

FRANCHISE DISCLOSURE DOCUMENT

Champions Martial Arts International Inc.

a New York corporation
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The franchise described in this Disclosure Document is to operate a Champions Martial Arts Center, which offers professional adult and youth Tae Kwon Do training and other martial arts training programs, including after school programs, summer programs and birthday parties to students at all levels.

The total investment necessary to begin operation of a Champions Martial Arts Center franchise is \$111,500 to \$307,300. This includes between \$41,500 and \$50,000 if you purchase our Standard Franchise that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of a Champions Martial Arts multi-unit development business ranges from \$141,500 to \$337,300 for a minimum of three Champions Martial Arts Centers to be developed. This includes a Reservation Fee upon signing equal to \$15,000 multiplied by the total number of Centers to be developed in your development territory as well as \$71,500 and \$78,500 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Clinton Oh at 21 Kettlepond Road, Jericho, New York 11753 and (877) 773-5425.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at

www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: December 22, 2023

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Champions Martial Arts business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be Champions Martial Arts franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-state dispute resolution.** The franchise agreement requires you to resolve disputes with us by mediation and litigation only in New York. Out-of-state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate and litigate with us in New York than in your own state.
2. **Spouse Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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Exhibits

- A – List of State Agencies/Agents for Service of Process
- B – Franchise Agreement
- C – Multi-Unit Development Agreement
- D –List of Franchisees and Multi-Unit Developers and Franchisees and Multi-Unit Developers Who Have
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- E – List of Affiliated Locations
- F – Financial Statements
- G – Operations Manual Table of Contents
- H – Multi-State Addendum
- I – Champions Martial Arts Acknowledgment Statement
- J - Receipts (Final two pages)

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The Franchisor is Champions Martial Arts International Inc. For ease of reference, Champions Martial Arts International Inc. will be referred to as “we” or “us” in this Disclosure Document. We will refer to the person or entity who signs the Franchise Agreement as “you” throughout this Disclosure Document. If you are a corporation or other legal entity, certain provisions of the Franchise Agreement apply to your “Owners” and “Principal Owners” (defined below) and will be noted.

We are a New York corporation formed on November 16, 2017. We do business under our corporate name and under the name “Champions Martial Arts Centers.” Our principal business address is 21 Kettlepond Road, Jericho, New York 11753. We are engaged in the business of granting and supporting franchises under the “Champions Martial Arts Centers” trade name and trademark. We have no other business activities. We began offering franchises as of the date this Disclosure Document was first approved in New York State. We have not offered franchises in any other business.

Our agents for service of process are listed in Exhibit A.

Our Parent, Predecessors and Affiliates

We have no parent or predecessor, but we have 23 affiliate operated locations . Please refer to Exhibit E in this Disclosure Document for a listing of information about seven of these affiliates.

Since 2005 our President, Clinton Oh, has been CEO of Ultimate Champions Taekwondo Organization, a family operated martial arts school of the type being franchised and located in Massapequa, New York. This is our first affiliate and is not included in Exhibit E.

Mr. Oh owns 100% of six of the twenty-three affiliates listed on Exhibit E, he also has 50% ownership interest in the one of the twenty three affiliates and has 25% ownership in the that remaining sixteen affiliate locations.

Since September 4, 2014, Mr. Oh has also served as president of Next Level MA Consulting LLC, a New York company offering high level management and marketing services to numerous affiliated and unaffiliated martial arts businesses in the New York area, including those owned by Mr. Oh.

No affiliated business will be involved in the operation of the franchise system, except that certain affiliated locations may serve as training locations.

No affiliate of ours has offered franchises in this or any other line of business and is not an approved supplier of any product or service to our franchisees that you must purchase or lease.

The Franchise Offered

The “Standard Franchise” offered by this Disclosure Document is for the right to own and operate a Champions Martial Arts Center (the “Franchised Business”) according to the terms of our “Franchise Agreement” which is attached to this Disclosure Document as Exhibit B. Champions Martial Arts Centers offer professional adult and youth Tae Kwon Do training and other martial arts training programs, including after school programs, summer programs and birthday parties to students at all levels. A typical Center has 800 to 5,000 square feet of space. Centers are located generally in free-standing, in-line and strip mall locations. Each Champions Martial Arts Center offers memberships and pay-as-you-go services.

If you are currently operating a martial arts business of the type we are franchising you may qualify to pay a discounted initial franchise fee for our “Conversion Franchise.” Similarly, if you: (1) are an employee of one of our affiliates; (2) you have worked at least 20 hours per week for 24 continuous months; (3) are willing to purchase the assets of an existing affiliated business; and (4) you otherwise meet our requirements, you may also be eligible to pay a discounted initial franchise fee for Conversion of an existing affiliated business. Purchasers of either Conversion Franchise are not automatically eligible for any other franchise fee discounts or multi-unit purchases. (See Item 5 for a full discussion of Standard and Conversion Franchises)

Champions Martial Arts Centers are established and operated under a comprehensive and unique system (the “System”). The System includes distinctive signage, interior and exterior design, décor and color scheme; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures; training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and in the Confidential Operations Manual, which you should expect to evolve over time and which is loaned to you as our franchisee.

Champions Martial Arts Centers use certain trademarks, service marks, and commercial symbols, including the mark “Champions Martial Arts Center”, all of which we may modify periodically, a certain design, décor and image developed for Champions Martial Arts Centers and certain associated logos (collectively the “Marks” or “Proprietary Marks”). The Marks are owned by us and we will license their use to our franchisees.

Since a Center requires franchisees and their employees to work directly with children, you must pass our rigorous screening process, and you must make sure that all of your employees also pass a rigorous screening process. You may not employ anyone who has been convicted of a sex crime or a crime against a child.

Multi-Unit Development Agreement

If you meet our net worth, operational, experience and other requirements for multi-unit developers, you may enter into a Multi-Unit Development Agreement (“Multi-Unit Development Agreement”) for the development of multiple Franchised Businesses in a designated geographical area, known as a “Development Territory.” Under the Multi-Unit Development Agreement, attached as Exhibit C to this Disclosure Document, you must develop an agreed upon number of Franchised Businesses in the Development Territory within a specified time period.

You must sign the Franchise Agreement for your first Franchised Business at the same time you sign the Multi-Unit Development Agreement. For each Franchised Business developed after the first one you must sign our then-current form of Franchise Agreement, except that continuing fees payable to us shall be the same as your first Franchise Agreement.

Market and Competition

Champions Martial Arts Centers offer their products and services to the general public. You will have to compete with other businesses that offer Tae Kwon Do and other types of martial arts classes, including those affiliated with us, which may be a sole proprietorship or a chain of businesses and which may include a competing franchise system. This type of business is well developed and expanding, and is not seasonal.

Industry Specific Laws and Regulations

There are no regulations specific to operating a Champions Martial Arts Center, but you must comply with all local, state and federal health and sanitation laws that apply to retail operations as well as laws that apply generally to these businesses and to places of public assembly or gathering. You should make further inquiries to find out about these laws and general regulations.

You may also be subject to certain health and safety requirements related to supervising children. There may be laws requiring you to have an employee at your Center who is certified in basic cardiopulmonary resuscitation or on the use of an automated external defibrillator. There may be a requirement that you must have certain types of first aid equipment on the premises such as an automated external defibrillator. You should check with your local attorney for advice on complying with applicable law before you purchase a franchise and during the operation of your Center. You must investigate and satisfy and stay current on all local, state, and federal laws and regulations since they vary from place to place and can change over time.

ITEM 2: BUSINESS EXPERIENCE

President – Clinton Oh

Employer	Start/End Date	Title	Location
Champions Martial Arts International, Inc	November 2017 to Present	President	Jericho, NY
Mad for Chicken Franchise, Inc	August 2019 to Present	Co-CEO	Westbury, NY
Mad for Chicken Sunnyside, LLC	May 2019 to Present	Co-CEO	Brooklyn, NY
New Star Martial Arts Supplies, Inc	January 2019 to Present	President	Westbury, NY
GSD Management 100, Inc	September 2018 to Present	President	Westbury, NY
Next Level MA Consulting, LLC	September 2014 to Present	President	Westbury, NY
Ultimate Champions Taekwondo Organization	2006 to Present	CEO	Massapequa, NY

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

Franchise Agreement

You must pay us an initial franchise fee of \$30,000 for our Standard Franchise, which is paid in a lump sum when you sign the Franchise Agreement. If you are purchasing your second Champions Martial

Arts Center, we will reduce the initial franchise fee by 50%. A third and any other later franchise purchase will each require the full payment of \$30,000.

The initial franchise fee is not imposed uniformly on all franchisees. If you are currently operating a martial arts business of the type we are franchising you may qualify to pay a discounted initial franchise fee of \$10,000 for our Conversion Franchise. Similarly, if you: (1) are an employee of one of our affiliates; (2) you have worked at least 20 hours per week for 24 continuous months; (3) are willing to purchase the assets of an existing affiliated business; and (4) you otherwise meet our requirements, you may also be eligible to pay the discounted initial franchise fee of \$10,000 for Conversion of an affiliated location to a Franchise. Purchasers of a Conversion Franchise are not automatically eligible for any other franchise fee discounts or multi-unit purchases. A second franchise purchase would require a franchise fee of \$15,000. Any further franchise purchases will each require payment of the full price of \$30,000.

If any of the 18 affiliated locations listed in Exhibit E are sold to new owners and become a franchisee, we have the option to not require payment of the initial franchise fee.

If you are unable to find a suitable location for your Franchised Business within 90 days after you sign the Franchise Agreement, or if you and/or your manager are unable to complete our initial training program to our satisfaction (after giving you an opportunity to designate a replacement manager), we reserve the right to terminate your Franchise Agreement. The initial franchise fee is not refundable under these or any other circumstances.

Location Assistance

We will inform you of the criteria we expect for an acceptable site location for your Standard Champions Martial Arts Center, and we will assist you by telephone and other electronic means in evaluation of your selected site. If you request that we conduct any on-site evaluations of proposed sites you must pay us a location assistance fee of \$500 per day and you must also reimburse our expenses related to this additional assistance, such as travel, lodging and meals.

Grand Opening Advertising Campaign

Unless you are purchasing a Conversion Franchise, you must spend \$5,000 on a grand opening advertising campaign to be conducted by us and designed to promote the opening of your Franchised Business. Conversion Franchisees have the option to request this program.

Pre-Opening Lead Generation

We will conduct a pre-opening lead generation program on behalf of Standard Franchisees and at your expense. We estimate that the total cost you will pay us for conducting the Champion Martial Arts Lead Generation program will be between \$1,000 and \$8,000. Conversion Franchisees have the option to request this program. This amount is not refundable.

Opening Assistance

We will send to Standard Franchisees one of our representatives for up to 5 days to provide opening assistance. Conversion Franchisees have the option to request this program. You must reimburse our representative's expenses related to the opening assistance, which we estimate will be approximately \$5,000. This amount is not refundable.

Multi-Unit Development Agreement

If you sign a Multi-Unit Development Agreement you do not pay us the standard \$30,000 initial franchise fee. Instead, you must pay to us a reservation fee which is payable in a lump sum when you sign the development agreement. The reservation fee is equal to \$15,000 multiplied by the total number of Centers you commit to develop under the Multi-Unit Development Agreement.

The reservation fee is fully earned by us when received, is not refundable, and is not credited or applied toward the initial franchise fee of any franchise purchased by you (nor any other future fee payable to us).

When you sign the Franchise Agreement for your first Center you will pay the reduced initial franchise fee of \$15,000. At that same time, you will sign your Multi-Unit Development Agreement and will pay the full Multi-Unit Development reservation fee for the number of Centers you agree to develop. Thereafter, each time you sign the Franchise Agreement for a Center to be developed under the Multi-Unit Development Agreement, you must pay the reduced initial franchise fee of \$15,000 in a lump sum when you sign each Franchise Agreement.

The reservation fee is imposed uniformly on all multi-unit developers and is not refundable under any circumstances. Only multi-unit developers of the Standard Franchise Model who have signed a Multi-Unit Development Agreement with us are eligible for the reduced initial franchise fee. The reduced initial franchise fee is not refundable.

There are no other payments to or purchases from us or our affiliates that you must make before your Franchised Business opens.

ITEM 6: OTHER FEES

Fees ⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee ⁽²⁾	\$997 per month for Standard Franchises, or \$497 per month for Conversion Franchises.	Payable monthly on the 10th day of the month.	Amounts due will be withdrawn by EFT from your designated bank account. We reserve the right to increase these fees annually by 3% and will provide 6 months' written notice of the intent to do so.

Fees ⁽¹⁾	Amount	Due Date	Remarks
National Advertising Fund Fee (If Implemented) ⁽³⁾	None at present time. If Fund is formed, the fee will be flat rate not to exceed \$100, charged monthly.	Payable at the same time and in the same manner as the Royalty Fee.	If implemented, you must contribute this Fee to our System-wide fund that promotes all franchises in the System and which is controlled by us. The National Advertising Fund is described in Item 11. With six months prior written notice to you, we may annually increase the amount of this Fee (increase not to exceed \$25 per month). ⁽³⁾
Initial Training for Additional or Replacement Employees.	Our then-current per person training fee, plus expenses. (All expenses are paid by the franchisee for its trainees). (Our Current per person initial training fee is \$1,000 per day).	Before Training	This fee is for any people the franchisee wants the Franchisor to train over and above the number of initial trainees (before the unit opens), or if a franchisee requests that the Franchisor provide the full initial training program to a new or replacement employee at any point during the operation of the unit.
Additional On-Site Training	Our then-current per diem rate per trainer, plus expenses. (Current per diem rate is \$2,000).	When billed	This fee is for any training or assistance that the franchisee requests (or that the Franchisor determines is necessary based on an inspection or evaluation) that is provided on-site at the franchisee's unit
Transfer Fee (Franchise Agreement and Multi-Unit Development Agreement)	50% of our then-current initial franchise fee for a start-up Standard Franchise	Upon completion of transfer.	No fee charged to an individual or partnership franchisee that transfers its rights, one time only, to a corporate entity controlled by the same interest holders for the convenience of ownership.

Fees ⁽¹⁾	Amount	Due Date	Remarks
Interest and Late Fee Charge	\$250 for each month a payment is late, plus 1.5% per month or the highest rate allowed by applicable law, whichever is less.	On demand	Interest is charged on all overdue amounts. Interest accrues from the original due date until the amount is paid in full.
Insufficient Funds Fee	\$250	If incurred.	If the franchisee incurs three insufficient funds fees in any 12-month period, termination of the Franchise Agreement would be automatic.
Prohibited Product or Service Fine	\$250 per day of use of unauthorized products or services	If incurred	In addition to other remedies available to us.
Successor Agreement Fee	\$2,500	Upon signing of the successor Franchise Agreement	There is no successor agreement option under the Multi-Unit Development Agreement
Liquidated Damages	See footnote (5)		
Software Fee	\$135 per month for PerfectMind software.	Monthly, on first day of each month.	Payable to approved supplier. We may require you to change this software at some future date.
Website Fee	No fee if on our main homepage. \$1,000 plus \$99 per month for a dedicated website.	Initial payment on demand. Periodic payment is due on the first day of each month.	
Costs and Attorneys' Fees	Will vary under circumstances	On demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating your agreement

Fees ⁽¹⁾	Amount	Due Date	Remarks
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or for costs associated with defending claims that you used the trademarks in an unauthorized manner
Repair, Maintenance, and Remodeling/Redecorating	Will vary under circumstances	As incurred	Payable to approved suppliers. You must regularly clean and maintain your Champions Martial Arts Center and its equipment. We may require you to remodel or redecorate your Center to meet our then-current image for all Centers. We will not require you to remodel or redecorate your Center more frequently than every five years. If you do not maintain your Center according to our standards, we may arrange for the necessary maintenance and you must reimburse our costs on demand
Insurance Premiums	Reimbursement of premiums plus 10% administrative fee	On demand	If you fail to maintain the required insurance coverage, we may (but are not required to) obtain insurance on your behalf.
Management Fee	Our then-current per diem fee per person, plus expenses. Current per diem fee is \$450	If incurred	We have the right to step in and manage your Franchised Business in certain situations. The per diem fee applies to each representative we send to temporarily manage your Franchised Business.
Mystery Shopper	Up to \$150	Monthly	We reserve the right to engage a mystery shopper service. Payable by you to the approved supplier.

1. All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the chart above, we uniformly impose all fees and expenses listed and you must pay them to us. Except as

specifically stated above, the amounts given may be due to changes in market conditions, our cost of providing services and future policy changes.

2. The Royalty Fee and National Advertising Fee (when implemented) will be withdrawn from your designated bank account by electronic funds transfer (“EFT”). You must sign any documents required by us, our bank and/or your bank to permit us to make EFT transactions from your bank account. If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

3. There is currently no National Advertising Fund or Fee. We intend to establish and administer a National Advertising Fund on behalf of the System to provide national or regional creative marketing programs and advertising materials for the benefit of the System, but will not do so until we determine in our sole discretion that there are sufficient franchises to warrant its implementation. We will inform you of its establishment.

4. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the then-current Royalty Fees you pay or owe to us multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ⁽¹⁾	Standard Franchise is \$30,000	Lump Sum	On signing Franchise Agreement	Us
Location Assistance Fee ⁽¹⁾	\$0 to \$2,000	As arranged	As incurred	Us
Rent – 3 Months ⁽²⁾	\$6,000 to \$24,000	As arranged	As arranged	Landlord
Security Deposits ⁽³⁾	\$6,000 to \$32,000	As arranged	As arranged	Landlord, Utility Companies
Leasehold Improvements ⁽⁴⁾	\$20,800 to \$90,400	As arranged	As arranged	Approved Contractors
Equipment, Furnishings and Fixtures ⁽⁵⁾	\$8,000 to \$20,000	As arranged	As arranged	Approved Suppliers
Computer System or POS System ⁽⁶⁾	\$1,000 to \$2,000	As arranged	As arranged	Approved Suppliers
Insurance – 3 Months ⁽⁷⁾	\$300 to \$900	As arranged	As arranged	Insurance Companies

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Permits and Licenses ⁽⁸⁾	\$400 to \$1,000	As arranged	As arranged	Government Agencies
Initial Inventory and Supplies ⁽⁹⁾	\$5,000 to \$20,000	As arranged	As arranged	Approved Suppliers
Signage ⁽¹⁰⁾	\$4,000 to \$10,000	As arranged	As arranged	Approved Suppliers
Grand Opening Advertising ⁽¹¹⁾	\$5,000	As arranged	As arranged	Us
Opening Assistance ⁽¹¹⁾	\$5,000	As arranged	As arranged	Us
Blueprints and Plans ⁽¹²⁾	\$0 to \$2,000	As arranged	As arranged	Approved Architect
Travel and Living Expenses While Training ⁽¹³⁾	\$3,000	As arranged	As incurred	Airlines, Hotels, Restaurants, Employees
Pre-Opening Lead Generation Training ⁽¹⁴⁾	\$1,000 to \$8,000	As arranged	As arranged	Affiliated Agency
Professional Fees ⁽¹⁵⁾	\$1,000 to \$2,000	As arranged	As arranged	Attorney, Accountant
Additional Funds – 3 Months ⁽¹⁶⁾	\$15,000 to \$50,000	As arranged	As incurred	Various
Total ⁽¹⁷⁾	\$111,500 to \$307,300			

A Conversion Franchisee should expect to make an initial investment of approximately \$14,000 to \$40,000 since most of these initial expenses will be avoided unless specifically requested by you. This includes the Initial Franchise Fee of \$10,000. An employee purchaser will spend an additional amount purchasing the assets of an existing affiliate location.

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment.

Notes:

1. **Initial Franchise Fee; Location Assistance Fee**—You must pay us an initial franchise fee of \$30,000 for our Standard Franchise, which is paid in a lump sum when you sign the Franchise Agreement. If you are purchasing your second Champions Martial Arts Center, we will reduce the initial franchise fee by 50%. A third and any other later franchise purchase will each require the full payment of \$30,000. If you request that we conduct any on-site evaluations of proposed sites you must pay us a location assistance fee of \$500 per day and you must also reimburse our expenses related to this additional

assistance, such as travel, lodging and meals. The high amount assumes you will need 2 days for our assistance.

2. **Rent.** If you do not own adequate property, you must lease the property for your business. The typical size of a Center is 800 to 5,000 square feet in size (\$2,000 to \$8,000 per month). Centers are located generally in free-standing, in-line and strip mall locations. The costs will vary widely and may be significantly higher than projected in this table depending on factors such as property location, population density, economic climate, prevailing interest rates and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish a Franchised Business.

Landlords may vary the base rental rate and charge rent based on a percentage of gross revenue. In addition to base rent, the lease may require you to pay common area maintenance charges (“CAM Charges”) your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the lease will vary depending on the size of the property, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

If you choose to purchase real property on which to build your Franchised Business, your initial investment will probably be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

3. **Security Deposits.** Unless you are a Conversion Franchisee we expect that you will need to pay deposits for your local utilities, such as telephone, electricity and gas, and your landlord may require you to pay a security deposit. The amount of your deposits will depend, in part, on your credit rating and the policies of the individual utility companies.

4. **Leasehold Improvements.** The cost of leasehold improvements will vary depending on a number of factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (such as demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on geography and location. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish-out Centers and the cost of leasehold improvements. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials and whether you must use union labor. These costs may also vary depending on whether certain of these costs will be incurred by the landlord. Our estimate does not include any tenant improvement allowance you may negotiate.

5. **Equipment, Furnishings and Fixtures.** The equipment and furnishings you will need for your Franchised Business include mats, pads, bags, targets, mirrors, audio system and supplies.

