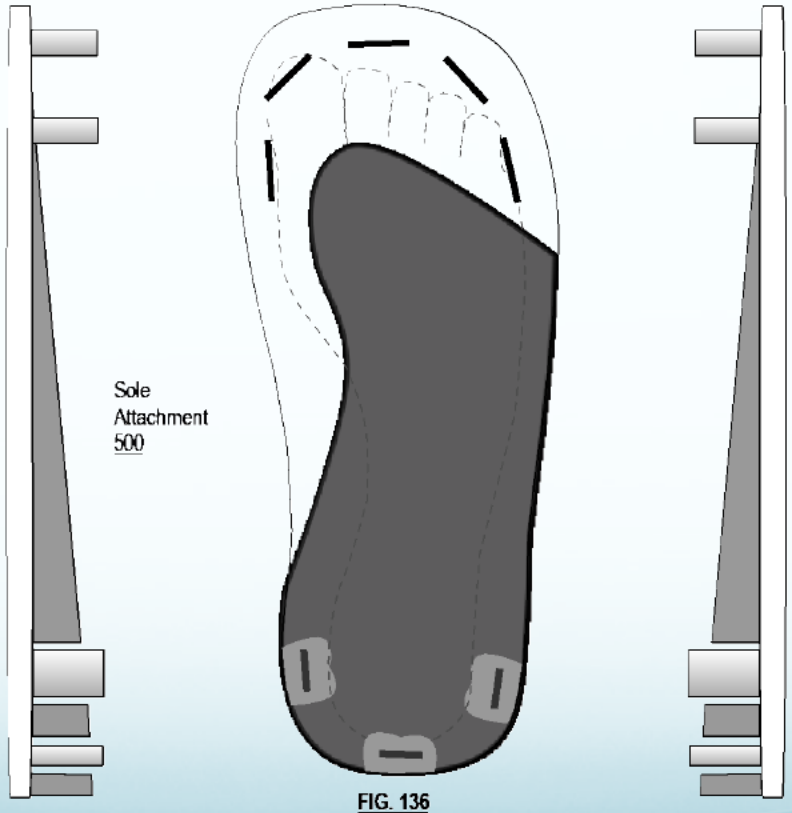

FIG. 137

FIG. 136
Bottom of Left Drive Shoe

FIG. 138

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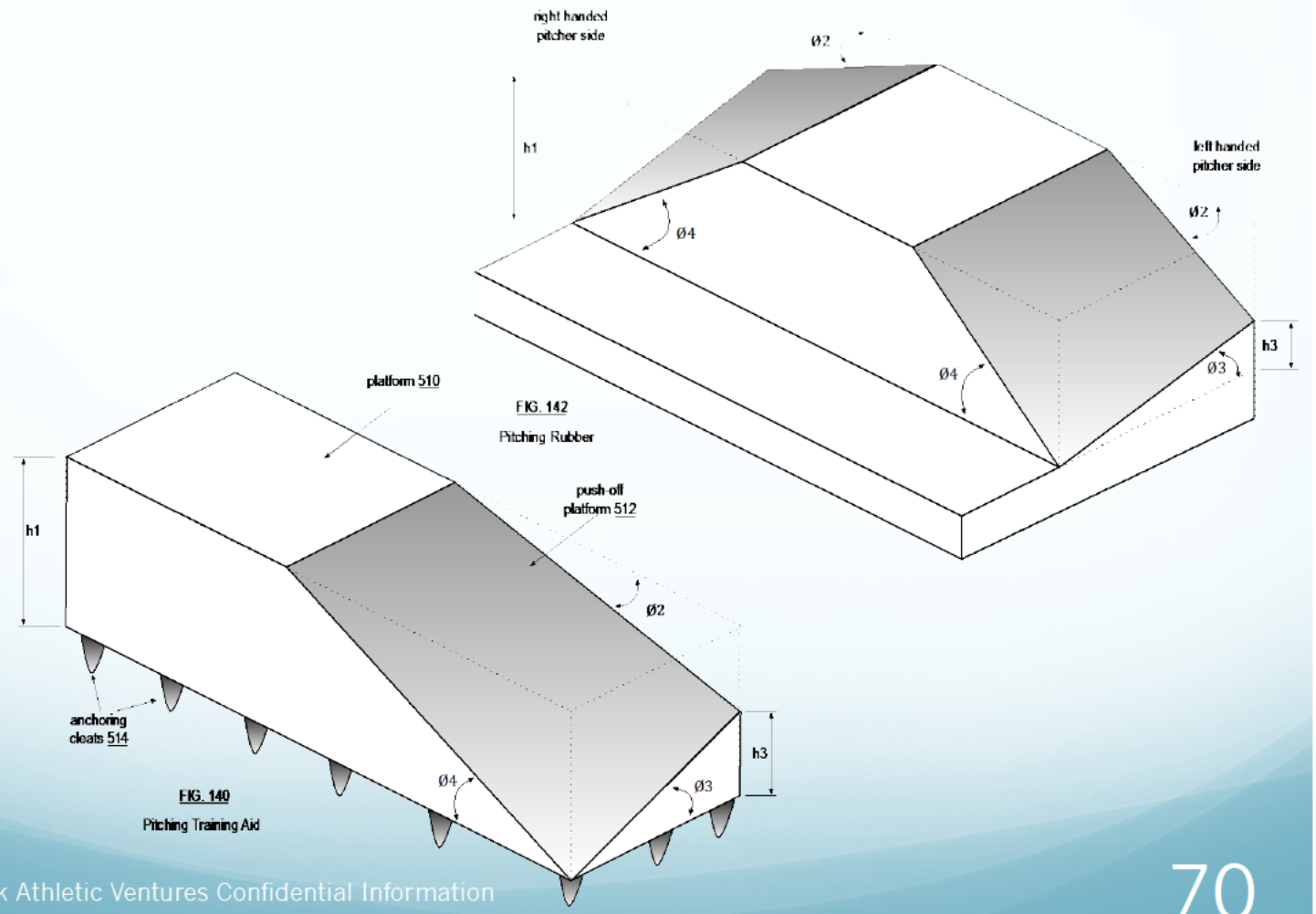
Athletic positioning pitching rubber



