

Signature Athletics, Inc.



ANNUAL REPORT

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signaturelacrosse.com

This Annual Report is dated April 24, 2021.

BUSINESS

Corporate Mission and History

At Signature, we are passionate about growing the power of sports and we are on a mission to give the opportunities sports provided us to more kids!

Signature started off with a very simple idea, all lacrosse balls had been the same for forever, and we set out to make the first Premium - longer-lasting, higher quality, and safer lacrosse ball. Our Signature Premium balls allow coaches and players to get more out of every rep... Since launching in 2016 we have sold over 8 million balls around the world, and become the official lacrosse ball of the most notable professional leagues in the sport, as well as being chosen as the official ball of over 300 college lacrosse programs!

Our Business Model

During this time we also developed 2 other patented problem-solving product lines;

- our quick-connect lacrosse goals (provisional patent pending resubmission), which take 15 minutes to set up instead of the traditional lacrosse goal which takes about 2 hours.
- our complete line of Mens, Womens, and JR lacrosse sticks which feature our patented Delta Tech design for the best strength to weight ratio in the sport. This has allowed us to offer the first-lifetime warranty on lacrosse sticks in the sport. All sticks come pro strung with a pocket that allows players to focus on the game and not fixing their stick a problem that has plagued lacrosse for years.

While lacrosse is the fastest growing sport in North America, the market is still simply too small to build a brand that will compete with the Nike's and UA's of the world. So we took a step back 2

years ago, and asked ourselves, what needs to be true for us to scale to the size of the largest sports marketing brands in the world? The answer - we need to solve a bigger problem. One that can transcend the sport of lacrosse and apply to the larger sports market. So we began making calls to leads in other markets, Soccer, Basketball, Football, Volleyball, Baseball, etc... and called on some of our current lacrosse team clients. What we found was a consistent problem that every sports program has experienced - the uniform and fan gear ordering process is outdated and antiquated. And over the last 2 years, Signature has been developing a proprietary supply chain and software solution to solve this problem!

Our business growth model has shifted from growing by adding new inventory intensive products and selling those products to wholesalers that resell the products; to where we are focused today, which is on selling directly to teams and consumers. Our product model has also shifted from being 100% inventoried products to 50% inventoried products and 50% print on demand products. This allows us to free up more cash and grow the business all while serving the same target market, parents, players, coaches, and program directors.

Litigation

In Nov of 2019, Safety Equipment Institute ("SEI") filed a suit against Signature Lacrosse ("the Company") alleging that the Company violated the terms of an Agreement between the parties. This suit was settled out of court on May 21, 2020, with the Company agreeing to pay SEI \$300,000 and discontinue sale and use of any inventory that includes the SEI Trademark until a new certification letter is received.

Previous Offerings

On July, 23, 2020, the Company converted from an LLC to a C-Corp, with 1,000,000 shares issued under the C-corporation, replacing member units in the LLC.

Name: Class A Common Stock

Type of security sold: Equity

Final amount sold: \$0.00

Number of Securities Sold: 1,000,000

Use of proceeds: N/A

Date: July 30, 2020

Offering exemption relied upon: Section 4(a)(2)

Name: Class A Common Stock

Type of security sold: Equity

Final amount sold:

Number of Securities Sold: 8,750

Use of proceeds: Shares were issued in exchange for legal services valued at \$105,000

Date: December 24, 2020

Offering exemption relied upon: Section 4(a)(2)

Type of security sold: Convertible Note (converted to Class B Common Stock)

Final amount sold: \$250,000.00

Use of proceeds: Working capital and R&D to build the team store software solution

Date: June 01, 2020

Offering exemption relied upon: 506(b)

Type of security sold: Class B Common Stock

Type of security sold: Equity

Final amount sold: \$478,830.00

Number of Securities Sold: 78,026

Use of proceeds: Working capital and R&D to build the team store software solutions

Date: September - December 31, 2020

Offering exemption relied upon: __NA ____

REGULATORY INFORMATION

The company has not previously failed to comply with the requirements of Regulation Crowdfunding;

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATION

Operating Results – 2020 Compared to 2019

Circumstances which led to the performance of financial statements:

2018

- We were still using a 5 step distribution model, purchasing from a sourcing agent who was going to a manufacturer and then selling to a retailer who was then selling to the end consumer. Too many people in the value chain which squeezed all the margins out of the products.