6. **Computer System.** You must purchase the computer system and program that we specify. Additional information about the required computer system is included in Item 11.

7. **Insurance.** You must have the insurance that we specify for your Franchised Business at all times during the term of your Franchise Agreement. Our insurance requirements are included in Item 8.

8. **Permits and Licenses.** Our estimate includes the cost of obtaining local business licenses which typically remain in effect for one year. The cost of these permits and licenses will vary substantially depending on the location of your Franchised Business. You should consult the appropriate governmental authority concerning the availability of required licenses and the associated expenses for your Franchised Business before you sign a Franchise Agreement.

9. **Initial Inventory and Operating Supplies.** Our estimate includes your initial inventory of shirts, uniforms, NCR contracts, flyers, folders, buddy passes, curriculum posters, wall stickers, boards and retail items.

10. **Signage.** These amounts represent your cost for your interior and exterior signage. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

11. **Grand Opening Advertising; Opening Assistance.** Standard Franchisees will pay us to conduct a grand opening advertising campaign to promote the opening of your Franchised Business which must be conducted in the 60 days before the Franchised Business opens and the first 30 days after opening. We must approve of your grand opening advertising campaign, including the placement of advertising and any giveaways. We expect your grand opening advertising campaign will include your offering of print advertising, free classes and demonstrations.

You must also reimburse the expenses for our representative to provide you with up to 5 days of on-site pre-opening assistance.

12. **Blueprints.** You may need to an architect to modify our standard plans and specifications to create construction drawings that are specific to your approved location. We reserve the right to approve of the architect you choose or to specify the architect you must use. All proposed plans and drawings are subject to our approval before construction may begin, and any changes proposed during construction must also be approved by us. Our approval is only intended to verify layout of your Center and presentation of the Proprietary Marks.

13. **Travel and Living Expenses While Training.** These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages for the first three trainees. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation. The low end of our estimate assumes that the trainees are within driving distance of our training facility in Jericho, New York.

14. **Pre-Opening Lead Generation Training.** Unless you are a Conversion Franchisee you will pay us a fee of from \$1,000 to \$8,000 to conduct a pre-opening lead generation program on your behalf.

15. **Professional Fees.** We expect that you will retain an attorney and an accountant to assist you with evaluating this franchise offering, and with negotiating your lease or purchase agreement for the approved location.

16. **Additional Funds.** This estimates your start-up expenses for an initial three-month period, not including payroll costs, Royalty Fees or National Advertising Fees, and does not include any revenue that your Franchised Business may earn in the first three months of operation. These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your business. Your expenses will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (such as the local market for the products or services offered by the Franchised Business), the prevailing wage rate, competition and the sales level reached during the initial period. These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee.

17. **Totals.** We relied on our President's experience in operating similar businesses in Massapequa and Brooklyn, New York since 2005 to prepare these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing arrangements for you. If you obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies, financial condition of the lender, regulatory environment, and other factors.

* * * * *

YOUR ESTIMATED INITIAL INVESTMENT MULTI-UNIT DEVELOPMENT AGREEMENT DEVELOPMENT OF THREE FRANCHISED BUSINESSES				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Reservation Fee ⁽¹⁾	\$45,000	Lump Sum	On signing Multi-Unit Development Agreement	Us
Initial Franchise Fee ⁽¹⁾	\$15,000	Lump Sum	On signing Initial Franchise Agreement	Us
Other Expenditures for First Business ⁽²⁾	\$81,500 to \$277,300	As Per First Table	As Per First Table	As Per First Table
Total	\$141,500 to \$337,300			

In general, none of the expenses listed in the above chart are refundable. We do not finance any portion of your initial investment.

Notes:

1. **Reservation Fee; Initial Franchise Fee.** Our estimate assumes you will develop three Centers. The Reservation Fee is calculated as \$15,000 times 3 Centers. The Initial Franchise Fee is for the first Franchised Business.

2. **Other Expenditures for First Franchised Business.** These are the estimates to build-out your first Franchised Business. Costs associated with building out additional Franchised Businesses are subject to factors that we cannot estimate or control, such as inflation, increased labor costs or increased materials costs.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure that the highest degree of quality and service is maintained, you must operate your Franchised Business in strict conformity with our methods, standards and specifications, as set forth in the Confidential Operations Manual ("Manual") or otherwise in writing. You must refrain from deviating from these methods, standards and specifications without our prior written consent. We may revise the contents

of the Manual, and you must comply with each new or changed standard and specification. You must at all times make sure that your copy of the Manual is kept current and up to date. We may provide the Manual in hard copy or electronically, such as by CD-ROM or by a password-protected website.

You must maintain in sufficient supply (as we may prescribe in the Manual or otherwise in writing), and use at all times, only the products purchased from suppliers designated or approved by us, and any other products, materials, supplies, paper goods, fixtures, furnishings, equipment, computer system, signs and other items as conform with our standards and specifications, and not deviate from those standards and specifications by the use of non-conforming items without our prior written consent.

You must sell and offer for sale only those products and services that we have expressly approved for sale in writing. You must offer for sale all products and services required by us in the manner and style we require. You must discontinue offering for sale any products and services we may disapprove in writing at any time. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice in the Manual or other methods (such as by e-mail) of any changes in the standards and specifications.

You must permit us or our agents, at any reasonable time, to remove a reasonable number of samples of products from your inventory or from the Franchised Business free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

You must purchase and install, at your expense, all fixtures, furnishings, equipment, décor and signs as we may reasonably direct; and you must not, without our prior written consent, install or permit to be installed any fixtures, furnishings, equipment, décor, signs or other items not previously approved as meeting our standards and specifications.

If you wish to purchase, lease or use any products or other items, or you wish to purchase from an unapproved supplier, you must submit a written request for approval together with our then-current evaluation fee (currently \$250), or must request the supplier to do so. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered either to us or to an independent laboratory for testing. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. We will notify you within 15 days after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier. We are not required to make available to you or to any supplier the criteria for product or supplier approval that we deem confidential.

We reserve the right to develop for use in the System certain products which are proprietary and which bear the Marks. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products. Therefore, if we develop proprietary products, you will use only our proprietary products and will purchase those items solely from us or from a source designated by us.

We are currently the only approved supplier of your advertising and marketing programs and services and therefore earn a profit on the provision of these services to our franchisees. Neither we nor any other of our affiliates are currently an approved supplier for any other items, but we reserve the right

to designate ourselves or an affiliate as an approved supplier in the future. If we or any affiliate of ours is an approved supplier of any item, we or our affiliate reserve the right to earn a profit on the sale of items to our franchisees.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above in which you must participate.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Centers in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliates may receive payments or other compensation from approved suppliers on account of the suppliers' dealings with us, you, or other Centers in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate, unless we agree to a specific use of this money with the supplier. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. For the fiscal year ended December 31, 2022, we did not earn any revenue from approved suppliers based on their sales of products to our franchisees.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 50% to 55% of your total purchases in establishing your Franchised Business, and approximately 70% to 80% of your total purchases in the continuing operation of your Franchised Business.

When determining whether to grant new or additional franchises we consider many factors, including compliance with the requirements described above.

Insurance

You must obtain and maintain at your own expense the insurance coverage that we or your landlord periodically require and you must meet the other insurance-related obligations during the term of the Franchise Agreement. Our insurance requirements are included in the Manual and may change over time.

As of the date of this Disclosure Document, you must have the following insurance coverage: (1) general liability, including child molestation coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate; (2) "all risks" coverage for the full cost of replacement of the premises and all other property in which we may have an interest with no coinsurance clause; (3) business interruption insurance in a sufficient amount to cover profit margins, maintenance of competent and desirable personnel and fixed expenses for a period of at least 90 days; (4) automobile liability insurance, including owned, non-owned and hired vehicle coverages and uninsured/underinsured motorist coverage, with limits of not less than \$1,000,000 combined single limit; (5) workers' compensation and employer liability insurance in amounts required by applicable law, but not less than \$500,000; and (6) sexual assault and molestation insurance in the amount of other insurances required by state or local law in which your franchised business is located (7) other insurance required by the state or locality in which your Franchised Business is located and operated or as may be required by the lease or mortgage for the premises. Also, related to any construction,

renovation or remodeling of the Franchised Business, you must maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us.

We may require you to obtain insurance coverage for other risks or increase the required amount of coverage and require different or additional insurance during the Franchise Agreement term. Premiums depend upon the insurance carrier's charges, terms of payment and your history. Each insurance policy must: (1) name us as an additional named insured and contain a waiver of all subrogation rights against us; (2) provide for 30 days' prior written notice to us of any material modification, cancellation, or expiration of such policy; (3) provide that coverage applies separately to each insured against whom a claim is brought; (4) contain no provision which limits coverage in the event of a claim by a party who is indemnified under the Franchise Agreement; (5) be primary; and (6) extend to and provide indemnity for all obligations assumed by you under the Franchise Agreement. We must approve your insurance carriers.

If you fail to maintain the insurance that we require we may, but are not obligated to, obtain insurance on your behalf. If we do this, you must reimburse us for the premium costs plus a 10% administrative fee.

Marketing Materials

Before you use them, you must send us for approval samples of all advertising, promotional and marketing materials which we have not prepared or previously approved within the preceding 12-month period. We will have 15 days after receipt of the proposed materials to notify you whether they are approved. Unless we provide our specific approval of the proposed materials, they are deemed not approved. You may not use any advertising or promotional materials that we have disapproved. Any materials you submit to us for our review will become our property and there will be no restriction on our use or distribution of these materials. At our request, you must include certain language in your local marketing materials, such as "Franchises Available" and our website address and telephone number.

Site Approval and Development

Your Franchised Business must be at a site that we have approved. Within 90 days after you sign the Franchise Agreement you must submit to us a proposed site for your Franchised Business. We will not unreasonably withhold our approval of a site that meets our minimum criteria for a Champions Martial Arts Center and within 15 days of your submission we will notify you of our decision. Any lease or sublease for an approved site must be in a form satisfactory to us and must include a signed copy of the Collateral Assignment of Lease which is attached as Attachment 4 to the Franchise Agreement. You may not sign a lease without our prior written approval. You must deliver a copy of the signed lease to us within 15 days after it is signed. You must further agree not to sign or agree to any modification of the lease which would affect our rights without our prior written approval.

You must prepare any required construction plans and specifications to suit the shape and dimensions of the approved premises and make sure that your plans and specifications comply with applicable law (including the Americans with Disabilities Act), ordinances, building codes, permit requirements and lease requirements and restrictions. We will provide you with our mandatory and suggested specifications and layouts for a Center, including requirements for dimensions of the premises, design, image, décor, layout, signs, furniture, fixtures, equipment and color scheme. We must review and approve all plans and specifications before you begin to construct the Center to make sure that they meet our design requirements. Our review of your plans is only meant to determine that the plans comply with our requirements for the appearance of a Center and presentation of the Proprietary Marks, and is not meant

to assess compliance with any applicable law, ordinance or building code. We may inspect the Center during its development. You may not open the Center without our approval for you to do so.

ITEM 9: FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	FA: Section 4 MUDA: Section 2	Items 7, 8 and 11
(b) Pre-opening purchases/leases	FA: Section 4	Items 5, 7 and 11
(c) Site development and other pre-opening requirements	FA: Section 4	Items 8 and 11
(d) Initial and ongoing training	FA: Section 5	Items 5, 6, 7 and 11
(e) Opening	FA: Section 4 MUDA: Section 1	Item 11
(f) Fees	FA: Sections 10, 12, 16, 17 and 19 MUDA: Section 3	Items 5, 6, 7 and 11
(g) Compliance with standards and policies/ operating manual	FA: Sections 5.4 and 11	Item 11
(h) Trademarks and proprietary information	FA: Sections 6, 7, 8 and 9	Items 13 and 14
(i) Restrictions on products/services offered	FA: Section 11	Items 8 and 16
(j) Warranty and customer service requirements	Not applicable	Not applicable
(k) Territorial development and sales quotas	MUDA: Section 1	Item 12
(l) On-going product/service purchases	FA: Section 11	Item 8
(m) Maintenance, appearance and remodeling requirements	FA: Sections 4.10 and 11.1	Item 6
(n) Insurance	FA: Section 11.9	Items 6 and 8
(o) Advertising	FA: Sections 4.8 and 12	Items 6, 8 and 11
(p) Indemnification	FA: Sections 6.5 and 15 MUDA: Section 9	Item 6
(q) Owner's participation/ management/ staffing	FA: Section 11.8 MUDA: Section 1	Items 11 and 15

Obligation	Section in Agreement	Disclosure Document Item
(r) Records/reports	FA: Section 13	Item 11
(s) Inspections/audits	FA: Section 14	Items 6 and 8
(t) Transfer	FA: Section 16 MUDA: Section 6	Items 6 and 17
(u) Renewal	FA: Section 17 MUDA: Section 1	Items 6 and 17
(v) Post-termination obligations	FA: Section 19 MUDA: Section 5	Item 17
(w) Non-competition covenants	FA: Sections 9, 16.3 and 19.4 MUDA: Section 5	Item 17
(x) Dispute resolution	FA: Section 20 MUDA: Section 8	Item 17
(y) Liquidated damages	FA: Section 19	Item 6
(z) Guaranty	FA: 2.1.9 and Attachment 6	Item 15

ITEM 10: FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Champions Martial Arts International Inc. is not required to provide you with any assistance.

Pre-Opening Obligations

Multi-Unit Development Agreement: Before you begin operating under the Multi-Unit Development Agreement, we will provide you with the following assistance:

1. We will grant you the exclusive rights to a Development Territory within which you will assume the responsibility to establish an agreed upon number of Centers under separate Franchise Agreements and according to an agreed-upon schedule. (Multi-Unit Development Agreement – Section 1.)
2. We will grant you rights to establish a minimum number of Centers at locations we approve within the Development Territory. (Multi-Unit Development Agreement – Section 4.)

Franchise Agreement: Before you open your Franchised Business, we will:

1. Consent to sites that meet our requirements. You must submit to us the information we require, including demographic, commercial, and other information and photographs, for the proposed site. In approving or disapproving any proposed site, we will consider the matters we deem material, such as demographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area (including

other Champions Martial Arts Centers), the number of households, income levels, population, the purchase price or lease terms for the proposed site and other commercial characteristics, the size of the premises, appearance, and other physical characteristics of the proposed site.

2. Approve a lease or purchase agreement for the approved site, if the lease or purchase agreement meets our criteria. If we do not notify you of our approval or disapproval a proposed lease or purchase agreement within 15 days, it shall be deemed approved. (Franchise Agreement – Section 4.2.) At our request, you must have your landlord sign a Collateral Assignment of Lease, in the form attached to the Franchise Agreement as Attachment 4.

3. Furnish specifications of our requirements for design, decoration, layout, equipment, furniture, fixtures, color scheme, signs and other operating materials needed for the Franchised Business to open. We will approve your plans and specifications if they meet our requirements. (Franchise Agreement – Section 4.3.) Our review of your construction plans is not meant to assess compliance with any applicable laws, ordinances, or building codes. Our review of your proposed plans is only to verify that your Center will be built out according to our specifications for design and appearance and presentation of the Proprietary Marks.

4. Loan you for your sole use one copy of the Manual for the term of the Franchise Agreement. (Franchise Agreement – Section 5.5.)

5. Train up to three people in the operation of your Franchised Business. We describe this training later in this Item. (Franchise Agreement – Section 5.1.)

6. Conduct a pre-opening lead generation program on your behalf and at your expense. We will also provide up to 5 days of on-site opening assistance. You must reimburse our representative's expenses while providing this assistance. (Franchise Agreement – Section 5.2.) If you are opening your second or later Center, we reserve the right to reduce the amount of opening assistance provided, or to not provide you with opening assistance.

7. Approve or disapprove, and conduct on your behalf, the grand opening advertising and promotional program for the Franchised Business during the 60 days before and 30 days after its opening. (Franchise Agreement – Section 4.8.) You will pay the costs of these services to us in advance.

Continuing Obligations

During the operation of your Center, we will do the following:

1. Furnish guidance to you with respect to: (i) specifications, standards and operating procedures utilized by Champions Martial Arts Centers and any modifications of them; (ii) purchasing approved equipment, fixtures, signs, inventory, and operating materials and supplies; (iii) development and implementation of local marketing and promotional programs; (iv) administrative, bookkeeping, accounting, inventory control, and general operating and management procedures of Champions Martial Arts Centers; and (v) establishing and conducting employee training programs at the Champions Martial Arts Center. This guidance will be furnished in the form of the Manual, bulletins, written reports and recommendations, other written materials (including e-mail), refresher training programs and/or periodic telephonic consultations, website instructional materials, consultations at our offices or at the Franchised Business. (Franchise Agreement – Section 5.4.)

2. Additional training and assistance on-site at your Franchised Business at your request, or if we determine that you need remedial training. You must pay our then-current per diem fee for each

trainer we send to you, and you must reimburse our trainers' expenses, including travel, lodging and meals. We may also provide periodic refresher training. (Franchise Agreement – Sections 5.1. and 5.2.)

3. License to you the right to use the Marks and will indemnify you from certain claims relating to your use of the Marks, provided that you and your owners have used the Marks in compliance with the Franchise Agreement. (Franchise Agreement – Sections 6 and 7.)

4. At some future date we may institute a National Advertising Fund on written notice to you. (Franchise Agreement – Section 12.1.)

5. Designate the minimum and/or maximum prices that you may charge for the products and services offered at your Franchised Business, as permitted by applicable law. (Franchise Agreement – Section 11.4.) We do not guarantee that by following our pricing requirements you will earn any particular level of revenue or profitability.

National Advertising Fund

There is currently no National Advertising Fund or Fee. We reserve the right to establish a National Advertising Fund (referred to as the “Fund”) for advertising, marketing and public relations programs that we believe are necessary or appropriate to promote Champions Martial Arts Centers. If established, you must pay a National Advertising Fee consisting of a monthly flat rate (not to exceed \$100), which may be reasonably annually increased with six months prior written notice to you. Champions Martial Arts Centers owned by us and our affiliates may, but are not required to, contribute to the Fund on the same basis as you.

We will direct all advertising and public relations programs financed by the Fund with sole discretion over the creative concepts, materials, and endorsements it uses, and the geographic, market, and media placement and allocation of it. The Fund may place advertising in any media, including print, radio, television and digital media. The Fund will be used for national and regional advertising, publicity and promotion relating to our business. We will determine, in our fully unrestricted discretion, the manner in which the Fund will be spent. The Fund may be used to pay the costs of developing advertising ideas and concepts; developing market research and merchandising programs; preparing advertising campaigns; developing promotional ideas and strategies; preparing collateral creative materials; preparing advertisements; preparing public relations campaigns; providing technical and professional advice in connection with any of the above; and placement of advertising. We may use monies from the Fund to support our website. Monies in the Fund may be used to cover administrative costs and overhead we may incur, including salary costs of employees working exclusively for the Fund and collecting and accounting for contributions to the Fund (including attorneys' fees). The Fund and its earnings will not otherwise benefit us, except for the mentioning of the availability of franchises in certain advertising materials.

You must participate in all advertising and public relations programs conducted by the Fund. The Fund may furnish you with samples of certain marketing, advertising and promotional formats and other such materials without charge. Except for information such as “Champions Martial Arts Franchises Are Available” no portion of the Fund will be spent for the development or placement of advertising that is a solicitation of new franchisees.

The Fund will be held in a non-interest-bearing account separate from our other funds. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Centers to the Fund in that year and the Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund. Any money remaining in the Fund at the end of any year will carry over to the next year. We will prepare, and furnish

to you upon written request, an annual statement of funds collected and costs incurred by the Fund. We are not required to have these statements audited.

You authorize us to collect for payment to the Fund any advertising or promotional monies or credits offered by any supplier based upon your purchases from that supplier. Any advertising or promotional monies or credits we collect from any supplier based upon your purchases from that supplier will not count toward or otherwise reduce your required payment of the National Advertising Fee.

We may have the Fund incorporated or operated through an entity separate from us at any time we deem appropriate, and the successor entity will have all our rights and duties as described in this section and in the Franchise Agreement.

The Fund is intended to maximize recognition of the Marks and patronage of Champions Martial Arts Centers generally. Although we will try to use the Fund to develop advertising and marketing materials and programs, and to place advertising, to benefit all Centers, we have no obligation to make sure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by the Centers operating in that geographic area, or that any Center will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. Your failure to derive this benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Fund. We have no fiduciary obligation to you or any other Center in connection with the establishment of the Fund or the collection, control or administration of National Advertising Fees. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund. The fund and its earnings will not otherwise inure to our benefit except that any resulting technology and intellectual property will be deemed our property. (Franchise Agreement – Section 12.1)

When established, we have the right to terminate the Fund at any time. We will not terminate the Fund until all money in the Fund has been spent for advertising and promotional purposes. If we choose to terminate the Fund, we also have the right to reinstate it at any time, and any reinstated Fund will be maintained as described above.

As of December 31, 2022, since the Fund has not yet been established, no money has been spent by the Fund.

Grand Opening Advertising

You must pay us to conduct a grand opening advertising campaign to promote the opening of your Standard Franchised Business to the public, and you must pay us \$5,000 for your grand opening advertising campaign. We must approve of your grand opening advertising campaign, including the placement of advertising and any giveaways. We expect your grand opening advertising campaign will include your offering of print advertising, free classes and demonstrations.

Pre-Opening Lead Generation

We will conduct our Champions Martial Arts Lead Generation Program, at your expense, to generate new memberships for your Center and to attract customer traffic to you. Conversion Franchisees have the option to request these services.