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Secure fit athletic positioning shoe

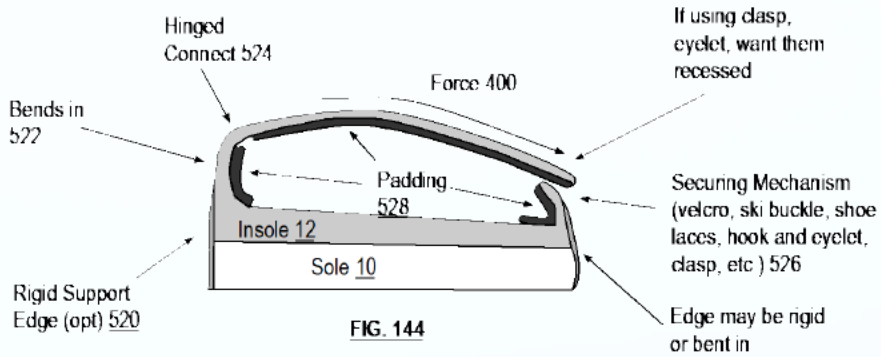

FIG. 144

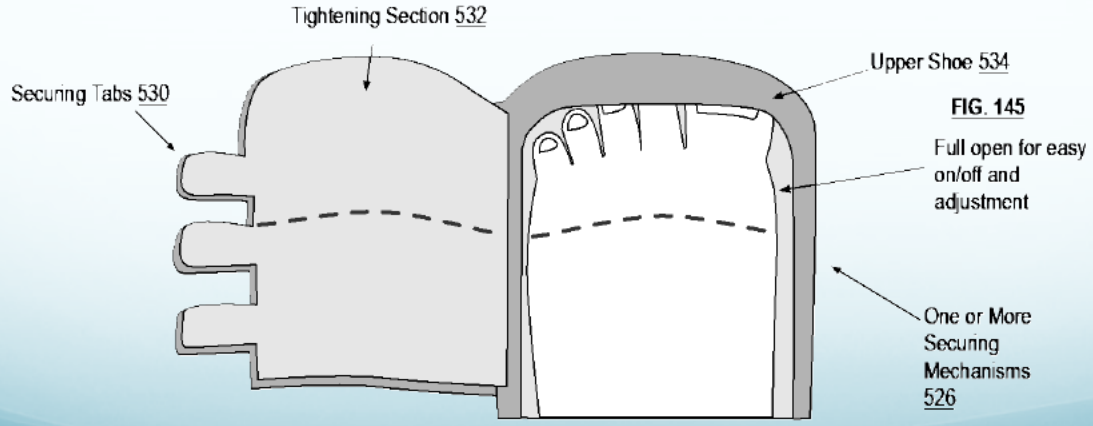

FIG. 145

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Better Pitching From A Better Athletic Position