- We were operating with a distribution center in-house which consisted of an operations staff of 3 team members, and a large overhead structure with no economies of scale.

- We made significant investments in R&D to develop new problem-solving product lines. We learned some lessons and made some really amazing products.

- We made significant investments in giving away free products to gain more exposure in the marketplace.

2019

- We cut out 2 steps in our distribution model by sourcing directly from the factory and selling directly to the consumer increasing our gross margins to ~10% while improving quality and lead

times.

- We outsourced our distribution to a 3rd Party Logistics (3PL) company. The original one we selected failed to meet our requirements causing us to move to another which again failed to meet our requirements. Finally, at the end of the year, we secured a partnership with our current 3PL which has exceeded all expectations!

- We continued to make significant investments in R&D to develop new problem-solving product lines.

- We continued to make significant investments in giving away free products to gain more exposure in the marketplace.

- We transitioned to a new Freight Forwarder and optimized our packaging to maximize the cubic space during transport cutting our inbound costs in half and boosting our margins.

2020

- We made incredibly difficult decisions in January and February to pivot our growth model to focus on an asset-light, cashflow positive growth strategy that gives Signature a long term durable data and distribution advantage.

- We made really tough calls on personnel effectively eliminating the operations team and decided to limit our R&D investment to contracted work on a project by project basis. And we eliminated some inside sales roles due to our shift to an eCommerce and independent rep, variable comp model, focus.

- While difficult, these decisions proved to be the right ones. Based on the sales in the first sixth months of 2020, we have experienced a 2x growth in gross margins, a significant reduction in operating costs, and a significant increase and diversification in our product mix and sales channels.

Historical results and cash flows:

Historical results in cash flows represent our previous cash-intensive business model and do not represent what investors should expect in the future. Our pivot to the team store model and 3-year agreements with programs allow us to generate cash flow positive sales and pay for the inventory once the client is satisfied with what they have received (3-4 weeks after we have been paid by the client).

Team Store Model Explained: We set up 24/7/365 team stores for youth and club sports programs. Parents can go onto the store and purchase their sons or daughters uniform as well as a variety of custom fan gear items and our premium Lacrosse Equipment. The products drop-ship directly to the parent's door.

Liquidity and Capital Resources

At December 31, 2020, the Company had cash of \$128,577.00. *[The Company intends to raise additional funds through an equity financing.]*

Debt

Creditor: Axiom Bank
Amount Owed: \$347,321.00
Interest Rate: 5.5%
Maturity Date: June 29, 2025
Secured loan - first position lien on all business assets

Creditor: Axiom Bank
Amount Owed: \$809,093.00
Interest Rate: 5.5%
Maturity Date: June 29, 2028
Secured loan - first position lien on all business assets

Creditor: Small Business Association
Amount Owed: \$500,000.00
Interest Rate: 3.75%
Maturity Date: April 20, 2050
Secured loan - first position lien on all business assets

Creditor: Daniel Soviero
Amount Owed: \$101,000.00
Interest Rate: 12.0%
Maturity Date: December 31, 2025

Creditor: Seacoast Bank
Amount Owed: \$96,708.00
Interest Rate: 6.0%
Maturity Date: December 16, 2026
Secured loan - first position lien on all business assets

Creditor: Seacoast Bank - PPP Loan
Amount Owed: \$106,300.00
Interest Rate: 1.0%
Maturity Date: April 26, 2022
The company intends to apply for loan forgiveness and expects the loan to be forgiven.

DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

Our directors and executive officers as of the date hereof, are as follows:

Name: Daniel Soviero

Daniel Soviero's current primary role is with the Issuer.