Local Marketing

You are not required to spend any definite amount for local marketing and promotion of your Champions Martial Arts Center. However, any advertising by you must be approved by us. You must submit any advertising or marketing materials which we have not prepared or previously approved within the preceding twelve (12) month period. We will have fifteen (15) days after receipt of the proposed materials to notify you whether they are approved. Unless we provide our specific approval of the proposed materials, they are deemed not approved. You may not use any advertising or promotional materials that we have disapproved. Any materials you submit to us for our review will become our property and there will be no restriction on our use or distribution of these materials. At our request, you must include certain language in your local marketing materials, such as “Franchises Available” and our website address and telephone number.

Marketing Cooperatives

We do not anticipate forming or approving the formation of local or regional marketing cooperatives. If a marketing cooperative is formed by our franchisees and approved by us, you must agree to contribute to the cooperative the amount agreed upon by a majority of the members of the cooperative, to pay that amount to the marketing cooperative and the times agreed upon by the majority and abide by the cooperative’s rules. However, you will not be required to contribute more than \$100 during each month to the cooperative unless, subject to our approval, the members of the cooperative agree to the payment of a larger fee. The cooperative will determine who will administer the cooperative. The written governing documents will be available for review by you. Cooperatives need not prepare annual or periodic financial statements, but if they are prepared, they may be reviewed by you. We will not have the power to require cooperatives to be formed, changed, dissolved or merged. All Champions Martial Arts Centers owned by us or our affiliates will contribute to the cooperative on the same basis as you if they are members of the cooperative. Each Champions Martial Arts Center has one vote in the cooperative. Champions Martial Arts Center owned by us or our affiliates do not have controlling voting power on any fees imposed by the cooperative.

Advisory Council

We may, in our discretion, form an advisory council to work with us to improve the System, the products and services offered by Champions Martial Arts Centers, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. The advisory council will include our representatives and franchisee representatives. The franchisee representatives may be chosen by us or by other franchisees in the System. If you participate in an advisory council, you will pay any expenses you incur related to your participation, which may include travel, lodging and meals expenses if you must travel to attend council meetings.

Website / Intranet

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators (“URLs”) and, if we do, we may design and provide for the benefit of your Center a “click through” subpage at our website for the promotion of your Center. If we establish one or more websites or other modes of electronic commerce and if we provide a “click through” subpage at the website(s) for the promotion of your Center, you must routinely provide us with updated copy, photographs and news stories about your Center suitable for posting on your “click through” subpage. We

reserve the right to specify the content, frequency and procedure you must follow for updating your “click through” subpage.

Any websites or other modes of electronic commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Champions Martial Arts Centers – also be devoted in part to offering Champions Martial Arts Center franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and system-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Franchised Business; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the “Champions Martial Arts Center” name or any name confusingly similar to the Marks.

You are not permitted to promote your Franchised Business or use any of the Marks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

Computer System

You must purchase and use certain computer hardware and software that meet our specifications and that are capable of electronically interfacing with our computer system. The computer system is used to collect and monitor point of sale information, membership database, to create business reports and for scheduling, and may be used to collect and monitor accounting information, track memberships, process recurring payments and credit card processing.

The computer system must allow us to have immediate access to the information contained in your computer as described above, and there is no contractual limitation on our access to or use of the information we obtain. You must install and maintain equipment and a high-speed internet connection (such as T-1, DSL or cable modem) in accordance with our specifications to permit us to access the computer system at your Franchised Business premises or electronically. This will permit us to inspect and monitor information concerning your sales, memberships and any other information that may be contained or stored in the computer system. You must make sure that we have access at the times and in the manner we specify, at your cost. We will also have access to this information using the mandatory cloud-based point of sale software.

You must purchase a Windows based computer system and a cloud-based point of sale software. Our specific requirements for the computer system will be included in our Manual. You must purchase the computer system from any authorized seller, unless we designate a specific supplier. We expect that the computer system will cost approximately \$1,500. We reserve the right to change the designated computer system and any required software in the future. You must also purchase internet security and antivirus software approved by us for all computers.

You must obtain any upgrades and/or updates to the software used with the computer system, at your expense. All software used with the computer system must be kept up to date. We recommend, but do not require, that you purchase a maintenance contract for your computer system which we anticipate could cost approximately \$1,200 per year. In addition, we may require you to update and/or upgrade all or a portion of your computer system during the term of your Franchise Agreement, at your expense. The Franchise Agreement does not limit our ability to require you to update and/or upgrade your computer system or the cost of any update and/or upgrade. Neither we nor any affiliate of ours will provide you with any updates, upgrades or maintenance for your computer system.

You must obtain and maintain a high-speed internet connection at all times for your computer system. It will be a material default under the Franchise Agreement if you do not maintain the equipment, lines and communication methods in operation and accessible to us at all times throughout the term of the Franchise Agreement. We must have access at all times and in the manner that we specify.

Site Selection and Opening

A Standard Franchisee must, within 90 days after you sign the Franchise Agreement, locate a site for your Franchised Business and submit to us the information and materials as we may reasonably request for the proposed site. We generally do not own the premises and lease it to you. We will consider the site you propose based on demographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area (including other Champions Martial Arts Centers), the number of households, income levels, population, the purchase price or lease terms for the proposed site and other commercial characteristics, the size of the premises, appearance, and other physical characteristics of the proposed site.

We will have 15 days after we receive this information and materials from you to approve or disapprove the proposed site as the location for your Franchised Business. If we do not provide our specific approval of a proposed site, the site is deemed not approved. If we cannot agree on a proposed site, we may elect to terminate the Franchise Agreement and keep the entire initial franchise fee. Our approval only means that the site meets our requirements for a Champions Martial Arts Center.

We estimate that the time from when your location is approved to the opening of the Franchised Business will be approximately 180 days. This time may be shorter or longer depending on the time necessary to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing inventory and supplies. We do not provide assistance with conforming the site to local ordinances and building codes, obtaining the permits and licenses for the construction and operation of the Champions Martial Arts Center, completing construction or remodeling, hiring and training your employees. We provide assistance with equipment, signs, fixtures, opening inventory or supplies through the list of approved suppliers and our written specifications. We do not deliver or install these items.

If you are unable to open your Franchised Business within 180 days after your location is approved we may terminate the Franchise Agreement without any refund of fees. You may not open your Center for business until we have approved it as being ready to open.

Training

No later than 30 days before the date your Franchised Business opens, you and up to two additional employees (for a maximum of three people) must attend and complete, to our satisfaction, our mandatory initial training program. Approximately 5 days of training will be conducted at our headquarters in New York, at an operating Champions Martial Arts Center, or at another location we designate. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement managers and other personnel needing training, the number of new Centers being opened and the timing of the scheduled openings of Centers. There is currently no set schedule for providing our training program.

We will provide instructors and training materials for the initial training of you and up to two additional trainees at no additional charge, but you must pay the expenses incurred by you and your trainees while attending training, including costs of travel, lodging, meals and applicable wages. You may also have additional personnel trained by us for your Franchised Business, at your expense, including payment of our then-current training fee. You or your manager must complete the initial training program to our satisfaction. If you or your manager do not satisfactorily complete the initial training program or if we determine that you or your manager cannot satisfactorily complete the training program, you or your manager must re-take the training program at your expense, including payment of our then-current training fee. If you or your manager fail to complete our initial training program a second time, we have the right to terminate your Franchise Agreement without any refund of the initial franchise fee.

If, during the term of your Franchise Agreement, you request that we provide additional training on-site at your Franchised Business, or if we determine that you require additional training because your Center is not operating according to our standards, you must pay our then-current per diem fee for each trainer we provide, and you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals.

Our training program is conducted by Clinton Oh, Joseph Froman, Andrew Oh, Frank Guerrini, Michael Ro and Jaewan Park. We reserve the right to draw upon the experience of our Affiliate's employees while providing the initial training program. The minimum experience of Clinton Oh, Joseph Froman, Andrew Oh, Frank Guerrini, Michael Ro, Jaewan Park and the instructors in the field that is relevant to the subject taught and our operations is from five to ten years.

The instructional materials used in the initial training consist of our Manual, marketing and promotion materials, programs related to the operation of the computer system, and any other materials that we believe will be beneficial to our franchisees in the training process.

As of the date of this Disclosure Document, we provide the following training program, consisting of five days of intensive.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
DAY 1			
Introduction, Planning for Success	1.0	0	Carle Place, NY

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Understanding the Martial Arts Curriculum	2.0	0	Carle Place, NY
Understanding the Business System	2.0	0	Carle Place, NY
Goals and Mindset	1.0	0	Carle Place, NY
Beginner Business	1.0	0	Carle Place, NY
Live Workshop	2.0	0	Carle Place, NY
DAY 2			
Creating Revenue	1.0	0	Carle Place, NY
Intermediate Business	2.0	0	Carle Place, NY
Advanced Business	2.0	0	Carle Place, NY
Promotion Testing & Other Events	1.0	0	Carle Place, NY
Live Workshop	2.0	0	Carle Place, NY
DAY 3			
Class Time Management Review	1.0	0	A Franchised Location
Little Tigers Program	2.0	0	A Franchised Location
Beginner Program	2.0	0	A Franchised Location
Teaching Life Skills and Morals	1.0	0	A Franchised Location
Visit a Franchisee (Optional)	2.0	0	A Franchised Location
DAY 4			
Full Curriculum Review	5.0	0	A Franchised Location
Using the Online Platform	1.0	0	A Franchised Location
Visit a Franchisee (Optional)	2.0	0	A Franchised Location
DAY 5			
Creating Multiple Streams of Revenue	1.0	0	Carle Place, NY
Promotion Testing	1.0	0	Carle Place, NY
Other Events	1.0	0	Carle Place, NY
Social Media for Success	2.0	0	Carle Place, NY

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Using Our Website & Internet Marketing	1.0	0	Carle Place, NY
Lead Management	1.0	0	Carle Place, NY
Online Franchisee Program	1.0	0	Carle Place, NY
Franchise Support & Final Notes	1.0	0	Carle Place, NY
TOTAL HOURS	43	0	

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the experience or individual needs of those persons being trained.

We may choose to hold an annual meeting of our franchisees to provide additional training, introduce new products or changes to the System, or for other reasons. We may designate that attendance at an annual meeting is mandatory for you and/or other personnel. We do not anticipate charging a fee to attend the meeting, but you will pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages. We will designate the location of any franchisee meeting, such as a resort hotel, but we will not designate an unreasonably expensive site.

We may also choose to hold refresher training courses, and we may designate that attendance at refresher training is mandatory for you and/or other personnel. We do not anticipate charging a fee for refresher training, but you will pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages.

Operations Manual

The table of contents to the Manual is attached hereto as Exhibit G. The Manual includes approximately 129 pages.

ITEM 12: TERRITORY

Franchise Agreement

Your Franchise Agreement will specify the site that will be the approved location for your Franchised Business. Your Franchise Agreement will not specify a Territory. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If, during the term of the Franchise Agreement, you wish to relocate your Franchised Business, or if your Franchised Business is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for your Franchised Business. You must also meet certain other requirements, such as being in compliance with the Franchise Agreement, the location meets our then-current

requirements for a Center, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement.

Except as expressly limited by the Franchise Agreement, we and our affiliates retain all rights with respect to Champions Martial Arts Centers, the Marks, and any products and services anywhere in the world including the right: (a) to produce, offer and sell and to grant other the right to produce, offer and sell the products offered at Champions Martial Arts Centers and any other goods through alternative channels of distribution, including Internet, catalog sales, telemarketing or other direct marketing sales under trade and service marks other than the Marks and under any terms and conditions we deem appropriate; (b) to operate and to grant others the right to operate Champions Martial Arts Centers anywhere under any terms and conditions we deem appropriate and regardless of proximity to your Franchised Business; and (c) the right to acquire and operate a business with one or more indoor recreation facilities anywhere.

We and our affiliates may sell products and services under the Proprietary Marks through any method of distribution other than a dedicated Champions Martial Arts Center, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales and you will not receive any compensation for our sales through alternative distribution channels. Any sales made through our Website will be fulfilled by us or our affiliate and you will not be entitled to any portion of the revenue from these sales.

We intend to forward all inquiries generated through our website to the appropriate Champions Martial Arts Center in the System, based on the customer’s location. If an inquiry is forwarded to you and you choose not to respond to the inquiry or fulfill any request, we, our affiliate or another franchisee may fulfill the request and you will not be entitled to any revenue generated from the request.

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Champions Martial Arts Centers which sell our products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Multi-Unit Development Agreement

If you enter into a Multi-Unit Development Agreement, you will receive a Development Territory within which you will have certain rights to develop multiple Champions Martial Arts Centers. The size of the Development Territory will depend on the number of Centers you commit to develop, and may be described in terms of contiguous zip codes, street or county boundaries, or other similar methods, and may be depicted on a map. If you meet the minimum Development Schedule, comply with all other provisions described in the Multi-Unit Development Agreement and otherwise comply with the provisions of each related Franchise Agreement, we will not establish or license others to establish a Center within the Development Territory assigned to you. You maintain your rights to your Development Territory even if the population increases.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Upon completion of your Development Schedule in the Multi-Unit Development Agreement, your rights to develop Centers within the Development Territory will end and you will have no further rights in the Development Territory.

Under the Multi-Unit Development Agreement we retain the right, in our sole discretion and without granting any rights to you: (a) to own and operate, or to grant other persons the right to own and operate, Centers at locations outside your Development Territory, and on terms and conditions we deem appropriate in our sole discretion; and (b) to sell outside the Development Territory the services and products authorized for Centers under the Marks or other trademarks, service marks and commercial symbols through dissimilar channels of distribution and according to the terms and conditions we deem appropriate.

ITEM 13: TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the Marks. The Multi-Unit Development Agreement does not authorize you to use the Marks. Our principal trademark is “Champion’s Martial Arts Ultimate” and associated design. We have applied for registration of the Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) as follows:

Mark	Reg. Date	Reg. Number	Register
CHAMPION’S MARTIAL ARTS ULTIMATE 	November 6, 2018	5,599,002	PRINCIPAL
LITTLE TIGERS	August 27, 2019	5,842,196	PRINCIPAL

We intend to file all affidavits and to renew our registrations for the Marks when they become due.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the Marks. There are no agreements currently in effect which significantly limit our right to use or license the use of the Marks in any manner material to you.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your operation of the Franchised Business in compliance with the Franchise Agreement and all applicable standards, specifications and operating procedures we prescribe during the term of the Franchise Agreement. Any unauthorized use of the Marks by you constitutes a breach of the agreement and an infringement of our rights in and to the Marks. Your use of the Marks and any goodwill established by your use will be for our exclusive benefit. All provisions of the Franchise Agreement applicable to the Marks will apply to any other trademarks, service marks, commercial symbols and trade dress we authorize in writing for use by and licensed to you after you sign the agreement.

You must use the Marks as the sole trade identification of the Franchised Business and must identify yourself in the form we prescribe as the independent owner of the Franchised Business. You may not use any Mark or variation thereof as part of any corporate name or with any prefix, suffix, or other modifying

words, terms, designs, or symbols, or in any modified form. You may not use any Mark or any variation of it in connection with the performance or sale of any unauthorized services or products, as part of the domain name or address of a website, or in any other manner we have not expressly authorized in writing. You must display the Marks prominently in the manner we prescribe. You must give notices of trademark and service mark registrations that we specify and obtain business name registrations as required under applicable law.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will have sole discretion to take any action we deem appropriate in connection with any infringement, challenge or claim, and we have the sole right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You must sign any and all instruments and documents, give assistance, and do any acts and things as may in the opinion of our counsel be necessary or advisable to protect and maintain our interests in any litigation or proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for the reasonable out-of-pocket expenses you incur and pay in complying with these requirements; except if any action we take with respect to any claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs up to the amount of the monetary recovery.

The Franchise Agreement does not require us to take affirmative action when notified of any infringements of or challenges to the Marks, but we intend to vigorously defend the Marks. We have the right to control any litigation or administrative proceedings involving the Marks. We will indemnify you against and reimburse you for all damages for which you are held liable in any proceeding arising out of your use of any Mark pursuant to and in compliance with the agreement, and for all costs you reasonably incur in the defense of any claim in which you are named as a party, if you have promptly notified us of the claim, have given us sole control of the defense and settlement of the claim and have otherwise complied with your Franchise Agreement. If any action taken by us relating to a claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs up to the amount of the monetary recovery.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue the use of any Mark and/or for the Franchised Business to use one or more additional or substitute trade or service marks, you must immediately comply with our directions to modify or otherwise discontinue the use of the Marks and/or to use one or more additional or substitute trademarks, service marks, logos or commercial symbols or substitute trade dress after our notice to you. We are not obligated to reimburse you for any expenses you incur in connection with any discontinuance or modification.

As of the date of this Disclosure Document, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks in any state.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not have an ownership interest in any patents or registered copyrights that are material to the franchise.

We claim common law copyrights in the Manual, advertising materials, computer works, and similar items used in operating the Franchised Business. We have not registered these copyrights with the United States Registrar of Copyrights, and we are not required to do so to protect them.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted works. No agreement limits our right to use or license the copyrighted works. Finally, we do not know of any infringing uses which could materially affect your use of the copyrighted works in any state. We are not required by any agreement to protect or defend the copyrighted works except as described below.

In the Franchise Agreement, you acknowledge and agree (1) that we may authorize you to use certain copyrighted or copyrightable works in our discretion, (2) that the copyrighted works are the valuable property of us or our affiliates and of which we or our affiliates are the owner, and (3) that the rights granted to you are solely on the condition that you comply with the terms of the Franchise Agreement. You must acknowledge and agree that we own or are the licensee of the owner of the copyrighted works and will further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Franchised Businesses. Copyrighted works include the Manual and may include all or part of the Marks, trade dress and other portions of the Champions Martial Arts Centers System. We intend that all works of authorship related to the System and created in the future will be owned by us or our affiliates and copyrighted.

Your right to use the copyrighted works is derived solely from the Franchise Agreement and is limited to the use of the copyrighted works in compliance with the agreement and all applicable standards, specifications, and operating procedures we prescribe. You must make sure that all copyrighted works used bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws we prescribe specifying that we are the owner or the licensee of the owner of the copyright. The Franchise Agreement does not grant you any interest in the copyrighted works, other than the right to operate the Franchised Business in compliance with the agreement.

You must immediately notify us in writing of any actual or apparent infringement of or challenge to any of the copyrighted works or claim by any person of any rights in the copyrighted works, and you may not communicate with any person other than us and our counsel in connection with any infringement, challenge or claim. We will have the sole discretion to take any action we deem appropriate and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any alleged infringement, challenge or claim or otherwise relating to the copyrighted works.

If it becomes advisable at any time for you to modify or discontinue use of any of the copyrighted works and/or for you to use one or more additional or substitute copyrighted or copyrightable items, you agree to immediately comply with our directions to modify or otherwise discontinue the use of the copyrighted materials and/or to use one or more substitute materials, at your expense.

Confidential Information

We possess and will further develop and acquire certain confidential and proprietary information and trade secrets (the “Confidential Information”) including: (1) methods, techniques, specifications, standards, policies, procedures, information, concepts and systems relating to and knowledge of and experience in the development, operation, and franchising of Champions Martial Arts Centers; (2) marketing and promotional programs for Champions Martial Arts Centers; (3) knowledge of specifications for and knowledge of suppliers of certain materials, equipment and fixtures for Champions Martial Arts Centers; (4) operating results and financial performance of Champions Martial Arts Centers; (5) the Manual; and (6) the terms of the Franchise Agreement.

Under the Franchise Agreement we will disclose to you, during training and in guidance and assistance furnished to you, parts of the Confidential Information that you need for the development and operation of a Franchised Business. You may learn or otherwise obtain from us additional Confidential

Information during the term of your agreement. You must agree to disclose the Confidential Information to your owners and employees only to the extent reasonably necessary to operate your Franchised Business.

You and your owners must acknowledge and agree that the Confidential Information is confidential to and a valuable asset of us and our affiliates, is proprietary, includes trade secrets of us and our affiliates and is disclosed to you on the condition that you, your owners and your employees who have access to the Confidential Information agree that during and after the term of the agreement you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; (4) will adopt and implement all reasonable procedures we prescribe to prevent unauthorized use or disclosure of the Confidential Information; and (5) will require all principal owners and all employees and owners who have access to the Confidential Information to sign confidentiality and non-competition agreements in the form we prescribe and provide us, at our request, with signed copies of each agreement. We will be a third party beneficiary of these agreements with the independent right to enforce their terms.

Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information in connection with the operation of other Champions Martial Arts Centers under valid Franchise Agreements with us.

If you have obtained our prior written consent, the restrictions on the disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known in the indoor recreation business within the Territory, other than through deliberate or inadvertent disclosure by you; and (b) the disclosure of the Confidential Information in judicial or administrative proceedings if you are legally compelled to disclose this information, provided you have notified us in writing before disclosure and used your best efforts to obtain, and afforded us the opportunity to obtain, an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be disclosed.

You must agree to disclose to us all ideas, concepts, promotional materials, methods, techniques and products relating to the development and operation of Champions Martial Arts Centers conceived or developed by you or your employees during the term of the Franchise Agreement. You must grant to us and agree to obtain from your affiliates, owners or employees a perpetual, non-exclusive and worldwide right to use these new ideas, concepts, promotional materials, methods, techniques and products in all Champions Martial Arts Centers or other businesses operated by us, our affiliates and franchisees. We have no obligation to make any payment with respect to any idea, concept, method, technique or product. You agree that you will not use, nor will you allow any other person or entity to use, any concept, method, technique or product without obtaining our prior written approval.

ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must use your best efforts to develop and expand the market for products and services offered by Champions Martial Arts Centers and to cooperate with us to accomplish these purposes.

We do not require you to personally supervise the operation of the Center or to participate in its day-to-day operations on a full-time basis, but you must designate and retain at all times an individual to serve as the manager. If you are an individual, we recommend that you be the manager. If you hire a manager, you must spend a minimum of 15 hours of week supervising the operation of your Center. You must maintain other personnel for adequate staffing of the Center. You must keep us informed of the identity of all managers at all times. Your Center must at all times be under the direct, on-site supervision

of a manager whose identity has been disclosed to us, who has completed our training program to our satisfaction, who has passed our rigorous background screening, and of whom we have approved. If your manager is no longer employed by you, you must designate a replacement manager within 30 days after the first manager's employment ends, and the replacement manager must be sent to us for training within 60 days after appointment by you, at your expense, and must complete our training program to our satisfaction. There are no other restrictions on whom you may hire as your manager and we do not require that your manager have an ownership interest in your Franchised Business.

If you are not actively participating in the daily operation of your Franchised Business, you must still make sure that the Franchised Business is operated according to the terms of the Franchise Agreement you sign with us, our Manual, and our System standards.

We may require you to obtain confidentiality and/or non-competition agreements from some of your key employees. Your Franchised Business must be open and operating on the days and during the times we specify in the Manual, unless applicable law or the terms of your lease require different hours.

If you are a corporation, limited liability company or partnership, each owner who directly or indirectly owns an equity or voting interest in you must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement according to the Guaranty and Assumption of Obligations attached to the Franchise Agreement.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

You must sell or offer for sale all products and services we require, in the manner and style we require. You must sell and offer for sale only the products and services that we have expressly approved in writing. You must not deviate from our standards and specifications without first obtaining our written consent. You must stop selling and offering for sale any products or services that we may disapprove in writing at any time. We have the right to change the types of products and services offered by you at your Franchised Business at any time, and there are no limits on our right to make those changes.

You must keep your Franchised Business very clean and maintain it in good repair and condition. You must make any additions, alterations, repairs and replacements, including repainting or replacement of obsolete signs, furnishings, equipment, and décor, as we may reasonably direct. You must not make any changes to the premises without obtaining our written consent before you make the changes. You must obtain and pay for any new or additional equipment, including computer hardware and software, fixtures, supplies and other products and materials that you must have to offer and sell new products and services from your Franchised Business.

We reserve the right to determine the minimum and/or maximum prices for the products and services offered from your Franchised Business, as permitted by applicable law. You must comply with the prices required by us, but we make no guarantees or warranties that offering the products or services at the required price will enhance your sales or profits.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the products or services that you may offer or sell or as to the customers to whom you may offer or sell, except as described in Item 12.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	Section 3.1	10 years.
(b) Renewal or extension of the term	Section 17.1	If you are in good standing, and subject to contractual requirements, you may sign a successor agreement for an additional term for ten years unless we have determined, in our sole discretion, to withdraw from the geographical area where your outlet is located.
(c) Requirements for franchisee to obtain a renewal franchise	Section 17	Successor terms are automatic. Within the last six months of the term of your Franchise Agreement, we will send you a bill for the successor agreement fee as well as any documents that you must sign for the successor agreement, which may include a Successor Franchise Agreement and a release. If you do not wish to enter into a successor agreement, you must provide us with notice of this election no later than 60 days before your agreement expires. If you do not pay the successor agreement fee and sign the documents we require, your agreement will not be granted a successor term. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory and the fees in the successor agreement will not be greater than the fees that we then impose on similarly situated franchisees with successor agreements.
(d) Termination by franchisee	None	You may seek termination upon any grounds available by state law.
(e) Termination by franchisor without cause	Not applicable	The Franchise Agreement will terminate upon your death or permanent disability and the Franchised Business must be transferred within six months to a replacement franchisee that we approve.

Provision	Section in Franchise Agreement	Summary
(f) Termination by franchisor with cause	Section 18	We can terminate if you or any of your owners fail to comply with the Franchise Agreement or any mandatory specification, standard or operating procedure we prescribe.
(g) “Cause” defined – curable defaults	Section 18.1	10 days for monetary and reporting defaulting and 15 days for all other curable defaults, but if it cannot be cured within 30 days, begin efforts to cure within 10 days and continue cure efforts until completion.
(h) “Cause” defined – non-curable defaults	Section 18.2	(1) Fail to obtain possession of the approved site or begin operations within time provided; (2) abandon, surrender or transfer control without our prior written approval; (3) make material misrepresentation or omission on application; (4) conviction of you or any of your owners of a felony or other crime, offense or misconduct which adversely affects your or our reputation or the goodwill of the Marks or any crime against a child; (5) unauthorized transfer; (6) you or your affiliates or owners make any unauthorized use, duplication or disclosure of Confidential Information, the Marks, the Copyrighted Works, the Manual or challenge or seek to challenge our rights in any of these items; (7) lose the right to possess the premises and fail to relocate in accordance with the Franchise Agreement; (8) insolvency, receivership or a judgment against you is unsatisfied for more than 30 days; (9) violation by you, or members of your immediate families of the in-term non-compete provision or other non-compete agreement; (10) knowingly maintain false records or submit false reports to us; (11) permit a lease default to go uncured; (12) three or more defaults within 12 months or two or more of the same default within 12 months whether or not cured; (13) fail to purchase or maintain required insurance; (14) pose a threat to public health or safety; (15) refuse us permission to inspect the Center or your books and records; (16) you or any of your affiliates or owners interfere with our ability to license the Marks or the System to others; (17) you or any of your affiliates or owners interfere with our contractual relations with others; or (18) a Franchise Agreement with you or your affiliates is terminated by us, or is terminated by

Provision	Section in Franchise Agreement	Summary
		you in a way that is not in compliance with the Franchise Agreement.
(i) Franchisee's obligations on termination/non-renewal	Section 19	Pay all amounts owed; stop all use of Marks; remove all signs; return to us or destroy all materials containing any Marks; cancel assumed or fictitious name registrations; transfer all domain names, internet listings, telephone numbers and telephone listings to us; stop using all copyrighted works; if we do not purchase the Center, then you must make any modifications necessary to avoid confusion (de-identify the premises); furnish us evidence of compliance with the above; stop use of Confidential Information; return the Manual; comply with post-term covenant not to compete.
(j) Assignment of contract by franchisor	Section 16.1	No restriction on our right to assign.
(k) "Transfer" by franchisee – defined	Section 16.2	Includes transfer of any interest in the Agreement, the Franchise, you, the Center and some or all of its assets.
(l) Franchisor approval of transfer by franchisee	Section 16.2 through 16.7	We have the right to approve all transfers.
(m) Conditions for franchisor approval of transfer	Section 16.3	You and your owners must be in full compliance with the Franchise Agreement; transferee meets our criteria; transferor signs required documents, including a release. If the transfer is of the Agreement, a Principal Owner's interest in you or a controlling interest in you, transferee may not engage in a Competitive Business; all amounts due from you and the transferee are paid in full; personnel of transferee sign non-compete and confidentiality agreement; completion of training; transferee and its owners agree to be bound by all obligations under the Franchise Agreement or sign our then-current form of franchise agreement, at our option; pay transfer fee; lessor consents to assignment of lease; we approve the terms and conditions of the transfer; all obligations of the transferee to you are subordinate to us; transferor and you sign non-competition covenant; transferee agrees to upgrade the Champions Martial Arts Center to then-current standards; transferee signs guarantee of obligations under Franchise Agreement; transfer is made in compliance with all laws.

Provision	Section in Franchise Agreement	Summary
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 16.7	We have the right to match offers from third parties to buy an interest in the Franchise Agreement, the Franchise, the Center, assets of the Center or ownership interests in you.
(o) Franchisor's option to purchase franchisee's business	Section 19.6	We have the right to purchase all or a portion of the assets of the Center for fair market value on termination or non-renewal of the Franchise Agreement.
(p) Death or disability of franchisee	Section 16.5	The Franchise Agreement will terminate upon your death or permanent disability, and the Franchised Business must be transferred within six months to a replacement franchisee that we approve.
(q) Non-competition covenants during the term of the franchise	Sections 9 and 11.11	No involvement by you and members of your immediate families in a Competitive Business anywhere. If you are a corporate entity, you may not engage in any business other than the development and operation of Champions Martial Arts Centers.
(r) Non-competition covenants after the franchise is terminated or expires	Sections 9 and 19.4	No involvement by you or members of your immediate families in a Competitive Business for two years within 30 miles of your Center or any other Center in the System.
(s) Modification of the agreement	Section 22.8	No modifications unless in writing and signed, but Manual subject to change.
(t) Integration/merger clause	Section 22.9	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Section 20	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated and arbitrated in New York (subject to state law)
(v) Choice of forum	Section 22.5	Nassau County, New York (subject to state law)
(w) Choice of law	Section 22.5	New York law applies (subject to state law)

THE MULTI-UNIT DEVELOPER RELATIONSHIP

Provision	Article in Multi-Unit Development Agreement	Summary
(a) Length of the franchise term	Article 1	Term of development schedule
(b) Renewal or extension of the term	Article 1	Not renewable
(c) Requirements for multi-unit developer to renew or extend	Not applicable	
(d) Termination by multi-unit developer	Not applicable	You may seek to terminate your Multi-Unit Development Agreement on any ground permitted by law
(e) Termination by franchisor without cause	Not applicable	
(f) Termination by franchisor with cause	Article 4	We may terminate the Multi-Unit Development Agreement if you breach it
(g) “Cause” defined – curable defaults	Article 4	Your failure to comply with the Multi-Unit Development Agreement
(h) “Cause” defined – non-curable defaults	Section 1.4 and Article 4	Failure to meet your development schedule, unauthorized transfer of the development rights or any interest in you, bankruptcy or insolvency, you are dissolved, you make a material misrepresentation or omission in your application to us, conviction of a felony or other crime that we believe will adversely affect the Marks, repeated breaches, one of your Franchise Agreements is terminated
(i) Multi-unit developer’s obligations on termination/non-renewal	Article 5	Lose development rights, comply with non-competition covenants
(j) Assignment of contract by franchisor	Article 6	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Multi-Unit Development Agreement
(k) “Transfer” by multi-unit developer–defined	Article 6	Includes transfer of any interest in you or the Multi-Unit Development Agreement

Provision	Article in Multi-Unit Development Agreement	Summary
(l) Franchisor approval of transfer by multi-unit developer	Article 6	We have the right to approve all transfers, our consent not to be unreasonably withheld
(m) Conditions for franchisor approval of transfer	Article 6	Conditions for transfer include not being in default, at least 25% of all Centers required to be developed are open or under construction, all debts are paid, the buyer meets our current criteria for new multi-unit developers, execution of a general release (where legal), payment of transfer fee, buyer personally guarantees all obligations
(n) Franchisor's right of first refusal to acquire multi-unit developer's business	Article 6	We have the right to match an offer to purchase your business
(o) Franchisor's option to purchase multi-unit developer's business	Not applicable	
(p) Death or disability of multi-unit developer	Article 6	The rights granted under this Multi-Unit Development Agreement will terminate upon your death or permanent disability, unless transferred to a third-party approved by us within twelve months.
(q) Non-competition covenants during the term of the franchise	Not applicable	
(r) Non-competition covenants after the franchise is terminated or expires	Article 5	Includes prohibition on owning or operating a Competitive Business for two years and located within 30 miles of any unit in the System
(s) Modification of the agreement	Article 7	Must be in writing by both parties
(t) Integration/merger clause	Article 7	Only the terms of the Multi-Unit Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Multi-Unit Development Agreement may not be enforceable.

Provision	Article in Multi-Unit Development Agreement	Summary
(u) Dispute resolution by arbitration or mediation	Article 8	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated and arbitrated in New York (subject to state law)
(v) Choice of forum	Article 8	Nassau County, New York (subject to state law)
(w) Choice of law	Article 8	New York (subject to state law)

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Clinton Oh at 21 Kettlepond Road, Jericho, New York 11753 and (877) 773-5425, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2020, 2021, 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	33	32	-1
	2021	32	32	0
	2022	32	31	-1
Company-Owned	2020	14	18	+4
	2021	18	19	+1
	2022	19	22	+3
Total Outlets	2020	47	50	+3
	2021	50	51	+1
	2022	51	50	-1

There are no Company-Owned outlets. However, our President Mr. Clinton Oh owns 6 affiliated outlets, has 50% ownership interest in 1 affiliated outlet and has 25% ownership interest in the remaining 16 affiliated outlets in New York, as described in Exhibit E. Our President is also CEO of 1 outlet located in Massapequa, New York.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020, 2021, 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets
For years 2020, 2021, 2022

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Termina- tions	Col 6 Non- Renewals	Col 7 Reacquired by Franchisor	Col 8 Ceased Operations – Other Reasons	Col 9 Outlets at End of the Year
New York	2020	32	0	0	0	0	0	32
	2021	32	0	0	0	0	0	32
	2022	32	0	1	0	0	0	31
Pennsylvania	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	33	0	0	0	0	1	32
	2021	32	0	0	0	0	0	32
	2022	32	0	0	0	0	0	32

Table No. 4
Status of Company-Owned Outlets
For years 2020, 2021, 2022

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Outlets Reacquired from Franchisee	Col 6 Outlets Closed	Col 7 Outlets Sold to Franchisee	Col 8 Outlets at End of the Year
New York	2020	14	4	0	0	0	18
	2021	18	1	0	0	0	19
	2022	29	3	0	0	0	22
Total	2020	14	4	0	0	0	18
	2021	18	1	0	0	0	19
	2022	19	3	0	0	0	22

There are no Company-Owned outlets. However, our President Mr. Clinton Oh owns 6 affiliated outlets, has 50% ownership interest in 1 affiliated outlet and has 25% ownership interest in the remaining 16 affiliated outlets in New York, as described in Exhibit E. Our President is also CEO of 1 outlet located in Massapequa, New York.

Table No. 5
Projected Openings as of December 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
New York	0	0	0
Total	0	0	0

A list of the names of all franchisees and multi-unit developers and the addresses and telephone numbers of their businesses will be provided in Exhibit D and E to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or multi-unit developer who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or Multi-Unit Development Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit D to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Champions Martial Arts Centers System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Champions Martial Arts Centers System.

ITEM 21: FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit F are our audited financial statements for the fiscal years ending December 31, 2020, December 31, 2021 and December 31, 2022.

Our fiscal year end is December 31st.

ITEM 22: CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement – Exhibit B
Multi-Unit Development Agreement – Exhibit C
Form of General Release – Exhibit I

ITEM 23: RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC.

FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

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ATTACHMENTS

- 1 - Statement of Ownership Interests in Franchisee/Entity
- 2 – Site and Exclusive Territory
- 3 – Internet Advertising, Social Media, Software and Telephone Listing Agreement
- 4 – Collateral Assignment of Lease
- 5 – Confidentiality and Non-Competition Agreement
- 6 – Guaranty
- 7 – Transfer of Franchise to a Corporation or Limited Liability Company
- 8 – General Release

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC.
FRANCHISE AGREEMENT

THIS AGREEMENT is entered into on _____, by and between Champions Martial Arts International, Inc., a New York corporation with its address at 21 Kettlepond Road, Jericho, New York 11753 (herein referred to as “we”, “us” or “our”), and _____, a(n) _____ whose principal address is _____ and _____’s principal(s) _____, an individual residing at _____ and _____, an individual residing at _____ (“Principal(s)”), who will act as the franchisee under this Agreement. _____ and Principal(s) shall be collectively referred to in this Agreement as “you” or “your” or “Franchisee”.

ARTICLE 1: INTRODUCTION

1.1 We have developed and continue to develop methods of operating businesses which offer, as of the date of this Agreement, Tae Kwon Do training and other martial arts programs to students at all levels (“Approved Products and Services”). Such a business is defined below as a “Champions Martial Arts Center” or “Franchised Business”. Champions Martial Arts Centers operate at locations that feature the “System”, which includes distinctive signage, interior and exterior design, décor and color scheme; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures; training and assistance; and advertising and promotional programs, all of which we may modify from time to time.

1.2 We grant to certain qualified persons or entities, and who meet our qualifications and who are willing to undertake the investment and effort, the right to own and operate a Champions Martial Arts Center at a location selected by you and approved by us using the System and the Marks. Pursuant to this Agreement, we will grant rights to you to own and operate a Champions Martial Arts Center at the Site and to operate the Champions Martial Arts Center according to the terms of this Agreement.

1.3 Certain terms that are in bold letters in this Agreement are defined in Section 2 or at the places in this Agreement where they first appear.

ARTICLE 2: DEFINITIONS

2.1 For purposes of this Agreement, the terms listed below have the meanings that follow them. Other terms used in this Agreement are defined and construed in the context in which they occur.

2.1.1 “**Affiliate**” – Any person, entity or company that directly or indirectly owns or controls a party, that is directly or indirectly owned or controlled by a party, or that is under common control with a party. For purposes of this definition, “control” means the power to direct or cause the direction of the management and policies of an entity.

2.1.2 “**Competitive Business**” – A business other than a Champions Martial Arts Center that: (a) features the Approved Products and Services or any type of martial arts, fitness and/or indoor recreation business; or (b) grants or has granted franchises or licenses or establishes or has established joint ventures for the development and/or operation of a business described in the foregoing clause (a).

2.1.3 **“Controlling Interest”** – If you are a:

(a) corporation, then such number of the voting shares of you as (i) shall permit voting control of you on any issue and (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; and

(b) general partnership, then a managing partnership interest or such percentage of the general partnership interests in you as (i) shall permit determination of the outcome on any issue and (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; and

(c) limited partnership, then a general partnership interest or such percentage of limited partnership interests as shall permit the replacement or removal of any general partner; and

(d) limited liability company, then such percentage of the membership interests as (i) shall permit determination of the outcome on any issue and (ii) shall prevent any other person, group, combination or entity from blocking voting control on any issue or exercising any veto power.

2.1.4 **“Domain Name”** – The Internet domain name selected or used in connection with a Champions Martial Arts Center and any other domain names that may be utilized by us or which we may authorize you to use.

2.1.5 **“Marks”** – The trademarks, service marks, logos, other commercial symbols and any Domain Name which we authorize you to use to identify the services and/or products offered by your Franchised Business including the mark “Champions Martial Arts Center” and the “Trade Dress”; provided that such trademarks, service marks, logos, other commercial symbols, and the Trade Dress are subject to modification and discontinuance and may include additional or substitute trademarks, service marks, logos, commercial symbols and trade dress as provided in this Agreement.

2.1.6 **“Owners”** – All persons or entities holding direct or indirect legal or beneficial ownership interests in you and all persons who have other direct or indirect property rights in you, this Agreement, the Franchise or the Franchised Business. All current Owners are listed on Attachment 1 to this Agreement.

2.1.7 **“Ownership Interests”** – In relation to a: (a) corporation, the legal or beneficial ownership of shares in the corporation; (b) partnership, the legal or beneficial ownership of a general or limited partnership interest; (c) limited liability company, the legal or beneficial ownership of units of membership interests in the limited liability company; or (d) trust, the ownership of a beneficial interest of such trust.

2.1.8 **“Principal Owners”** – Each Owner having an equity ownership interest in you of five percent (5%) or more (regardless of whether such Owner is entitled to vote thereon) and any other Owner designated as a Principal Owner on Attachment 1 to this Agreement.

2.1.9 **“Spousal Guaranty”** – If any Franchisee or Principal is a married individual and the Franchisee’s or Principal’s spouse has not executed this Agreement, such Franchisee or Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 6 hereof.

2.1.10 “**Products**” – The products which we authorize from time to time for sale or use at your Franchised Business.

2.1.11 “**Services**” – The services which we authorize from time to time for sale at or from your Franchised Business.

2.1.12 “**Site**” – The location identified on Attachment 2 to this Agreement. As used herein the term “Site” also refers to the interior and exterior of the structure housing the Franchised Business.

2.1.13 “**Trade Dress**” – The design, décor and image elements which we authorize you to use in connection with the operation of the Champions Martial Arts Center as they may be revised and further developed by us from time to time and as further described in the Operations Manual.

2.1.14 “**Website**” – An interactive electronic document contained in a network of computers linked by communications software.

2.1.15 “**Champions Martial Arts Center**” or “**Franchised Business**” – A business that: (a) offers the Approved Products and Services for sale as well as certain complementary products and services; (b) meets our standards and specifications; (c) operates using the Marks and the System; and (d) is either operated by us or our Affiliates or pursuant to a valid license from us.

ARTICLE 3: GRANT OF FRANCHISE

3.1 Grant of Franchise; Term

Subject to the provisions of this Agreement, we hereby grant to you a “Franchise” to operate the Champions Martial Arts Center at the Site and to use the Marks and the System in the operation thereof for a term of ten (10) years commencing on the date of this Agreement. Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise and any and all licenses granted herein. You agree that you will at all times faithfully, honestly and diligently perform your obligations hereunder and that you will continuously exert your best efforts to promote and enhance the business of the Champions Martial Arts Center and the goodwill of the Marks. You shall not conduct the business of the Champions Martial Arts Center from any location other than the Site.