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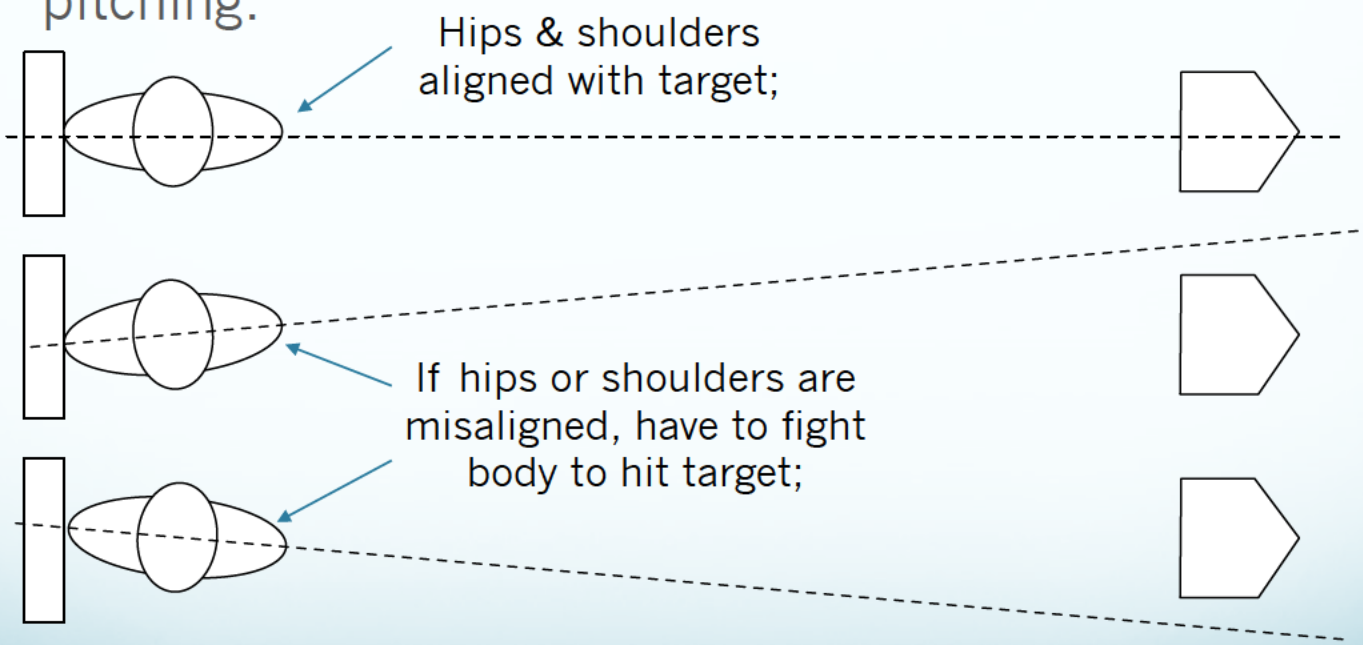
Athletic Start - Alignment

- This is sport and athletic movement specific, for pitching:



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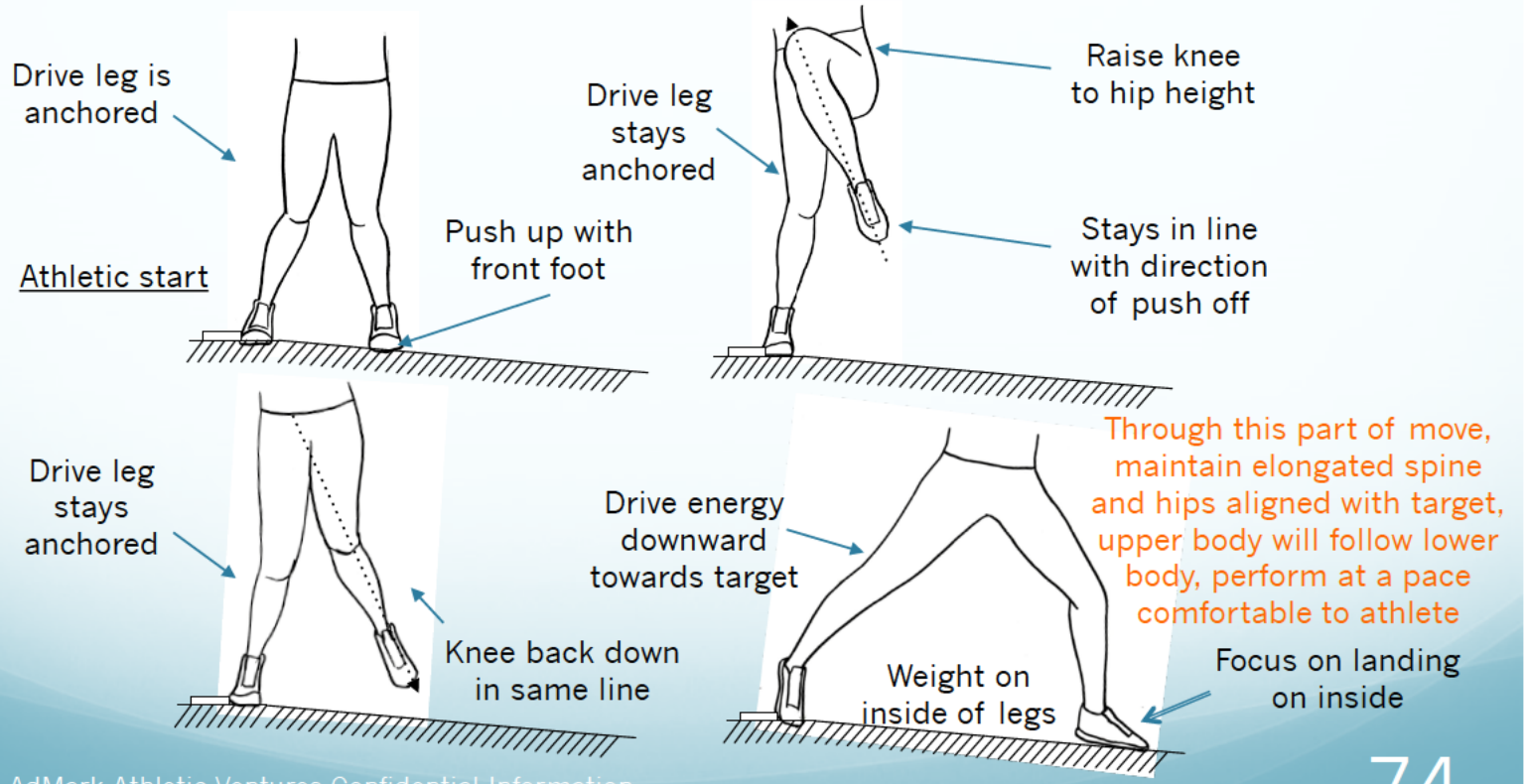
Athletic Move – Athletic Position and Rhythm & Feel

- This too is sport and athletic movement specific, for pitching:



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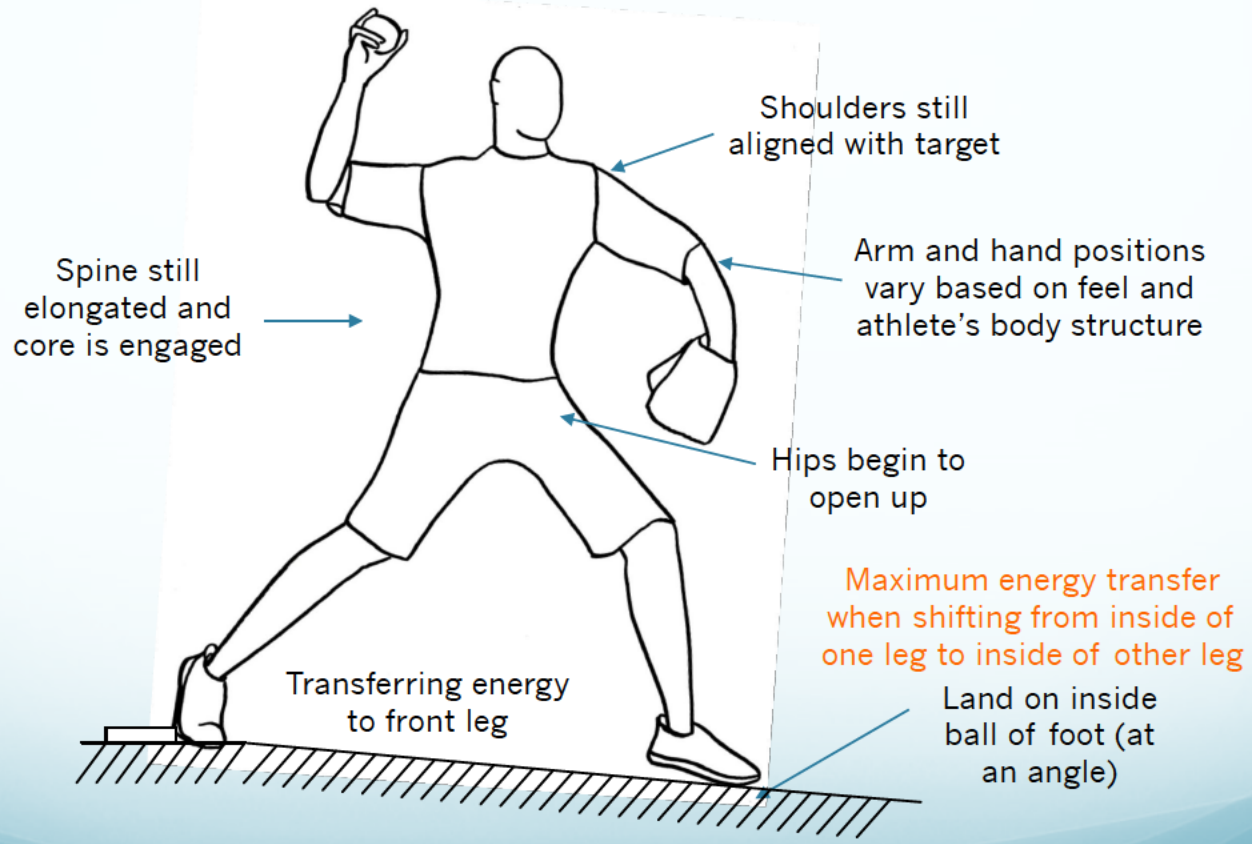
Athletic Move – Energy Transfer and Direction of Force



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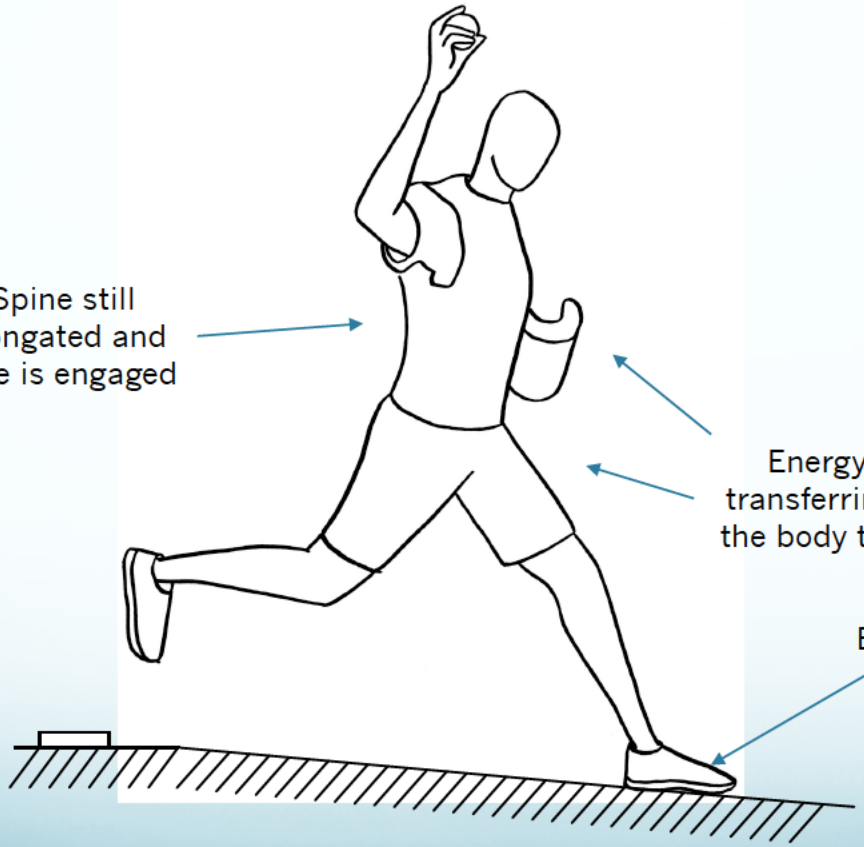
Athletic Move – Energy Transfer and Direction of Force