Positions and offices currently held with the issuer:

Position: Founder & CEO

Dates of Service: February 01, 2016 - Present

Responsibilities: Strategic Visionary, Building, and leading the executive Team, Setting the Culture, Mission, and Values. Fundraising, Serving our Clients, and Growing Sales! Salary:

\$60,000.00

Other business experience in the past three years:

Employer: Tampa Palms Lacrosse Club

Title: Executive Director

Dates of Service: January 01, 2017 - January 01, 2019

Responsibilities: Building the brand, strategy, and partnerships to grow a youth lacrosse club in the local Tampa community.

PRINCIPAL SECURITY HOLDERS

Set forth below is information regarding the beneficial ownership of our Common Stock, our only outstanding class of capital stock, as of December 31, 2020, by (i) each person whom we know owned, beneficially, more than 10% of the outstanding shares of our Common Stock, and (ii) all of the current officers and directors as a group. We believe that, except as noted below, each named beneficial owner has sole voting and investment power with respect to the shares listed. Unless otherwise indicated herein, beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to shares beneficially owned.

Title of class: Class A Common Stock

Stockholder Name: Dan Soviero

Amount and nature of Beneficial ownership: 766,520

Percent of class: 71.1041

RELATED PARTY TRANSACTIONS

Name of Entity: Daniel Soviero

Relationship to Company: 20%+ Owner

Nature / amount of interest in the transaction: Approximately \$170,500.00 loan to the Company by the Founder and CEO.

Material Terms: The loan carries a 12% interest and based on the note holder's discretion, the note holder can demand repayment or convert such outstanding amount into class A common stock.

OUR SECURITIES

Our authorized capital stock consists of 1,200,000 shares of Class A common stock and 300,000 shares of Class B common stock, par value \$0.0001 per share. As of December 31, 2020, 1,000,000 shares of Class A and 78,026 shares of Class B common stock are issued and outstanding. The Company also has 50,000 of Class A common stock reserved and 241,294 shares of Class B common stock reserved, but not issued for stock options and other convertible securities. The following is a summary of the rights of our capital stock as provided in our certificate of incorporation and bylaws.

Certificate of incorporation Article IV

The total number of shares of stock which the Corporation shall have authority to issue is

One Million Five Hundred Thousand (1,500,000) shares of common stock, consisting of: (i) One Million Two Hundred Thousand (1,200,000) shares of Class A Voting Common Stock, par value

\$0.0001 per share; and (ii) Three Hundred Thousand (300,000) shares of Class B Non-Voting Common Stock, par value \$0.0001 per share. Except as may be provided in this Certificate of Incorporation or required by law, the Class A Voting Common Stock shall have voting rights in the election of directors and on all other matters presented to stockholders, with each holder of Class A Voting Common Stock being entitled to one vote for each share of Class A Voting Common Stock held of record by such holder on such matters. The number of authorized shares of Class A Common Stock, Class B Common Stock or any other class or classes of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of Class A Common Stock. Except as required by law, the Class B Non-Voting Common Stock shall have no voting rights. The Class B Non-Voting Common Stock shall automatically convert into Class A Voting Common Stock upon the vote of the holders of a majority of the outstanding shares of Class A Common Stock.

What it means to be a minority holder

As a minority holder you will have limited ability, if at all, to influence our policies or any other corporate matter, including the election of directors, changes to our company's governance documents, additional issuances of securities, company repurchases of securities, a sale of the company or of assets of the company or transactions with related parties.

Dilution

Investors should understand the potential for dilution. The investor's stake in a company could be diluted due to the company issuing additional shares. In other words, when the company issues more shares, the percentage of the company that you own will decrease, even though the value of the company may increase. You will own a smaller piece of a larger company. This increase in number of shares outstanding could result from a stock offering (such as an initial public offering, another crowdfunding round, a venture capital round or angel investment), employees exercising stock options, or by conversion of certain instruments (e.g. convertible notes, preferred shares or warrants) into stock.