3.2 Territorial Rights

You expressly acknowledge that this Franchise is non-exclusive, and that this Agreement does not grant you a protected area or territory for your Champions Martial Arts Center

3.3 Rights Retained by Us

We retain all rights with respect to Champions Martial Arts Centers, the Marks and the sale of Approved Products and Services and any other products and services anywhere in the world including, without limitation:

(a) to produce, offer and sell and to grant others the right to produce, offer and sell the Products and Services offered at Champions Martial Arts Centers and any other goods through similar or dissimilar channels of distribution under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

(b) to operate and to grant others the right to operate Champions Martial Arts Centers under any terms and conditions we deem appropriate and regardless of proximity to your Franchised Business;

You expressly acknowledge and agree that we shall have the unbridled right to exercise all of the rights reserved to us in this Section 3.3 at any location, regardless of the proximity of such location to the Champions Martial Arts Center.

3.4 Limitations on Sale of Products and Services

This license does not include any right to provide any Product or Service at or from any location except from the Site. Your use, directly or indirectly, of the System, the Marks licensed hereunder, or the sale of any Product or Service at any location other than from the Site, except as we may specifically approve, shall be a material breach of this Agreement and shall give us, in addition to all other rights and remedies hereunder, the right to terminate this Agreement. You shall not engage in any promotional activities or sell the Approved Products and Services, or similar products and services, whether directly or indirectly, through the internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); or by telecopy or other telephonic or electronic communications, including toll-free numbers.

ARTICLE 4: DEVELOPMENT AND OPENING OF THE CHAMPIONS MARTIAL ARTS CENTER

4.1 Approval of Site

4.1.1 You must submit the information and materials as we may reasonably request for your proposed site within ninety (90) days from the date hereof. You acknowledge that in approving a proposed site we may consider such matters as we deem material including, without limitation, demographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area (including other Champions Martial Arts Centers), the number of households, income levels, population, the purchase price or lease terms for the proposed site and other commercial characteristics, the size of the premises, appearance, and other physical characteristics of the proposed site.

4.1.2 We will approve or disapprove each site you propose for the operation of the Champions Martial Arts Center by giving written notice to you. We agree to use reasonable efforts to deliver such notice to you within fifteen (15) days after we receive the complete site documentation and any other materials we request regarding you and the proposed site. We will not unreasonably withhold our approval of a proposed site that meets our standards and specifications for Champions Martial Arts Centers. Upon our approval of a proposed site for the Champions Martial Arts Center, the address of the Champions Martial Arts Center will be inserted on Attachment 2 to this Agreement. If you are unable to find a suitable location for your Champions Martial Arts Center within ninety (90) days after you sign this Agreement, we may provide you an extension of this timeframe or we may terminate this Agreement without any refund.

4.1.3 You hereby acknowledge and agree that our approval of the Site does not constitute an express or implied assurance, representation or warranty of any kind as to the suitability of the Site for a Champions Martial Arts Center or for any other purpose. Our approval of the Site indicates only that we believe the Site complies with acceptable minimum criteria established by us solely for our purposes as of the time of evaluation. You and we acknowledge that application of criteria that have been effective with respect to other sites may not be predictive of potential for the Champions Martial Arts Center and that,

subsequent to our approval of the Site, demographic and/or economic factors included in or excluded from our criteria could change, thereby altering the potential of the Site. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of the Site to meet your expectations as to revenue, operational performance or other measures. You further acknowledge and agree that your acceptance of a Franchise for the operation of the Champions Martial Arts Center at the Site is based on your own independent investigation of the suitability of the Site.

4.1.4 If you request, we will conduct an on-site evaluation of your proposed location. You agree to pay us a location assistance fee of Five Hundred Dollars (\$500) per day and you agree to reimburse our expenses related to this assistance, including travel, lodging and meals expenses.

4.2 Approval of Lease

4.2.1 Upon our approval of a proposed site, you will attempt to obtain lawful possession of the approved Site through your direct purchase, lease or sublease. The lease or sublease for the Site shall be in a form satisfactory to us and: (a) provide for concurrent, written notice to us of your default under said lease or sublease; (b) provide for our right, in our sole discretion, to cure your default under said lease or sublease; (c) provide for your right to assign your interest under said lease or sublease to us without the lessor's or sublessor's consent; (d) authorize and require the lessor or sublessor to disclose to us upon our request sales and other information furnished to the lessor or sublessor by you; (e) provide that we shall have the right, in our sole discretion, upon termination of this Agreement or expiration of this Agreement, without the grant of a successor franchise, to assume said lease or sublease; (f) provide for the lessor's or sublessor's consent to your display of the Marks in accordance with our specifications, subject only to applicable law; (g) provide that it may not be materially modified without our prior written consent and that we will receive copies of such modifications when proposed and when executed; and (h) include an executed copy of the Collateral Assignment of Lease, which is attached hereto as Attachment 4, or a substantially similar form.

4.2.2 You will deliver to us for review a copy of the lease, sublease or purchase agreement for the Site. You agree that you will not execute a lease, sublease or purchase agreement without our prior written approval of its terms. If we do not disapprove a proposed lease, sublease or purchase agreement within fifteen (15) days after we receive it, it shall be deemed approved by us. You shall deliver a copy of the signed lease, sublease or purchase agreement to us within fifteen (15) days of its execution. You further agree that you will not execute or agree to any modification of the lease, sublease or purchase agreement which would affect our rights without our prior written approval.

4.3 Design Specifications

We will furnish to you "Design Specifications" which contain our requirements for design, decoration, layout, equipment, furniture, fixtures, color scheme, and signs for Champions Martial Arts Centers. You acknowledge and agree that the Design Specifications are an integral part of the System and form a part of the Trade Dress and that, therefore, your Franchised Business will be developed, constructed and designed in accordance with the Design Specifications. You shall use an architect designated or approved by us to prepare construction plans and specifications that incorporate our Design Specifications into the size and shape of the Site. You shall submit all plans and specifications to us for our approval. You shall not begin development of the Franchised Business until we approve your plans and specifications. Our review of your plans and specifications is only to verify that they meet our Design Specifications, and are not meant to verify any compliance with any applicable law, ordinance or building code, all of which are your responsibility.

4.4 Development of the Franchised Business

As soon as practicable after you obtain possession of the Site by signing a lease, sublease or purchase agreement, you agree, at your expense, to do or cause to be done the following: (a) prepare and submit to us for approval detailed construction plans and specifications and space plans for the Franchised Business that comply with the Design Specifications and all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions; (b) obtain all required zoning changes, planning consents, building, utility, sign, health, sanitation and business permits, licenses and approvals and any other consents, permits and licenses necessary to lawfully open and operate the Franchised Business; (c) construct all required improvements in compliance with construction plans and specifications approved by us; (d) decorate the Franchised Business in compliance with Design Specifications and plans and specifications approved by us; (e) purchase and install all required equipment, including furniture, fixtures and signs; and (f) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services.

4.5 Equipment, Fixtures and Signs

You agree to use in the development and operation of the Franchised Business only those brands, types and/or models of equipment, fixtures and signs displaying the Marks which meet our specifications. You may purchase approved brands, types and/or models of equipment, fixtures and signs which meet our specifications from any supplier, unless we designate a specific approved supplier for any item. We will, from time to time, provide you with a list of suppliers who sell items which meet our specifications. All computer equipment used in the operation of the Franchised Business must be of a brand, type and/or model authorized by us.

4.6 Initial Inventory

Upon completion of the development of the Franchised Business, you agree to stock the initial inventory of the Franchised Business to our specifications and standards. The initial inventory of the Franchised Business will include your purchase of Products from our designated suppliers.

4.7 Opening

You agree not to open the Franchised Business for business until: (a) we determine that all of your obligations pursuant to Sections 4.1 through 4.6 have been fulfilled; (b) pre-opening training of required personnel has been completed to our satisfaction; (c) all amounts then due to us have been paid; and (d) we have been furnished with copies of all insurance policies required pursuant to this Agreement or such other evidence of insurance coverage and payment of premiums as we request. You agree to comply with these conditions and to be prepared to open the Franchised Business for business not later than 180 days after you execute this Agreement. We may in our discretion provide you with an extension of this timeframe, or we may terminate this Agreement without providing you with a refund.

4.8 Grand Opening Program

Unless you are a Conversion Franchisee, you agree to spend Five Thousand Dollars (\$5,000) on a grand opening advertising and promotional program for the Franchised Business during the sixty (60) days before the Franchised Business opens and the thirty (30) days after the opening of the Franchised Business. Such advertising and promotion program shall be in addition to advertising and promotion conducted pursuant to this Agreement, shall utilize marketing and public relations programs and media and advertising materials approved by us, and shall be conducted in accordance with our specifications and standards, which may require that you use certain print advertising to promote the Franchised Business and that you offer give-aways, free classes and demonstrations. You agree to pay us the money for the grand opening program and we will conduct this program on your behalf.

4.9 Relocation of Franchised Business

If, during the term of this Agreement, you wish to relocate your Franchised Business, or if the Site is damaged or destroyed and cannot be repaired within sixty (60) days, you must submit to us in writing the materials we require to consider your relocation request, including information concerning the proposed new location for the Franchised Business. Any such relocation shall be at your sole expense. Our review of your request to relocate will consider factors such as your compliance with this Agreement, the location meets our then-current requirements for a Champions Martial Arts Center, and you must sign our then-current form of Franchise Agreement. We will not charge you an additional initial franchise fee for relocation.

4.10 Champions Martial Arts Center Refurbishment

At our request, which shall not be more frequently than every five (5) years, you shall refurbish the Franchised Business at your sole cost and expense so that it conforms to the building design, Trade Dress, color schemes, Design Specifications and presentation of the Marks in a manner consistent with the image then in effect for new Champions Martial Arts Centers under the System, including, without limitation, remodeling, redecoration and modifications to existing improvements. Refurbishment does not include regular maintenance of your Franchised Business and its equipment and furnishings, nor does it include any technological upgrades we may require during the term of this Agreement.

ARTICLE 5: TRAINING AND GUIDANCE

5.1 Initial Training

5.1.1 Not later than thirty (30) days before the Franchised Business begins operating, we shall provide initial training at our headquarters, or such other location as we designate, in the operation of a Champions Martial Arts Center to you and up to two (2) additional employees (for a maximum of three (3) trainees). The cost of training the first three (3) people is included in your initial franchise fee. If you request that we provide our training program to additional people, either before your Franchised Business opens or while it is operating, you must pay our then-current training fee for each additional trainee. Initial training shall be held at such time and location and for such duration as we designate. You or your manager must complete the initial training program to our satisfaction. If you or your manager does not satisfactorily complete the initial training program or if we determine that you or your manager cannot satisfactorily complete the training program, you or your manager must re-take the training program at your expense, including payment of our then-current training fee. Conversion Franchisees are not required to complete this initial training unless we determine that such training is necessary.

5.1.2 If we, in our sole discretion, determine that you fail to satisfactorily complete the initial training program a second time, we may terminate this Agreement immediately upon notice to you, without opportunity to cure and without any refund of the initial franchise fee.

5.1.3 You will be responsible for the cost of all travel and living expenses that you and your personnel incur in connection with initial training and any subsequent training, including, but not limited to, travel, lodging, meals and applicable wages. We will not compensate training attendees for any incidental services performed in connection with training.

5.2 Pre-Opening Lead Generation; Opening Assistance

5.2.1 We will either provide you with one (1) of our representatives to train you in how to conduct pre-opening lead generation or, at your request, we will conduct the pre-opening lead generation

for you. You agree to pay our then-current fee for our providing such training or conducting such program, as applicable.

5.2.2 We will send to you one (1) of our representatives to provide you with up to five (5) days of on-site opening assistance, and you agree to pay us a fee of \$5,000 and to reimburse our representative's expenses while providing such assistance, including travel, lodging and meals. If you are opening your second (2nd) or later Franchised Business, we reserve the right to either reduce the amount of opening assistance provided or to not provide opening assistance. Conversion Franchisees may not be required to make use of these services.

5.3 Additional Training; Franchisee Meeting

5.3.1 At your request or if we determine that your Franchised Business is not operating according to our standards, and subject to the availability of our personnel, we may provide additional assistance and/or training on-site at your Franchised Business. You agree to pay our then-current per diem fee for each trainer we send to your Franchised Business and to reimburse each trainer's expenses while providing the on-site assistance, including, but not limited to, travel, lodging and meals.

5.3.2 In addition to the initial training program and any additional on-site assistance or training you request or we deem necessary, as described above, we may offer an annual meeting of our franchisees. We may designate that attendance at any annual meeting is mandatory for you and/or your other personnel. While we do not anticipate charging a fee for the annual meeting, you must pay for the expenses of your trainees/attendees, including, but not limited to, travel, lodging, meals and wages.

5.3.3 We may, in our discretion, provide periodic refresher training programs and we may designate that attendance at such refresher training programs are mandatory for you and/or your other personnel. We reserve the right to combine such refresher training with an annual franchisee meeting. While we do not anticipate charging a fee for the refresher training, you must pay for the expenses of your trainees/attendees, including, but not limited to, travel, lodging, meals and wages.

5.3.4 You shall implement a training program for your employees in accordance with training standards and procedures that we may prescribe. You shall maintain, at all times, a staff of trained employees sufficient to operate the Franchised Business in accordance with this Agreement.

5.4 Guidance and Assistance

We shall furnish guidance to you with respect to: (a) specifications, standards and operating procedures utilized by Champions Martial Arts Centers and any modifications thereof; (b) purchasing approved equipment, fixtures, signs, inventory, and operating materials and supplies; (c) development and implementation of local advertising and promotional programs; (d) administrative, bookkeeping, accounting, inventory control and general operating and management procedures of Champions Martial Arts Centers; and (e) establishing and conducting employee training programs. Such guidance shall, in our discretion, be furnished in the form of our Operations Manual, bulletins, written reports and recommendations, other written materials (including by e-mail), refresher training programs and/or periodic telephonic consultations, website instructional materials or in-person consultations at our offices.

5.5 Operations Manual

We will loan to you for your sole use during the term of this Agreement one (1) copy of an "Operations Manual", which may consist of one (1) or more handbooks or manuals as may be modified, replaced or supplemented by us from time to time, in our sole discretion. We reserve the right to provide the Operations Manual electronically, such as via CD-ROM or a password-protected Website. The

Operations Manual shall contain mandatory specifications, standards, policies and procedures prescribed from time to time by us for Champions Martial Arts Centers. The Operations Manual may be modified by us from time to time (a) to reflect changes in the System, including, without limitation, changes in specifications, standards, policies and procedures of Champions Martial Arts Centers; (b) to specify brands, types and/or models of equipment which must be used by you in the operation of the Champions Martial Arts Center; and (c) to specify changes in the décor, format, image, Products, Services and operations of a Champions Martial Arts Center prescribed by us. Any such modifications shall be binding upon you upon being mailed or otherwise delivered to you, as if originally set forth herein. You shall keep your copy of the Operations Manual current by immediately inserting all modified pages furnished by us. In the event of a dispute about the contents of the Operations Manual, the master copy maintained by us at our principal office shall be controlling. You acknowledge that the Operations Manual is proprietary and confidential to us, and you agree that you will not at any time copy or distribute any part of the Operations Manual. Upon termination of this Agreement or expiration of this Agreement without grant of a renewal franchise, you shall return to us all copies of the Operations Manual.

ARTICLE 6: MARKS

6.1 Goodwill and Ownership of Marks

We are the owner of the Marks. All references in this Agreement to our right, title and interest in and to the Marks shall be deemed to include the owner's right, title and interest in and to the Marks. You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to the operation of the Franchised Business by you pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us from time to time during the term of the Franchise. Any unauthorized use of the Marks by you shall constitute a material breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that all usage of the Marks by you and any goodwill established thereby shall inure to our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you other than the right to operate the Franchised Business in compliance with this Agreement. All provisions of this Agreement applicable to the Marks shall apply to any other trademarks, service marks and commercial symbols hereafter authorized in writing for use by and licensed to you by us.

You understand and agree that the limited license to use the Marks granted hereby applies only to such proprietary marks as are designated by us, and which are not subsequently designated by us as being withdrawn from use, together with those which may hereafter be designated by us in writing. You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of our Marks by virtue of the limited license granted hereunder, or by virtue of your use of any of the Marks.

During the term of this Agreement and any renewal or extension hereof, you shall identify yourself as the independent owner of the Champions Martial Arts Center in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, as well as the display of such notices in such content and form and at such conspicuous locations as we may designate in writing.

6.2 Limitations on Your Use of Marks

You agree to use the Marks as the sole trade identification of the Franchised Business, provided that you shall identify yourself as the independent owner of the Franchised Business in the manner prescribed by us. You shall not use any Mark or any variation thereof (a) as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (b) in connection with the performance or sale of any unauthorized services or products; (c) as part

of the Domain Name or electronic address of any Website; or (d) in any other manner not expressly authorized in writing by us. You agree to display the Marks prominently in the manner prescribed by us at the Franchised Business and in connection with advertising and marketing materials. You agree to give such notices of trademark and service mark registrations as we specify and to obtain such business name registrations as may be required under applicable law.

6.3 Notification of Infringements and Claims

You shall immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark, and you shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We shall have sole discretion to take such action as we deem appropriate in connection with the foregoing and the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as, in the opinion of our counsel, are necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks. We will reimburse you for the reasonable out-of-pocket expenses incurred and paid by you in complying with the requirements imposed by this Section, provided however, if any action taken by us results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs thereof, up to the amount of the monetary recovery.

6.4 Discontinuance of Use of Marks

If it becomes advisable at any time, in our sole judgment, for the Champions Martial Arts Center to modify or discontinue the use of any Mark or of any aspect of the Trade Dress and/or for the Champions Martial Arts Center to use one or more additional or substitute trademarks or service marks or substitute trade dress, you agree to immediately comply with our directions to modify or otherwise discontinue the use of such Mark and/or to use one or more additional or substitute trademarks, service marks, logos or commercial symbols or substitute trade dress after notice thereof by us. We shall have no obligation to reimburse you for any expenditure made by you to modify or discontinue the use of a Mark or to adopt substitutes for a discontinued Mark including, without limitation, any expenditures relating to advertising or promotional materials or to compensate you for any goodwill related to the discontinued Mark. You covenant not to commence or join in any litigation or other proceeding against us for any of these expenses, losses or damages.

6.5 Indemnification of You

We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your use of any Mark pursuant to and in compliance with this Agreement and for all costs reasonably incurred by you in the defense of any such claim brought against you or in any such proceeding in which you are named as a party, provided that you have timely notified us of such claim or proceeding, have given us sole control of the defense and settlement of any such claim, and have otherwise complied with this Agreement. If any action taken by us with respect to any such claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs thereof up to the amount of the monetary recovery.

ARTICLE 7: COPYRIGHTS

7.1 Ownership of Copyrights

You and we acknowledge and agree (a) that we may authorize you to use, in connection with the operation of the Champions Martial Arts Center, certain copyrighted or copyrightable works which shall

be referred to herein as the “Copyrighted Works”; (b) that the Copyrighted Works are our valuable property; or the property of the copyright owner, who may not be us, and (c) that the rights herein are granted to you solely on the condition that you comply with the terms of this Section. You acknowledge and agree that we own or are the licensee of the owner of the Copyrighted Works and will further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Champions Martial Arts Centers. Such Copyrighted Works include the Operations Manual and may include all or part of the Marks, Trade Dress, Design Specifications and other portions of the System. We intend that all works of authorship related to the System and created in the future will be owned by us.

7.2 Limitation on Your Use of Copyrights

You acknowledge that your right to use the Copyrighted Works is derived solely from this Agreement and is limited to the use of such Copyrighted Works pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us from time to time during the term of this Agreement. You shall ensure that all Copyrighted Works used hereunder shall bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws prescribed by us specifying that we are the owner of the copyright. You acknowledge that this Agreement does not confer any interest in the Copyrighted Works upon you other than the right to operate the Champions Martial Arts Center in compliance with this Agreement. If we authorize you to prepare any adaptation, translation or derivative work of the Copyrighted Works, you hereby agree that such adaptation, translation or derivative work shall be our property and you hereby assign all your right, title and interest therein to us. You agree to execute any documents in recordable form which we determine are necessary to reflect such ownership. You shall submit all such adaptations, translations or derivative works to us for approval prior to use.

7.3 Notification of Infringements and Claims

You shall immediately notify us of any actual or apparent infringement of or challenge to any of the Copyrighted Works, or claim by any person of any rights in the Copyrighted Works. You shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We shall have the sole discretion to take such action as we deem appropriate in connection with the foregoing and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to the Copyrighted Works.

7.4 Discontinuance of Use

If it becomes advisable at any time in our sole judgment for you to modify or discontinue use of any of the Copyrighted Works and/or for you to use one or more additional or substitute copyrighted or copyrightable items, you agree to immediately comply with our directions to modify or otherwise discontinue the use of the copyrighted materials and/or to use one or more substitute materials.

ARTICLE 8: CONFIDENTIAL INFORMATION

8.1 Definition of “Confidential Information”

We possess and will further develop and acquire “Confidential Information” including, but not limited to, the following categories of information, methods, techniques, procedures, and knowledge developed or to be developed by us, our Affiliates and/or franchisees:

(a) methods, techniques, specifications, standards, policies, procedures, information, concepts and systems relating to and knowledge of and experience in the development, operation, and franchising of Champions Martial Arts Centers;

- (b) marketing and promotional programs for Champions Martial Arts Centers;
- (c) knowledge of specifications for and knowledge of suppliers of certain materials, equipment and fixtures for Champions Martial Arts Centers;
- (d) the terms of this Agreement; and
- (e) the Operations Manual.

8.2 Sales and Operations Data Deemed Confidential

All data relating to the sales and operations of the Champions Martial Arts Center shall also be deemed to be Confidential Information for purposes of this Agreement.