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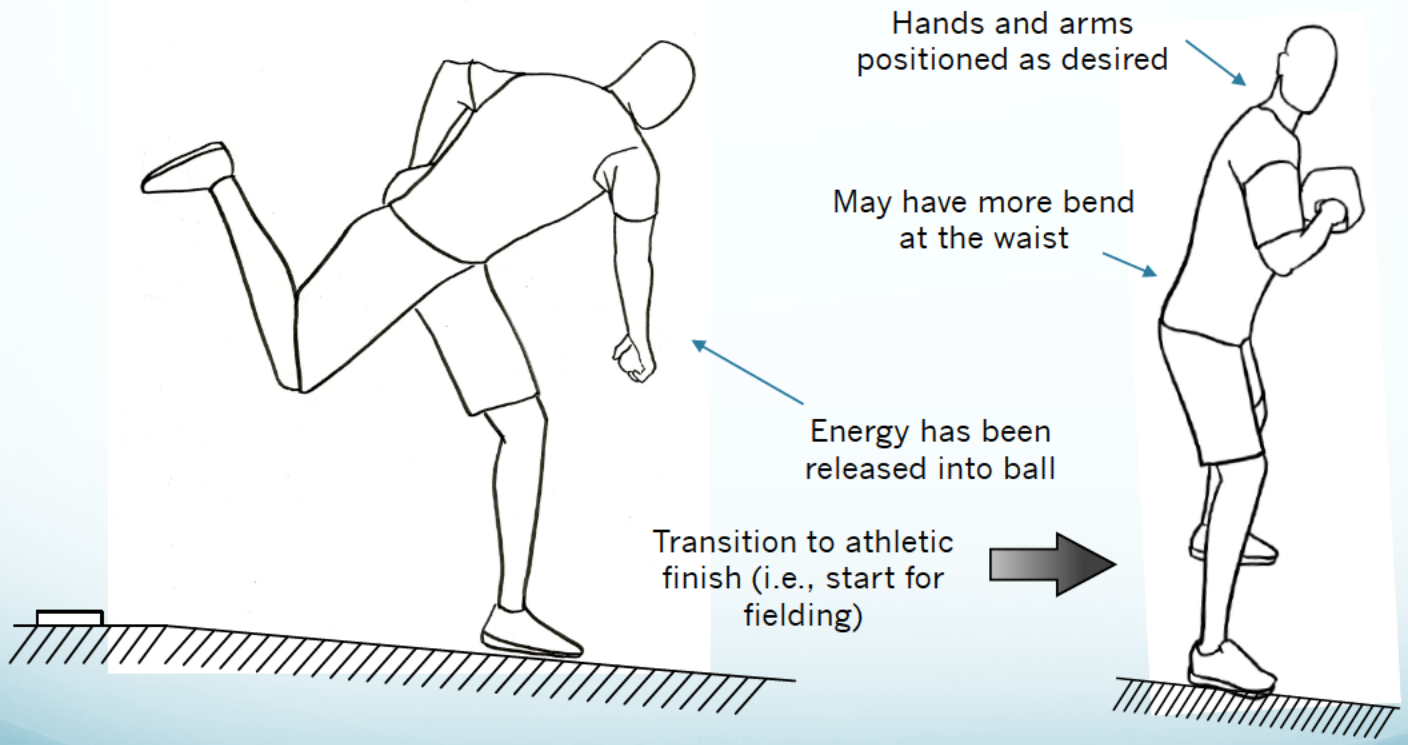
ATHALONZ EXHIBIT 2012

Athletic Finish

- This too is sport and athletic movement specific, for pitching:



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Reduced Risk of Injury With Ground Up Approach

- When athletic performance is not approaching athletic potential, the athlete is fighting his/her natural movement for a given athletic move, thus increasing risk of injury;
- Athletic Positioning Reduces Injuries:
  - Since 2009 season, pitchers under Rick's coaching at Major League level have had ZERO serious arm injuries;
    - Seattle 2009 & 2010;
    - Baltimore 2011 to present;
  - In 2013 season, 126 MLB pitchers have been DL this year due to an arm injury;
  - Currently, there are 75 MLB pitchers on DL as a result of arm injuries;

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Biomechanics Of Athletic Performance

- Preston Wolin, MD
- Director Center for Athletic Medicine Chicago
- Director Orthopedics Sports medicine Fellowship University of Illinois
- Associate Professor of Orthopedics University of Illinois

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