If we decide to issue more shares, an investor could experience value dilution, with each share being worth less than before, and control dilution, with the total percentage an investor owns being less than before. There may also be earnings dilution, with a reduction in the amount earned per share (though this typically occurs only if we offer dividends, and most early stage companies are unlikely to offer dividends, preferring to invest any earnings into the company).

The type of dilution that hurts early-stage investors most occurs when the company sells more shares in a "down round," meaning at a lower valuation than in earlier offerings.

If you are making an investment expecting to own a certain percentage of the company or expecting each share to hold a certain amount of value, it's important to realize how the value of those shares can decrease by actions taken by the company. Dilution can make drastic changes to the value of each share, ownership percentage, voting control, and earnings per share.

RESTRICTIONS ON TRANSFER

The common stock sold in the Regulation CF offering, may not be transferred by any purchaser, for a period of one-year beginning when the securities were issued, unless such securities are

transferred:

- (1) to the Company;
- (2) to an accredited investor;
- (3) as part of an offering registered with the SEC; or
- (4) to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

SIGNATURES

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100-503), the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form C and has duly caused this Form to be signed on its behalf by the duly authorized undersigned, on April 24, 2021.

Signature Athletics, Inc.

By /s/ Daniel Soviero

Name: Daniel Soviero

Title: Chief Executive Officer

Exhibit A

FINANCIAL STATEMENTS

Signature Athletics, Inc

At December 31, 2020 and December 31, 2019

These unaudited financial statements are subject to adjustments and reclassifications

	December 31, 2020	December 31, 2019
<u>Assets</u>		
Current Assets		
Cash and equivalents	\$ 128,577	\$ 48,482
Accounts Receivable	158,152	125,363
Inventories	711,419	512,739
Prepaid expenses and deposits	5,784	3,613
Other current assets	13,050	0
Total Current Assets	1,016,981	690,197
Fixed Assets		
Furniture and Equipment, net	22,034	52,349
Other Assets		
Intangible assets, net	74,696	59,768
Other Assets	324,697	237,040
Total Other Assets	399,393	296,808
Total Assets	\$ 1,438,409	\$ 1,039,354
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 248,542	\$ 332,564
Total Current Liabilities	248,542	332,564
Long Term Liabilities		
Notes payable	1,960,323	1,805,310
Total Long Term Liabilities	1,960,323	1,805,310
Total Liabilities	2,208,865	2,137,874
Shareholders' Equity		
Common Stock	108	0
Additional Paid-In Capital	948,774	101,855
Accumulated deficit	(1,200,375)	(473,039)
Net Income (loss)	(518,963)	(727,337)
Total Shareholders' Equity	(770,456)	(1,098,520)
Total Liabilities and Shareholders' Equity	\$ 1,438,409	\$ 1,039,354

Signature Athletics, Inc**For the Year Ended December 31, 2020 and December 31, 2019****These unaudited financial statements are subject to adjustments and reclassifications**

	12 Months Ended	
	December 31, 2020	December 31, 2019
Net Sales	\$ 1,791,315	\$ 2,356,137
Cost of Goods Sold	(1,151,497)	(1,844,857)
Gross profit	<u>639,818</u>	<u>511,280</u>
Operating expenses		
Amortization and depreciation	37,821	29,446
General and administrative expenses	185,673	290,547
Payroll Expenses	328,208	367,964
Research & development	3,594	138,212
Sales and marketing expenses	408,750	267,481
Total operating expenses	<u>964,047</u>	<u>1,093,649</u>
Operating Income (loss) from Operations	(324,229)	(582,369)
Other Income (expense)		
Other Income	277,206	5,394
Other Expense	(370,852)	(28,260)
Interest Expense	(101,087)	(122,102)
Total Other Income (expense)	<u>(194,733)</u>	<u>(144,968)</u>
Net Income (loss)	<u>\$ (518,963)</u>	<u>\$ (727,337)</u>

CERTIFICATION

I, Daniel Soviero, Principal Executive Officer of Signature Athletics, Inc., hereby certify that the financial statements of Signature Athletics, Inc. included in this Report are true and complete in all material respects.

Daniel Soviero

Principal Executive Officer