8.3 Disclosure of Confidential Information

We will disclose such parts of the Confidential Information as are required for the operation of a Champions Martial Arts Center to you during training and in guidance and assistance furnished to you during the term of this Agreement, and you may learn or otherwise obtain from us additional Confidential Information during the term of this Agreement. You acknowledge and agree that neither you nor any other person or entity will acquire any interest in or right to use the Confidential Information, other than your right to utilize it in the operation of the Franchised Business, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition with us and other Champions Martial Arts Center franchisees. You agree to disclose the Confidential Information to your Owners and to employees of the Franchised Business only to the extent reasonably necessary for the operation of the Franchised Business.

8.4 Non-Disclosure of Confidential Information

You acknowledge and agree that the Confidential Information is confidential to us and a valuable asset of ours, is proprietary, includes our trade secrets, and is disclosed to you solely on the condition that you, your Owners and your employees who have access to it agree, and you do hereby agree, that during and after the term of this Agreement, you, your Owners and such employees:

- (a) will not use the Confidential Information in any other business or capacity;
- (b) will maintain the absolute secrecy and confidentiality of the Confidential Information;
- (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form;
- (d) will adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information; and
- (e) will require all Principal Owners and all employees and Owners who will have access to Confidential Information, including, without limitation, managers and other personnel who attend our training programs, to execute Confidentiality and Non-Competition Agreements in the form attached hereto as Attachment 5. We shall be a third party beneficiary of such agreements with the independent right to enforce their terms. You shall provide, at our request, a copy of each such executed Confidentiality

and Non-Competition Agreement. Failure to procure execution of and/or provide to us a copy of a Confidentiality and Non-Competition Agreement shall be a material breach of this Agreement.

8.5 Use of Confidential Information

Nothing contained herein shall be construed to prohibit you from using the Confidential Information in connection with the operation of a Champions Martial Arts Center, provided such operation is pursuant to a valid franchise agreement between you and us.

8.6 Restrictions on Use

Notwithstanding anything to the contrary contained in this Agreement, and provided you shall have obtained our prior written consent, the restrictions on your disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known in the business of the offer and sale of Approved Products and Services and Products in the United States, other than through deliberate or inadvertent disclosure by you; and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided you have notified us prior to disclosure and shall have used your best efforts to obtain, and shall have afforded us the opportunity to obtain, an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

8.7 New Ideas and Concepts

You agree to disclose to us all ideas, concepts, methods, techniques and products relating to the development and operation of a Champions Martial Arts Center conceived or developed by you, your Affiliates, Owners or your employees during the term of this Agreement. You hereby grant to us and agree to procure from your Affiliates, Owners or employees a perpetual, non-exclusive and worldwide right to use same. We shall have no obligation to make any payment with respect to any such idea, concept, method, technique or product. You agree that you will not use, nor will you allow any other person or entity to use, any such concept, method, technique or product without obtaining our prior written approval.

ARTICLE 9: EXCLUSIVE RELATIONSHIP; NON-COMPETITION

9.1 You acknowledge and agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Champions Martial Arts Centers if franchisees, their Principal Owners, or members of any of their immediate families were permitted to engage in, hold interests in, or perform services for a Competitive Business. You further acknowledge and agree that the restrictions contained in this Section will not hinder your activities or the activities of your Principal Owners under this Agreement or in general. We have entered into this Agreement with you on the express condition that, with respect to the operation of Competitive Businesses, you and your Principal Owners and members of their respective immediate families will deal exclusively with us. You therefore agree that during the term of this Agreement neither you nor any of your Principal Owners nor any member of your or their immediate family shall, directly or indirectly:

- (a) have any interest as a disclosed or beneficial owner in any Competitive Business;
- or
- (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for any Competitive Business.

9.2 These restrictions of clause (a) of Section 9.1 shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market (a publicly owned company) that represents less than five percent (5%) of the number of shares of that class of securities issued and outstanding.

9.3 The restrictions of Section 9.1 shall not be construed to prohibit you, any of your Principal Owners, or any member of your or their immediate family from having a direct or indirect ownership interest in any Franchise Agreement with us for the operation of any Champions Martial Arts Center, or any entity owning, controlling or operating a Champions Martial Arts Center, or from providing services to any such Champions Martial Arts Center pursuant to other agreements with us.

ARTICLE 10: FEES

10.1 Initial Franchise Fee

10.1.1 You agree to pay to us upon execution of this Agreement an “Initial Franchise Fee” in the amount of Thirty Thousand Dollars (\$30,000) for our Standard Franchise. If you are purchasing your second Champions Martial Arts Center we will reduce the Initial Franchise Fee by 50%. A third and any other later franchise purchase will each require the full payment of Thirty Thousand Dollars (\$30,000).

If you are currently operating a martial arts business of the type we are franchising you may qualify to pay a discounted initial franchise fee of \$10,000 for our Conversion Franchise. Similarly, if you: (1) are an employee of ours or one of our affiliates; (2) have worked at least 20 hours per week for 24 continuous months; (3) are willing to purchase the assets of an existing affiliated business; and (4) you otherwise meet our requirements, you will pay a discounted Initial Franchise Fee is of Ten Thousand Dollars (\$10,000) for a Conversion Franchise. Purchasers of a Conversion Franchise are not automatically eligible for any other franchise fee discounts or multiunit purchases. The later purchase of a second franchise by a Conversion Franchisee would require an Initial Franchise Fee of Fifteen Thousand Dollars (\$15,000). Any further franchise purchases will each require payment of the full price of Thirty Thousand Dollars (\$30,000).

The amount of the Initial Franchise Fee when so paid shall be deemed fully earned in consideration of the administrative and other expenses incurred by us in granting the Franchise hereunder and for our lost or deferred opportunity to grant such Franchise to any other party. If you are unable to find a suitable location for your Franchised Business within one hundred eighty (180) days after you execute this Agreement, or if you and/or your manager are unable to complete our initial training program to our satisfaction (after giving you an opportunity to designate a replacement manager), we reserve the right to terminate this Agreement without any refund.

10.1.2 Notwithstanding the foregoing, if this Agreement is being executed for a Champions Martial Arts Center that is being developed pursuant to the terms of a Multi-Unit Development Agreement between us and you (as the multi-unit developer), then the Initial Franchise Fee payable for each Champions Martial Arts Center shall be Fifteen Thousand Dollars (\$15,000). The Initial Franchise Fee payable pursuant to this Section 10.1.2 is fully earned upon receipt and is not refundable under any circumstances.

10.2 Royalty Fee

10.2.1 During the term of this Agreement, you shall pay to us, in partial consideration for the rights herein granted, a continuing monthly royalty fee (“Royalty Fee”) of \$997 (for a Standard Franchise), or \$497 per month (for a Conversion Franchise). Such Royalty Fee shall be due and payable on the tenth day of each month, provided that such day is a business day. If the date on which such payments would otherwise be due is not a business day, then payment shall be due on the next business day.

Notwithstanding the foregoing, the Royalty Fee shall not be due and payable until your Franchised Business has opened. We reserve the right to annually increase these fees by 3% per year on six months' notice.

10.2.2 If the state in which your Franchised Business is located imposes upon us a sales or other tax on Royalty Fees paid to us, then we shall have the right to collect this tax from you.

10.3 Late Fee Charge and Interest on Late Payments

All Royalty Fees, National Advertising Fees, amounts due for purchases by you from us, and other amounts which you owe to us or our Affiliates will be charged a late fee of \$250 for each month a payment is late, and shall bear interest after the due date at a rate equal to one and one-half percent (1.5%) per month or the maximum interest rate permitted by law, whichever is less. Interest shall accrue from the original due date until payment in full is received by us; provided, however, that in no event shall such interest be less than One Hundred Dollars (\$100). You acknowledge that this Section shall not constitute our agreement to accept such payments after same are due or a commitment by us to extend credit to or otherwise finance your operation of the Champions Martial Arts Center. You acknowledge that failure to pay all such amounts when due shall constitute grounds for termination of this Agreement as provided herein, notwithstanding the provisions of this Section.

10.4 Application of Payments

Notwithstanding any designation by you, we shall have sole discretion to apply any payments received from you or any indebtedness of yours to us or our Affiliates to any past due indebtedness of yours for Royalty Fees, National Advertising Fees, purchases from us or our Affiliates, interest, or any other indebtedness of yours to us.

10.5 Electronic Funds Transfer

At our request, you must sign and deliver to us any documents we require to authorize us to debit your business operating account automatically for the Royalty Fee, National Advertising Fee (when established) and other amounts due under this Agreement. You agree to make the funds available for withdrawal by electronic transfer before each due date.

10.6 Payment of Additional Fees

You shall pay such other fees or amounts described in this Agreement.

ARTICLE 11: CHAMPIONS MARTIAL ARTS CENTER IMAGE AND OPERATION

11.1 Condition and Appearance of the Franchised Business

11.1.1 You agree that: (a) neither the Franchised Business nor the Site will be used for any purpose other than the operation of a Champions Martial Arts Center in compliance with this Agreement; (b) you will maintain the condition and appearance of the Franchised Business, its equipment, fixtures, signs, and the Site in accordance with our specifications and standards and consistent with the image of a Champions Martial Arts Center; and (c) you will perform such maintenance with respect to the décor, equipment, fixtures, and signs of the Franchised Business and the Site as may be required from time to time to maintain good condition, appearance, and efficient operation including, without limitation: (i) thorough cleaning, exterminating, repainting and redecorating of the interior and exterior of the Site on a daily basis or at reasonable intervals, as applicable; (ii) interior and exterior repair of the Site; (iii) repair or replacement of damaged, worn out or obsolete equipment, fixtures, and signs, provided we will not require you to replace any obsolete equipment unless we have initiated a program to replace such equipment as it becomes necessary in the Champions Martial Arts Centers that we operate; (iv) you will not make any

material alterations to the Site or to the appearance of the Franchised Business as originally developed without our prior approval in writing; (v) subject to our approval of plans, layouts and designs, you will remodel, expand, redecorate, reequip and refurnish the Site and the Franchised Business when required by us, but no more often than once every five (5) years, to reflect changes in the operation of Champions Martial Arts Centers prescribed by us and required of new Champions Martial Arts Center franchisees. You shall have a reasonable time period remaining under this Agreement to amortize the costs of such improvements. Notwithstanding the provisions above, we can require you to change and/or upgrade equipment at any time to comply with new specifications and standards; and (vi) you will place or display at the interior and exterior of Site only such signs, emblems, lettering, logos, and display and advertising materials that are from time to time approved by us.

11.1.2 In addition to our rights to terminate this Agreement as set forth herein, if you do not maintain the condition and appearance of the Franchised Business as herein required, we may, upon not less than ten (10) days' notice to you, or immediately in cases of health or sanitation hazards or other public endangerment: (a) arrange for the necessary cleaning, sanitation, repair, remodeling, upgrading, painting or decorating; or (b) replace the necessary fixtures, furnishings, equipment, or signs. You shall pay the entire cost thereof following the receipt of a bill for such work from us.

11.2 Products and Services Offered at the Franchised Business

You agree that the Franchised Business will offer for sale all Approved Products and Services and related products and other services that we from time to time prescribe and that the Franchised Business will make available all services that we prescribe from time to time for Champions Martial Arts Centers. You agree that the Franchised Business will not offer for sale or sell at the Site or any other location in conjunction with the Marks or any other marks any other products or services which have not been approved by us and in particular will not install at the Franchised Business any vending machines or comparable devices.

11.3 Approved Products, Distributors and Suppliers

11.3.1 The reputation and goodwill of Champions Martial Arts Centers is based upon and can be maintained only by the sale of distinctive, high quality Products and the presentation and packaging of such Products in an efficient and appealing manner. We have developed standards and specifications for the Products, materials and supplies incorporated in or used in the delivery of our Approved Products and Services authorized for sale at Champions Martial Arts Centers. We have and will periodically approve suppliers and distributors of the foregoing Products that meet our standards and requirements including, without limitation, standards and requirements relating to quality, prices, consistency, reliability, financial capability, labor relations and customer relations. You agree that the Franchised Business will: (a) purchase the Products only from designated suppliers and sell such Products; and (b) purchase from distributors and other suppliers approved by us all other products, materials and supplies used in the preparation or sale of Products, and equipment, forms, stationery, packaging or other materials that meet our standards and specifications for the same. We may from time to time modify the list of approved brands and/or suppliers and you shall not, after receipt in writing of such modification, reorder any brand from any supplier which is no longer approved.

11.3.2 We may approve a single distributor or other supplier for any Product and may approve a distributor or other supplier only as to certain Products. We may concentrate purchases with one (1) or more distributors or suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Champions Martial Arts Centers, whether franchised or operated by us. Approval of a distributor or other supplier may be conditioned on requirements relating to the frequency of delivery, standards of service, prompt attention to complaints, or other criteria and concentration of purchases as set forth above and may be temporary pending a further evaluation of such distributor or other supplier by us.

11.3.3 You must permit us or our agents, at any reasonable time, to remove a reasonable number of samples of items from your inventory or from the Franchised Business free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

11.3.4 If you wish to purchase, lease or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so, together with payment of our then-current evaluation fee. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. However, we will notify you within a reasonable time after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier. We are not required to make available to you or to any supplier our criteria for product or supplier approval.

11.3.5 In the event you sell any product or perform any services that we have not prescribed, approved or authorized, you shall, immediately upon notice from us: (i) cease and desist offering or providing the unauthorized or unapproved product or from performing such services and (ii) pay to us, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars (\$250) per day for each day such unauthorized or unapproved product or service is offered or provided by you after written notice from us. The prohibited product or service fine shall be in addition to all other remedies available to us under this Agreement or at law.

11.4 Pricing

With respect to the offer and sale of all Approved Products and Services, we may from time to time offer guidance with respect to the selling price for such goods, products and services; or we may determine the minimum and/or maximum selling prices for such Approved Products and Services, to the extent permitted by applicable law, and you shall be bound to adhere to any such recommended or required pricing. If you sell any or all Approved Products and Services at any price recommended or required by us, you acknowledge that we have made no guarantee or warranty that offering such Approved Products or Services at the recommended or required price will enhance your sales or profits.

11.5 Specifications, Standards and Procedures

11.5.1 You acknowledge that the operation of the Franchised Business in compliance with our high standards is important to us and other Champions Martial Arts Centers and you agree to maintain such high standards in the operation of the Franchised Business. You agree to comply with all mandatory specifications, standards and operating procedures relating to the appearance, function, cleanliness, days and hours of operation (subject to applicable law or the terms of your lease) and operation of a Champions Martial Arts Center, and with our requirements for the décor, equipment, format and image of a Champions Martial Arts Center as they may be developed or changed by us from time to time. You acknowledge and agree that all mandatory specifications, standards, and operating procedures prescribed from time to time by us in the Operations Manual or otherwise shall constitute binding obligations on your part, and any failure by you to adhere to such mandatory specifications, standards and operating procedures shall constitute grounds for termination of this Agreement by us as provided for herein. All references herein to this Agreement shall include all such mandatory specifications, standards, and operating procedures.

11.5.2 You acknowledge that due to peculiarities of particular market areas and circumstances, complete and detailed uniformity may not be practical or in the best interests of all Champions Martial Arts Centers. We reserve the right to vary, in our sole discretion, standards and procedures as they relate to a particular franchisee or group of franchisees. Nothing in this Agreement shall be construed to require us to grant you a like variance, or to permit you to modify the standards and procedures required for the operation of your Champions Martial Arts Center. Any such variances or modifications shall be in our sole and absolute discretion.

11.6 Modification of the System

You understand and agree that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other market place variables, and if it is to best serve the interests of us, you and all other franchisees. Accordingly, you expressly understand and agree that we may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Franchised Business is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and changing, improving, modifying or substituting the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase your obligations hereunder.

You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

We shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby. You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, you expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

11.7 Compliance with Laws and Good Business Practices

You shall secure and maintain in force in your name all required licenses, permits, and certificates relating to the conduct of your business pursuant to this Agreement. You shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations including, without limitation, immigration law, worker's compensation insurance, unemployment insurance, and withholding and payment of all taxes. All advertising by you shall be completely factual, in good taste in our judgment, and shall conform to high standards of ethical advertising. You shall in all dealings with your customers, suppliers, us, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Champions Martial Arts Centers. You shall notify us in writing within five (5) days of your learning of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of you or the Franchised Business.

You and your Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your Owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your Owners otherwise are not in violation of, any of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of your or your Owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

11.8 Management and Personnel of the Franchised Business

11.8.1 You, your manager or a Principal Owner(s) listed in Attachment 1 hereto shall supervise the operation of the Franchised Business. You shall spend not less than fifteen (15) hours each week in active supervision of the daily operation of your Franchised Business. If you have a manager, your manager must complete our initial training program to our satisfaction and we reserve the right to approve your manager. If you have a manager conduct the daily operation of the Franchised Business, you are still responsible to make sure that the Franchised Business is operated according to our System and in compliance with this Agreement.

11.8.2 Upon the death, disability or termination of employment of your manager, you shall immediately notify us and designate a successor or acting manager who meets our then-current criteria. In no event shall the appointment of a successor or acting manager be more than ten (10) days after the death, disability or termination of the predecessor manager. Each successor manager must satisfactorily complete our initial training program within sixty (60) days of appointment by you.

11.8.3 You shall hire all employees of the Franchised Business and shall be exclusively responsible for the terms of their employment, compensation and for the proper training of such employees in the operation of the Franchised Business. We may require you to obtain confidentiality and non-competition agreements from certain of your employees. You shall establish at the Franchised Business for all employees a training program meeting the standards prescribed by us.

11.8.4 All of your employees must pass the rigorous screening test required by us.

11.9 Insurance

11.9.1 During the term of this Agreement, you shall maintain in force under policies of insurance issued by licensed insurers approved by us the categories and amounts of insurance coverage specified by us in the Operations Manual. You acknowledge and understand that we have the right to change our insurance requirements, and you shall comply with such changes. As of the date of this Agreement, our current insurance requirements include:

(a) general liability, including child molestation coverage, in the amount of One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate;

(b) “all risks” coverage for the full cost of replacement of the Site and all other property in which we may have an interest with no coinsurance clause;

(c) business interruption insurance in a sufficient amount to cover profit margins, maintenance of competent and desirable personnel and fixed expenses for a period of at least ninety (90) days;

(d) automobile liability insurance, including owned, non-owned and hired vehicle coverages and uninsured/underinsured motorist coverage, with limits of not less than One Million Dollars (\$1,000,000) combined single limit;

(e) workers' compensation and employer liability insurance in amounts provided by applicable law;

(f) sexual assault and molestation insurance in the amount of other insurance required by the state or locality in which the Franchised Business is located and operated or as may be required by the lease or mortgage for the Site; and

(g) as related to any construction, renovation or remodeling of the Franchised Business, builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us.

11.9.2 You shall also maintain such additional insurance as is necessary to comply with all legal requirements concerning insurance. We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

11.9.3 The insurance policies required herein shall:

(a) name us as an additional named insured and contain a waiver of all subrogation rights against us, our Affiliates, and our respective successors and assigns;

(b) provide for thirty (30) days' prior written notice to us of any material modification, cancellation, or expiration of such policy;

(c) provide that the coverage applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured;

(d) contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the parties indemnified under this Agreement;

(e) be primary to and without right of contribution from any other insurance purchased by the parties indemnified under this Agreement; and

(f) extend to and provide indemnity for all obligations assumed by you hereunder and all other items for which you are required to indemnify us under this Agreement.

11.9.4 You shall provide us with evidence of the insurance required hereunder not later than fifteen (15) days before the Franchised Business opens. You shall provide us with a complete copy of each insurance policy no more than thirty (30) days after our request for same. Thereafter, prior to the expiration of the term of each insurance policy, you shall furnish us with evidence of each renewal or replacement insurance policy to be maintained by you for the immediately following term and evidence of your payment of the premiums. If you fail or refuse to maintain required insurance coverage or to furnish

satisfactory evidence thereof and the payment of the premiums, we may, at our option, and in addition to our other rights and remedies hereunder, obtain such insurance coverage on your behalf and you shall fully cooperate with us in our effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain any such insurance, allow any inspections of the Franchised Business which are required to obtain or maintain such insurance and pay to us on demand any costs and premiums incurred by us. If you fail to purchase or maintain any insurance required by this Agreement or fail to reimburse us for our purchase of insurance on your behalf within fifteen (15) days of delivery to you of our written demand for reimbursement, together with a ten percent (10%) administrative fee, then we may terminate this Agreement upon notice of termination without opportunity to cure.

11.9.5 The maintenance of sufficient insurance coverage shall be your responsibility. Your obligations to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by us nor shall the maintenance of such insurance relieve you of any indemnification obligations under this Agreement.

11.10 Credit Cards and Other Methods of Payment

If we require, you shall, at all times, have arrangements in existence with a full range of credit and debit card issuers or sponsors, check verification services and electronic fund transfer systems as we designate from time to time in order that the Franchised Business may accept customers' credit and debit cards, checks and other methods of payment.

11.11 Best Efforts, Sole Purpose

11.11.1 You and your Principal Owners agree to use their best efforts to develop and expand the market for the Approved Products and Services offered by the Franchised Business and to cooperate with us to accomplish the purposes of this Agreement.

11.11.2 If you are a corporation, partnership, limited liability company or other legal entity, you will not, directly or indirectly, engage in any business or other activity other than the development and operation of Champions Martial Arts Centers pursuant to agreements with us.

11.12 Website

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators ("URLs") and, if we do, we may design and provide for the benefit of your Franchised Business a "click through" subpage at our website for the promotion of your Franchised Business. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Franchised Business, you must routinely provide us with updated copy, photographs and news stories about your Franchised Business suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

Any websites or other modes of electronic commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Champions Martial Arts Centers – also be devoted in part to offering Champions Martial Arts Center franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and system-wide communications (among other activities) can be done. You may not maintain your own website;

otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Franchised Business; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the “Champions Martial Arts Center” name or any name confusingly similar to the Marks.

You are not permitted to promote your Franchised Business or use any of the Marks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

11.13 Mystery Shopper Service

You shall participate in all customer service evaluations we require, which may include a mystery shopper program. If we initiate a mystery shopper program, you must pay for all mystery shops related to your Center, whether as a direct payment to the mystery shopping service we contract with or as a reimbursement to us, up to a maximum of \$150 for any one-month period.

ARTICLE 12: MARKETING

12.1 Marketing by Us

12.1.1 We have the right to establish a “Fund” which operates as a National Advertising Fund for such advertising, marketing and public relations programs as we in our sole discretion deem necessary or appropriate to promote Champions Martial Arts Centers. If established you shall contribute to the Fund each month the amount of One Hundred Dollars (\$100) which shall be payable on the first (1st) day of each month (or the next business day) and in the same manner as the Royalty Fee is payable hereunder. Notwithstanding the foregoing, the National Advertising Fee shall not be due and payable until your Franchised Business has opened. Champions Martial Arts Centers owned by us and our Affiliates may, but are not required to, contribute to the Fund on the same basis as you.

12.1.2 We or our designee shall administer the Fund as follows:

(a) We or our designee shall direct all advertising and public relations programs financed by the Fund with sole discretion over the creative concepts, materials and media used in such programs.

(b) The Fund will be used to meet any and all costs of (i) developing advertising ideas and concepts; (ii) developing and conducting market research and merchandising programs; (iii) preparing advertising campaigns; (iv) developing promotional ideas and strategies; (v) preparing collateral creative materials; (vi) preparing advertisements; (vii) preparing public relations campaigns; (viii) providing technical and professional advice in connection with the above; (ix) placement of advertising; and/or (x) maintenance of our Website. Monies in the Fund may be expended by us for such reasonable administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the Fund and advertising programs for franchisees including, without limitation, salary costs of employees working directly for the Fund and collecting and accounting for contributions to the Fund and other costs and expenses that we may incur in the administration or direction of the Fund and advertising programs for you and the System. All sums paid by franchisees to the Fund, plus income earned from the Fund, shall be maintained in a non-interest bearing account separate from our

other funds and shall not be used by us for any purposes other than those provided for herein. Upon your request, we shall, within one hundred twenty (120) days following the close of each fiscal year, prepare and distribute to all franchisees an unaudited statement detailing Fund income and expenses for such fiscal year.

(c) We may spend, in any fiscal year, an amount greater or less than the aggregate contribution of all Champions Martial Arts Centers to the Fund in that year. The Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund. Any monies remaining in the Fund at the end of any fiscal year shall carry over to the next fiscal year.

(d) You authorize us to collect for remission to the Fund any advertising or promotional monies or credits offered by any supplier based upon purchases by you. Any advertising or promotional monies or credits collected by us from any supplier based upon purchases by you shall not be credited toward or otherwise reduce your required payment of the National Advertising Fee.

(e) We will have the right to cause the Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and such successor entity shall have all our rights and duties pursuant to this Section.

(f) You understand and acknowledge that the Fund is intended to maximize recognition of the Marks and patronage of Champions Martial Arts Centers generally. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs and to place advertising in order to benefit all Champions Martial Arts Centers, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by Champions Martial Arts Centers operating in that geographic area or that any Champions Martial Arts Center will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. You acknowledge that your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Fund. Except as expressly provided in this Section 12.1.2(f), we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund. You acknowledge and agree that we have no fiduciary obligation to you or any other Champions Martial Arts Center in connection with the establishment of the Fund or the collection, control or administration of monies paid into the Fund. We expressly disavow the existence of any such fiduciary relationship.

(g) We retain the right, in our sole discretion, to terminate the Fund. The Fund shall not be terminated until all monies in the Fund have been expended for advertising and promotional purposes. If we terminate the Fund, we shall have the right to reinstate such Fund. Any reinstated Fund shall be maintained and operated as described in this Section 12.1.

12.2 Marketing by You

12.2.1 You are not required to spend any definite amount for local marketing and promotion of your Champions Martial Arts Center;

12.2.2 Any advertising by you must be approved by us. You must submit any advertising or marketing materials which we have not prepared or previously approved within the preceding twelve (12) month period. We will have fifteen (15) days after receipt of the proposed materials to notify you whether they are approved. Unless we provide our specific approval of the proposed materials, they are deemed not approved. You may not use any advertising or promotional materials that we have disapproved. Any materials you submit to us for our review will become our property and there will be no restriction on

our use or distribution of these materials. At our request, you must include certain language in your local marketing materials, such as “Franchises Available” and our website address and telephone number.

12.3 Local Marketing Materials

We may from time to time develop localized marketing and sales promotion campaigns and materials employing certain marketing programs, displays, direct mail materials, promotions, brochures, catalogues, printed materials, contests, premiums, incentive prizes, gifts, ad specialties, posters, billboards and other merchandising techniques. If you procure from us any such localized marketing materials, then you shall pay us for any such materials purchased on such terms and at such times as we in our sole and exclusive discretion determine from time to time.

12.4 Test Marketing

We may from time to time conduct market research to determine consumer trends and test new methods of marketing our services. You agree to participate in such market research in the manner we request.

12.5 Testimonials and Endorsements

You agree to permit us or our agents or representatives to communicate with customers of the Champions Martial Arts Center on or off the premises of the Champions Martial Arts Center for the purpose of procuring testimonials and/or endorsements of Champions Martial Arts Centers, its Products and its Services. You further agree that we may make any or no use of such testimonials without compensation to you.

12.6 Advisory Council

We may, in our discretion, form an advisory council to work with us to improve the System, the products and services offered by Champions Martial Arts Centers, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed it will act solely in an advisory capacity and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. The advisory council will include our representatives and franchisee representatives. The franchisee representatives may be chosen by us or by other franchisees in the System. If you participate in an advisory council, you will pay any expenses you incur related to your participation, which may include travel, lodging and meals expenses if you must travel to attend council meetings.

ARTICLE 13: ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS

13.1 Record Keeping

You shall establish and maintain, at your own expense, a bookkeeping, accounting, record keeping and records retention system conforming to the requirements prescribed by us from time to time in our Operations Manual.

ARTICLE 14: INSPECTIONS

To determine whether you and the Franchised Business are complying with this Agreement and with specifications, standards and operating procedures we prescribe for the operation of Champions Martial Arts Centers, we or our agents or representatives shall have the right at any reasonable time before or after the Franchised Business opens to: (a) inspect the Site and the equipment, fixtures, signs, inventory and supplies of the Franchised Business; (b) observe, photograph and video tape the operations of the Franchised Business for such consecutive or intermittent periods as we deem necessary; (c) remove samples

of any Products without payment therefor for testing and analysis; (d) interview personnel of the Franchised Business; (e) interview customers of the Franchised Business; and (f) inspect and copy any books, records and documents relating to the operation of the Franchised Business. You agree to cooperate fully with us and/or our agents in connection with any such inspections, observations, photographing and video taping, Product removal and interviews. You shall present to your customers such evaluation forms as we periodically prescribe and shall participate and/or request your customers to participate in any surveys performed by us or on our behalf.

You shall install and maintain the communications equipment and software necessary to permit us to electronically access your computer system, thereby permitting us to inspect and monitor information concerning your inventory, sales, membership data, and such other information as may be contained or stored in the computer system. We shall have electronic access as provided herein at such times and in such manner as we shall from time to time specify.

ARTICLE 15: INDEPENDENT CONTRACTORS; INDEMNIFICATION

15.1 Independent Contractor

You understand and agree that you are and will be our independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of your employees will be considered to be our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your Champions Martial Arts Center does not directly or indirectly vest in us the power to hire, fire or control any such employee.

You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of your Champions Martial Arts Center and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Champions Martial Arts Center, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Champions Martial Arts Center.

You may not, without our prior written approval, have any power to obligate us for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, we may not control or have access to your funds or the expenditure of your funds or in any other way exercise dominion or control over your Champions Martial Arts Center. Except as otherwise expressly authorized by this agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us and you is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement. We will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Champions Martial Arts Center.

15.2 Sole and Exclusive Employer of Your Employees

You hereby irrevocably affirm, attest and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employee employed, jointly employed or co-employed by us. You further affirm and attest that each of your employees is under the exclusive dominion and control of you and never under the direct or indirect control of us in any fashion whatsoever. You alone hire each of your employees; sets their schedules; establishes their compensation rates; and, pays all salaries, benefits and employment-related liabilities (workers' compensation insurance premiums/payroll taxes/Social Security contributions/ unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to the exclusion of us, which has no such authority or ability. You further attest and affirm that any minimum staffing requirements established by us are solely for the purpose of ensuring that your Champions Martial Arts Center is at all times staffed at those levels necessary to operate Champions Martial Arts Center in conformity with the System and the products, services, standards of quality and efficiency, and other Champions Martial Arts brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. You affirm, warrant and understand that you may staff your Champions Martial Arts Center with as many employees as you desire at any time so long as our minimal staffing levels are achieved. You also affirm and attest that any recommendations you may receive from us regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist it to efficiently operate your Champions Martial Arts Center, and that you are entirely free to disregard our recommendations regarding such employee compensation. Moreover, you affirm and attest that any training provided by us for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Champions Martial Arts Center and in no fashion reflects any employment relationship between us and such employees. Finally, should it ever be asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer or co-employer of any of your employees). To the extent we are the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of you, should any such appearance by you be required or requested by us, we will recompense you the reasonable costs associated with your appearing at any such venue.

15.3 You are Not Authorized

You understand and agree that nothing in this Agreement authorizes you or any of the Controlling Principals to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of the Controlling Principals or any claim or judgment arising therefrom.

15.4 No Liability for Acts of Other Party

You shall not employ any of the Marks in signing any contract, application for any license or permit, or in a manner that may result in our liability for any indebtedness or obligation of yours, nor will you use the Marks in any way not expressly authorized herein. Except as expressly authorized in writing, neither we nor you shall make any express or implied agreements, warranties, guarantees or representations, or incur any debt in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. Neither we nor you shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We shall not be obligated for any damages to any person or property directly or indirectly arising out of your operation of the Franchised Business or the business authorized by or conducted pursuant to the Franchise.

15.5 Taxes

We shall have no liability for any sales, value added, use, service, occupation, excise, gross receipts, income, property, payroll or other taxes whether levied upon this Agreement, you, the Franchised Business, your property, or upon us in connection with the sales made or business conducted by you, except any taxes that we are required by law to collect from you with respect to purchases from us. Payment of all such taxes shall be your responsibility.

15.6 Indemnification

You agree to indemnify, defend and hold us, our Affiliates, and our respective shareholders, directors, officers, employees, agents, successors and assignees harmless against and to reimburse them for (a) all claims, obligations and damages described in this Section, (b) any and all taxes described above, and (c) any and all claims and liabilities directly or indirectly arising out of the operation of the Franchised Business, the use of the Marks, or the transfer of any interest in this Agreement, the Franchise, the Franchised Business, some or all of the assets of the Franchised Business, other than the sale of inventory items in the ordinary course of business, or you in any manner not in accordance with this Agreement. Your indemnification obligations do not apply to the extent that such claims, obligations, damages, taxes, losses or liabilities arise from our negligence or wrongful conduct. For purposes of this indemnification, “claims” shall mean and include all obligations, actual and consequential damages, and costs incurred in the defense of any claim against us including, without limitation, reasonable accountants’, attorneys’, attorney assistants’, arbitrators’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. We shall have the right to defend any such claim in such manner as we deem appropriate or desirable in our sole discretion. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration, termination or non-renewal of this Agreement.

ARTICLE 16: TRANSFER

16.1 Transfer by Us

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of “Champions Martial Arts International Inc.” as Franchisor. Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

16.2 You May Not Transfer Without Our Approval

16.2.1 You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the rights hereunder to you in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial

capacity of you and your Owners. Accordingly, neither (a) this Agreement nor (b) any interest in the ownership of you, the Franchise, the Franchised Business or some or all of the assets of the Franchised Business, other than inventory items in the ordinary course of business, may be transferred without our prior written approval. Any such transfer without such approval shall constitute a breach hereof and convey no rights to or interests in this Agreement, the Franchise, you, the Franchised Business or in the assets thereof.

16.2.2 As used in this Agreement, the term “transfer” shall mean and include the voluntary, involuntary, conditional, direct or indirect assignment, sale, gift or other transfer by you or any of your Owners of any interest in or grant of any security interest in (a) this Agreement; (b) the Franchise; (c) you; (d) the Franchised Business; or (e) some or all of the assets of the Franchised Business, other than inventory items in the ordinary course of business.

16.2.3 As used above, an assignment, sale or other transfer shall include the following events:

(a) the transfer of ownership of shares, partnership interest, or other Ownership Interests;

(b) merger or consolidation or issuance of additional securities representing Ownership Interests;

(c) any sale of Ownership Interests carrying voting rights of you or any security convertible to voting Ownership Interests of you or any agreement granting the right to exercise or control the exercise of the voting rights of any holder of an Ownership Interest; or

(d) transfer in a divorce, insolvency, corporate or partnership dissolution proceeding, or in the event of the death of you or one of your Owners, by will, declaration of or transfer in trust, or under the laws of intestate succession or otherwise by operation of law.

16.2.4 Notwithstanding the foregoing, the restrictions on transfers set forth above shall not apply to:

(a) a transfer of Ownership Interests in you by an Owner who is not a Principal Owner provided that:

(1) you have given us written notice of the proposed transfer at least ten (10) days in advance of the effective date of the transfer;

(2) the transfer is not to a Competitive Business or to a direct or indirect owner of a Competitive Business; and

(3) the proposed transfer does not by itself or in conjunction with other transfers result in the transfer of a Controlling Interest in you or a change in the composition of the group holding a Controlling Interest in you; or

(b) any transfer of stock options that does not by itself or in combination with other transfers result in the transfer of a Controlling Interest in you or a change in the composition of the group holding a Controlling Interest in you.

16.3 Conditions for Approval of Transfer

16.3.1 We will not unreasonably withhold our approval of a transfer of an interest in this Agreement, you, the Franchise, the Franchised Business, or any of the Franchised Business's assets that meets all the applicable requirements of this Section. All of the following conditions must be met prior to or concurrently with the effective date of the transfer:

- (a) you and your Owners shall be in full compliance with this Agreement;
- (b) the proposed transferee and its owners must meet our then-applicable standards for Champions Martial Arts Center franchisees, including passing our rigorous screening test, and if the proposed transferee, its owners or Affiliates have any other franchise agreements or development agreements with us, they are in full compliance with any such agreements and comply with clause (f) of Section 16.3.2;
- (c) a transfer of ownership in the Franchised Business or the assets of the Franchised Business, other than inventory in the ordinary course of business, may only be made in conjunction with a transfer of this Agreement. If the transfer is of an Owner's interest in you then the transferee's name and relevant information shall be added as Attachment 1 hereto and the transferee shall then be bound by all provisions applicable to Owners;
- (d) you and your Owners or the transferring Owner(s) and the transferee (if it is then a franchisee of ours) must execute a general release in form satisfactory to us of any and all claims against us, our Affiliates and our respective shareholders, officers, directors, employees and agents; and
- (e) you have complied with the provisions of Section 16.7 below relating to our right of first refusal.

16.3.2 In addition to the above, if the transfer is of this Agreement, a Principal Owner's interest, or a Controlling Interest in you, or is one of a series of transfers which, in the aggregate, constitute the transfer of this Agreement or a Controlling Interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

- (a) the transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Business and perform the obligations of the transferor under this Agreement, and neither the transferee nor its owners may be engaged in or intend to engage in a Competitive Business;
- (b) you and the transferee (if it is then a franchisee of ours) must pay such Royalty Fees, National Advertising Fees, amounts owed for purchases by you (or such transferee) from us and our Affiliates, and all other amounts owed to us or our Affiliates which are then due and unpaid;
- (c) the transferee and its personnel who will have access to the Confidential Information must have signed the Confidentiality and Non-Competition Agreement and have completed our training program to our satisfaction;
- (d) the transferee and its owners, at our option, must agree in a manner satisfactory to us to be bound by all terms and conditions of this Agreement for the remainder of its term or execute our then-current form of franchise agreement and such ancillary documents, including guarantees, as are then customarily used by us in the grant of franchises for Champions Martial Arts

Centers, modified as necessary to provide for the same Royalty Fees and National Advertising Fees required hereunder and a term equal to the remaining term of this Agreement;

(e) you or the transferee must have paid us upon transfer a fee of 50% of our then-current initial franchise fee for a Standard Franchise.

(f) we must approve the material terms and conditions of such transfer including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect our rights and interests under this Agreement, and you must furnish to us a copy of the executed contract of assignment;

(g) if you and/or your transferring Owner(s) finances any part of the sale price of the transferred interest, you and/or your transferring Owner(s) must agree in a manner satisfactory to us that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by you and/or your transferring Owner(s) in the assets of the Champions Martial Arts Center shall be subordinate to the obligations of the transferee to pay Royalty Fees, National Advertising Fees, and other amounts due to us and our Affiliates, and otherwise to comply with this Agreement or the franchise agreement executed by the transferee;

(h) if this Agreement is being transferred, you and your Principal Owners must execute a non-competition agreement in favor of us and the transferee. If a Principal Owner is transferring his/her interest, such Principal Owner must execute a non-competition agreement in favor of us and the transferee. In either case, the non-competition agreement shall provide that neither you, your Principal Owner(s) nor your transferring Principal Owner(s) (whichever is applicable) nor any member of their immediate families shall directly or indirectly for a period of two (2) years commencing on the effective date of such transfer:

(1) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within thirty (30) miles of your Champions Martial Arts Center or any other Champions Martial Arts Center in the System; or

(2) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for any Competitive Business located or operating within thirty (30) miles of your Champions Martial Arts Center or any other Champions Martial Arts Center in the System.

(i) the proposed transferee must furnish the information and references we require of potential franchisees and must present himself/herself at his/her own expense for a personal interview at our office;

(j) the lessor or sublessor of the Champions Martial Arts Center must consent in writing to the assignment of your lease to the proposed transferee;

(k) except in the case of a transfer of a Principal Owner's interest that does not constitute a Controlling Interest, the transferee, at its expense, must upgrade the Champions Martial Arts Center to conform to the then-current standards and specifications for new franchises; and

(l) the transfer must be made in compliance with all applicable laws.

16.3.3 Clauses (h) and (i) of Section 16.3.2 shall not apply to transfers by gift, bequest, or inheritance. The restrictions of Section 16.3.2(h)(1) shall not be applicable to the ownership of shares

of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding.

16.3.4 The rights of you and your Owners to transfer interests in this Agreement, the Franchise, you, the Champions Martial Arts Center or the assets of the Champions Martial Arts Center may be exercised only by you or your Owners and shall not be exercisable by a receiver, executor, trustee, liquidator or other person acting in a comparable capacity with respect to the assets or ownership of you.

16.4 Transfer to a Wholly Owned Corporate Entity

If you are in full compliance with this Agreement, then we shall not unreasonably withhold our approval of a one (1) time transfer, in the case of a proposed assignment or transfer of this Agreement, of the Franchise and the Franchised Business from one or more individuals to a corporation or comparable legal entity which conducts no business other than the Champions Martial Arts Center, which is actually managed by you, in which such individual(s) maintain management control, and such individual(s) shall own and control the same percentage of the equity and voting power of all issued and outstanding Ownership Interests of such entity. Such one (1) time transfer shall not require payment of the transfer fee described in Section 16.3.2(e). All certificates or other documents representing Ownership Interests of such legal entity must be endorsed with a legend in form we approve reciting that the transfer of shares in you are subject to the restrictions of this Agreement. Such an assignment shall not relieve you of your obligations hereunder. You shall remain jointly and severally liable to us for all obligations hereunder.

16.5 Your Death or Incapacity

16.5.1 Upon your death or disability, or if you are a corporation, limited liability company, partnership, or other legal entity, upon the death or disability of a Principal Owner of you, all of such person's interest in this Agreement or such interest in you shall be transferred to a transferee reasonably approved by us. Such disposition of this Agreement or such interest in you, including, without limitation, transfer by bequest or inheritance, shall be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and shall be subject to all the terms and conditions applicable to transfers contained in this Section. Failure to so transfer the interest in this Agreement or such interest in you within said period of time shall constitute a breach of this Agreement.

16.5.2 If, upon the death or disability of you or a Principal Owner, the Champions Martial Arts Center is not being managed by a trained manager, your or that Principal Owner's executor, administrator, conservator, guardian or other personal representative must, within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager to operate the Franchised Business. The manager must complete training at your expense. Pending the appointment of a manager as provided above, or if in our judgment the Franchised Business is not being managed properly any time after your or the Principal Owner's death or disability, we may, but need not, assume management of the Franchised Business. All funds from the Franchised Business's operation during the period we are managing it will be kept in a separate account and all of the Franchised Business's expenses will be charged to this account. We may charge a reasonable management fee plus our out-of-pocket costs. Our operation of the Franchised Business during any such period will be solely on your behalf but we only have a duty to utilize reasonable efforts and will not be liable to you or the Owners for any debts, losses or obligations the Franchised Business incurs or to any creditors for any products, materials, supplies or services the Franchised Business purchases during any period when we manage the Franchised Business hereunder.

16.6 Effect of Consent to Transfer

Our consent to a transfer of this Agreement or any interest in you, the Franchised Business, or the assets of the Franchised Business shall not constitute a waiver of any claims we may have against you or

your Owners, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

16.7 Our Right of First Refusal

If you or any of your Owners shall at any time determine to sell an interest in this Agreement, the Franchise, the Franchised Business, some or all of the assets of the Franchised Business, other than inventory items in the ordinary course of business, or an Ownership Interest in you, you or your Owner(s) shall obtain a bona fide, arms-length, executed written offer and earnest money deposit in the amount of five percent (5%) or more of the offering price from a qualified, responsible, bona fide and fully disclosed purchaser. A true and complete copy of the offer and any proposed ancillary agreements shall immediately be submitted to us by you, such Owner(s) or both. The offer must apply only to an interest in this Agreement, the Franchise, the Franchised Business, the assets of the Franchised Business or you. It must not include the purchase of any other property or rights of you or such Owner(s). If the offeror proposes to buy any other property or rights from you or such Owner(s) under a separate, contemporaneous offer, the price and terms of purchase offered to you or such Owner(s) for the interest in this Agreement, the Franchise, the Franchised Business, the assets of the Franchised Business or you shall reflect the bona fide price offered therefor and shall not reflect any value for any other property or rights. We shall have the right, which we may exercise by written notice delivered to you or such Owner(s) within forty-five (45) days from the date of delivery of an exact copy of such offer to us, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that (a) we may substitute cash, a cash equivalent, or marketable securities of equal value for any form of payment proposed in such offer, (b) our credit shall be deemed equal to the credit of any proposed purchaser, and (c) we shall have not less than sixty (60) days to prepare for closing. We shall be entitled to all customary representations and warranties given by the seller of a business including, without limitation, representations and warranties as to (i) ownership, condition and title to Ownership Interests and/or assets; (ii) liens and encumbrances relating to the Ownership Interests and/or assets being purchased; and (iii) validity of contracts and contingent or other liabilities of the corporation whose stock is purchased. If we exercise our right of first refusal hereunder, you shall take all action necessary to cause the lease or sublease for the Site to be assigned to us. If we do not exercise our right of first refusal, you or such Owner(s) may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided for herein, provided that if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to us or if there is a change in the terms of the sale, we shall have an additional right of first refusal on the same terms and conditions as are applicable to the initial right of first refusal.

16.8 Ownership Structure and Initial Capitalization

You represent and warrant that your ownership structure and initial capitalization are as set forth on Attachment 1 hereto and covenant that you will not vary from that ownership structure without our prior written approval.

ARTICLE 17: GRANT OF RENEWAL FRANCHISES

17.1 Renewal

This Agreement shall automatically renew for additional terms of ten (10) years, as set forth in this Section 17.1.

17.1.1 You shall have been, throughout the initial term of this Agreement, in substantial compliance, and at the expiration of such initial term are in full compliance, with this Agreement, your

lease or sublease and all other agreements between you and us or companies or persons associated or affiliated with us.

17.1.2 We shall, within six (6) months before the expiration of the initial term, provide you with any documents that you are required to execute for the renewal term, which documents may include, but are not limited to, a general release, our then-current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used by us in the granting of business franchises (all of which will contain terms and fees substantially the same as those included in Franchise Agreements being executed at the time of renewal, and which will not obligate you to pay a further initial franchise fee, but will require payment of a renewal fee of \$2,500 (the “Renewal Franchise Documents”).

17.1.3 You shall execute the Renewal Franchise Documents and all other documents and instruments that we require in order to renew this Agreement. You shall return the executed Renewal Franchise Documents to us, together with payment of our then-current renewal fee, by no later than the expiration date of the initial term. If we do not receive the executed documents and renewal fee by such expiration date, then this Agreement shall expire, you shall have no further rights under this Agreement, and you shall comply with the provisions of Article 19 and any other provisions that survive termination or expiration of this Agreement.

17.1.4 After we have received from you all executed Renewal Franchise Documents and the renewal fee, we shall inspect your Franchised Business to determine the extent of any required updating, remodeling, redecorating or other refurbishment for the Franchised Business in order to bring the Franchised Business up to our then-current image and standards for new Champions Martial Arts Centers. We will provide notice to you of the modifications you shall be required to make and you shall have six (6) months from the date of such notice to effectuate such modifications. If you fail or refuse to make the required modifications, we shall have the right to terminate the Renewal Franchise Documents.

17.2 Refusal to Renew Franchise Agreement

We can refuse to renew your franchise if your lease, sublease or other document by which you have the right to occupy the Site is not extended before your renewal term is to take effect to cover the period of the renewal or if you do not have a written commitment from your landlord to renew the lease or sublease for a period at least equal to the renewal term. We may also refuse to renew your franchise under other circumstances, including, but not limited to, your failure to substantially comply with the terms of this Agreement, your failure to pay amounts owed to us or our affiliates when due, or your failure to cure of any defaults incurred during the initial term of this Agreement, if applicable.

17.3 Renewal Under Law

Even though we decline the renewal of your franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the concerned law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the Franchise Agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the Franchise Agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

17.4 Your Election Not to Renew

For the purposes hereof, you shall be deemed to have irrevocably elected not to renew the franchise hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us our

then-standard Franchise Agreement and other ancillary documents required by us for a renewal franchise within the timeframe specified in Section 17.1.

ARTICLE 18: TERMINATION OF THE FRANCHISE

18.1 Our Right to Terminate

If you or any of your Owners fail to comply with any provision of this Agreement or any mandatory specification, standard, or operating procedure prescribed by us, we may terminate this Agreement effective immediately upon delivery of written notice of termination to you and if we give written notice of such breach to you and you do not (a) correct such breach within fifteen (15) days after delivery to you of such notice of breach; or (b) if such breach cannot reasonably be corrected within thirty (30) days after delivery of notice of breach, undertake within ten (10) days after delivery of such notice of breach and continue until completion efforts to cure such breach and furnish proof acceptable to us upon our request of such efforts and the date full compliance will be achieved.

18.2 Termination Upon Notice – No Opportunity to Cure

Notwithstanding Section 18.1, we may terminate this Agreement upon delivery of notice of termination to you without opportunity to cure if you commit any of the following breaches:

18.2.1 You fail to (i) locate a suitable Site; (ii) obtain lawful possession of the Site; (iii) develop the Franchised Business; (iv) complete initial training to our satisfaction; or (v) commence operation of business within the times provided in this Agreement;

18.2.2 You or any of your Owners abandon, surrender or transfer control of the operation of the Franchised Business without our prior written approval. For purposes hereof, “abandon” shall be the closure of your Franchised Business for five (5) consecutive days without our prior written consent;

18.2.3 You or any of your Owners has made any material misrepresentation or omission in the application for the Franchise;

18.2.4 You or any of your Owners (i) are convicted by a trial court of or plead guilty or no contest to a felony or to another crime or offense, including a crime against a child, that may adversely affect the reputation of you, the Champions Martial Arts Center or the goodwill associated with the Marks; or (ii) engage in any conduct which is injurious or prejudicial to the goodwill associated with the Marks or the System or which adversely affects the reputation of us or any Champions Martial Arts Center;

18.2.5 You or your Owners make any unauthorized use or disclosure of or duplicate any copy of any Confidential Information, make any unauthorized use of the Marks or Copyrighted Works, or use, duplicate or disclose any portion of the Operations Manual, or challenge or seek to challenge the validity of the Marks or Copyrighted Works;

18.2.6 You lose the right to possession of the Site and do not relocate the Franchised Business to another site in accordance with this Agreement;

18.2.7 You or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your

assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Champions Martial Arts Center shall be sold after levy thereupon by any sheriff, marshal, or constable;

18.2.8 You, your Principal Owners, or members of their immediate families violate the restrictions of Article 9 of this Agreement (Exclusive Relationship) or of any Confidentiality and Non-Competition Agreement;

18.2.9 You fail to make payments of any amounts due us or our Affiliates for Royalty Fees, National Advertising Fees, purchases from us or our Affiliates or any other amounts due to us or our Affiliates, and do not correct such failure within ten (10) days after written notice thereof;

18.2.10 You knowingly maintain false books or records, or knowingly submit any substantially false report to us;

18.2.11 You cause or permit to exist a default under the lease or sublease for the Site and fail to cure such default within the applicable cure period set forth in the lease or sublease;

18.2.12 You or any of your Owners fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to comply with this Agreement or any mandatory specification, standard or procedure we prescribe, whether or not such failures to comply are corrected and whether or not notice of such default is given; or fail on two (2) or more separate occasions within any period of twelve (12) consecutive months to comply with the same requirement under this Agreement, whether or not such failures to comply are corrected or whether or not notice of such default is given;

18.2.13 You fail to purchase or maintain any insurance required by this Agreement or fail to reimburse us for our purchase of insurance on your behalf within fifteen (15) days of delivery to you of our written demand for reimbursement;

18.2.14 A threat or danger to public health or safety results from the construction, maintenance or continued operation of the Franchised Business;

18.2.15 You refuse us permission to inspect the Franchised Business, or your business, books, records or other documents pursuant to this Agreement;

18.2.16 You or any of your Owners interfere or attempt to interfere with our ability to franchise or license others to use and employ the Marks or System;

18.2.17 You or any of your Owners interfere or attempt to interfere with our contractual relations with other franchisees, customers, suppliers, employees, advertising agencies or other third parties;

18.2.18 An agreement between us or any of our Affiliates and you, or an Affiliate of any of the above, is terminated by us pursuant to such agreement or is terminated by you in a manner or for a reason that is not expressly authorized pursuant to such agreement;

18.2.19 You fail to comply with all applicable laws and ordinances relating to the Champions Martial Arts Center, including Anti-Terrorism Laws, or if your or any of your Owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your Owners otherwise violate any such law, ordinance, or regulation; or

18.2.20 We perform corrective work on your Franchised Business for health and/or safety purposes and you do not reimburse us when so required.

18.3 Cross-Defaults, Non-Exclusive Remedies, etc.

Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any Affiliate of ours) and you (or any Affiliate of yours). Any default by you (or any person/company affiliated with you) under any other agreement, including, but not limited to, any lease and/or sublease, between us (or any Affiliate of ours) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any Affiliate of ours) may be regarded as a default under this Agreement. Any default by you (or any person/company affiliated with you) under any lease, sublease, loan agreement, security interest or otherwise, whether with us, any Affiliate of ours and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any Affiliate of ours) and you (or any Affiliate of yours).

In each of the foregoing cases, we (and any Affiliate of ours) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our Affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

18.4 Our Right to Discontinue Services to You

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Article 18, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you and/or suspension of your webpage on our website, until such time as you correct the breach.

18.5 Amendment Pursuant to Applicable Law

Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit our rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by us that the grounds for termination set forth in this Agreement do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation. We shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

ARTICLE 19: RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT

19.1 Payment of Amounts Owed to Us

You shall immediately pay to us and our Affiliates upon termination or expiration of this Agreement such Royalty Fees, National Advertising Fees, amounts owed for purchases by you from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

19.2 Marks, Copyrights and Trade Dress

19.2.1 Upon the termination or expiration of this Agreement, you shall:

(a) not thereafter, directly or indirectly, at any time or in any manner identify yourself or any business as a current or former Champions Martial Arts Center or as a current or former franchisee of ours or otherwise associated with us, or use any Mark, any colorable imitation thereof or any mark substantially identical to or deceptively similar to any Mark in any manner or for any purpose, or utilize for any purpose any trade name, trademark or service mark, domain name, or other commercial symbol or trade dress that suggests or indicates a connection or association with us;

(b) remove all signs containing any Mark and return to us or destroy forms and materials containing any Mark or otherwise identifying or relating to a Champions Martial Arts Center;

(c) take such action as may be required to cancel or, at our option, to transfer to us or our designee all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(d) immediately take all such actions as may be necessary to transfer any internet Domain Names, internet listings, telephone numbers and telephone directory listings associated with the Marks to us. You acknowledge that as between us and you, we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks. You, concurrently with the execution of this Agreement, shall execute our forms of Internet Advertising, Social Media, Software and Telephone Listing Agreement, attached to this Agreement as Attachment 3. You, by executing this Agreement, authorize us and hereby appoint us and any of our officers as your attorney-in-fact to direct your internet service provider, the telephone company and all listing agencies to transfer the same to us, should you fail or refuse to do so. The internet service provider, telephone company and all listing agencies may accept this Agreement and/or the Internet Advertising, Social Media, Software and Telephone Listing Agreement as conclusive evidence of our exclusive right in such Domain Names, internet listings, telephone numbers and directory listings and our authority to direct their transfer;

(e) immediately cease all use of Copyrighted Works which were furnished to you by us pursuant hereto and return to us or destroy all forms, advertising and promotional materials or other materials containing such Copyrighted Works;

(f) at our option, assign to us or terminate any Website that identifies you as currently or formerly associated with us or that displays any Mark as well as terminate any domain name of such Website, notwithstanding that you are prohibited from establishing your own Website; and

(g) if we do not purchase the Franchised Business as provided in Section 19.6, at your expense make such modifications and alterations, including removal of all distinctive physical and structural features associated with the Trade Dress of Champions Martial Arts Centers, as may be necessary to distinguish the Site of the Champions Martial Arts Center so clearly from its former appearance and from

other Champions Martial Arts Centers as to prevent any possibility that the public will associate the Site with Champions Martial Arts Centers and any confusion created by such association.

19.2.2 You shall furnish to us (a) within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with Subparagraphs (a) and (c) of the foregoing obligations, and (b) within thirty (30) days after the later of expiration of our option to purchase the Champions Martial Arts Center as provided in Section 19.6 or receipt of notice that we elect not to purchase the Franchised Business pursuant to Section 19.6, evidence satisfactory to us of your compliance with the foregoing obligations.

19.3 Confidential Information

You agree that, upon termination of the Franchise or expiration of the Franchise without grant of a Renewal Franchise: (a) you will immediately cease to use any of our Confidential Information disclosed to or otherwise learned or acquired by you in any business or otherwise; and (b) you will return to us all copies of the Operations Manual and any other confidential materials which have been loaned or made available to you by us.

19.4 Covenant Not to Compete

19.4.1 Upon termination of this Agreement by us in accordance with its terms and conditions, or upon expiration of this Agreement without the grant of a Renewal Franchise, neither you nor any of your Principal Owners shall directly or indirectly, through a member of the immediate family of you or a Principal Owner or otherwise for a period of two (2) years commencing on the effective date of such termination or expiration or the date on which you cease to operate the Franchised Business, whichever is later:

(a) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within a thirty (30) mile radius of the Franchised Business or any other Champions Martial Arts Center; or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business located or operating within a thirty (30) mile radius of the Franchised Business or any other Champions Martial Arts Center in operation or under construction on the effective date of such termination or expiration.

19.4.2 The restrictions of clause (a) of Section 19.4.1 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding.

19.4.3 The restrictions of Section 19.4.1 shall not be construed to prohibit you, any Principal Owner of yours or any member of your respective immediate families from having a direct or indirect ownership interest in any Franchise Agreement with us for the operation of any Champions Martial Arts Center, or any entity owning, controlling or operating a Champions Martial Arts Center or from providing services to a Champions Martial Arts Center.

19.5 Continuing Obligations

All obligations of ours and yours which expressly or by their nature survive or are intended to survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

19.6 Our Right to Purchase Assets of the Franchised Business

Upon termination of this Agreement by us in accordance with its terms and conditions or upon expiration of this Agreement without the grant of a Renewal Franchise, we shall have the option to purchase from you all or a portion of the assets used in the Franchised Business. We may exercise this option by giving written notice thereof within sixty (60) days from the date of such expiration or termination. Assets shall include, without limitation, leasehold improvements, equipment, furniture, fixtures, signs, inventory and the lease or sublease for the Site. We shall have the unrestricted right to assign this option to purchase. We or our assignee shall be entitled to all customary warranties and representations given by the seller of a business including, without limitation, representations and warranties as to (a) ownership, condition and title to assets; (b) liens and encumbrances relating to the assets; (c) validity of contracts inuring to us or affecting the assets; and (d) contingent or other liabilities.

The purchase price for the assets of the Franchised Business shall be the fair market value determined as of the date of termination or expiration of this Agreement in a manner consistent with reasonable depreciation of leasehold improvements owned by you and the equipment, furniture, fixtures, signs and inventory of the Franchised Business. The purchase price shall not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Franchised Business, goodwill or "going concern" value for the Franchised Business. We may exclude from the assets purchased hereunder any equipment, furniture, fixtures, signs and inventory that are not approved as meeting quality standards for Champions Martial Arts Centers. The length of the remaining term of the lease or sublease for the Site of the Franchised Business shall also be considered in determining the fair market value hereunder. If we and you are unable to agree on the fair market value of the assets, the fair market value shall be determined by an independent appraiser selected by us and you. If we and you are unable to agree on an appraiser, we shall each select one (1) appraiser who shall select a third appraiser and the fair market value shall be deemed to be the average of the three (3) independent appraisals. Nothing contained herein shall restrict the manner in which the appraisers so selected value the leasehold improvements, equipment, furniture, fixtures, signs and inventory.

The purchase price shall be paid in cash, a cash equivalent, or marketable securities of equal value at the closing of the purchase, which shall take place no later than ninety (90) days after receipt by you of our notice of exercise of this option to purchase. At that time you shall deliver instruments transferring to us or our assignee: (a) good and merchantable title to the assets purchased free and clear of all liens and encumbrances, other than liens and security interests acceptable to us or our assignee, with all sales and other transfer taxes paid by you; (b) all licenses and permits of the Franchised Business which may be assigned or transferred; and (c) the lease or sublease for the Site. In the event that you cannot deliver clear title to all of the purchased assets as aforesaid or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished through an escrow. Prior to closing, you and we shall comply with all applicable legal requirements including the bulk sales provisions of the Uniform Commercial Code of the state in which the Franchised Business is located.

We shall have the right to set off against, and reduce the purchase price by, any and all amounts owed by you to us and the amount of any encumbrances or liens against the assets or any obligations assumed by us. If we or our assignee exercise this option to purchase, we shall have the right to appoint a manager to maintain the operation of the Franchised Business pending the closing of such purchase. Alternatively, we may require you to close the Franchised Business during such time period without removing any assets from the Site. You shall maintain in force all insurance policies required pursuant to this Agreement until the date of closing. If the Site is leased, we agree to use reasonable efforts to effect a termination of the existing lease for the Site and enter into a new lease on reasonable terms with the landlord.

In the event we are unable to enter into a new lease, we will indemnify and hold you harmless from any ongoing liability under the lease from the date we assume possession of the Site.

19.7 Liquidated Damages

Upon termination of this Agreement by us for cause as described in Article 18, you agree to pay to us within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the then-current Royalty Fees you pay or owe to us multiplied by (a) one hundred four (104) (being the number of weeks in two (2) full years), or (b) the number of weeks remaining in the Agreement had it not been terminated, whichever is higher.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your Owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

ARTICLE 20: DISPUTE RESOLUTION

20.1 Mediation and Arbitration

20.1.1 We and you acknowledge that during the term of this Agreement disputes may arise between the parties that may be resolvable through mediation. To facilitate such resolution, we and you agree that each party shall submit the dispute between them for non-binding mediation at a mutually agreeable location before commencing an arbitration proceeding under Section 20.1.3. If we and you cannot agree on a location, the mediation will be conducted in Pasco County, New York. The mediation will be conducted by one (1) mediator who is appointed under the American Arbitration Association's Commercial Mediation Rules and who shall conduct the mediation in accordance with such rules. We and you agree that statements made by us, you or any other party in any such mediation proceeding will not be admissible in any arbitration or other legal proceeding. Each party shall bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate in the mediation.

20.1.2 If any dispute between the parties cannot be resolved through mediation within forty-five (45) days following the appointment of the mediator, the parties agree to submit such dispute to arbitration subject to the terms and conditions of Section 20.1.3.

20.1.3 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in New York under the authority of New York Statutes. The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance

of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the New York Statutes. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the New York Statutes. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

20.1.4 If we desire to seek specific performance or other extraordinary relief including, but not limited to, injunctive relief under this Agreement, and any amendments thereto, or to collect monies due, then any such action shall not be subject to arbitration and we shall have the right to bring such action as described in Section 20.2.

20.1.5 In proceeding with arbitration and in making determinations hereunder, the arbitrators shall not extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by us in good faith. Notice of or request to or demand for arbitration shall not stay, postpone or rescind the effectiveness of any termination of this Agreement.

20.2 Injunctive Relief

20.2.1 Notwithstanding anything to the contrary contained in Section 20.1 above, we and you each have the right, in a proper case, to seek injunctions, restraining orders and orders of specific performance from a court of competent jurisdiction, provided that we agree to contemporaneously submit our dispute for arbitration on the merits as provided herein.

20.2.2 You agree that we will not be required to post a bond to obtain any injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction if warranted upon due hearing. All claims for damages by reason of the wrongful issuance of such injunction are hereby expressly waived. If we secure any such injunction or order of specific performance, you agree to pay to us an amount equal to the aggregate of our costs of obtaining such relief including, without limitation, reasonable legal fees, costs and expenses as provided in this Section and any damages incurred by us as a result of the breach of any such provision.

ARTICLE 21: SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. To the extent the post-transfer restrictive covenants or post-termination restrictive covenants contained herein are deemed unenforceable by virtue of their scope in terms of geographic area, business activity prohibited and/or length of time, but may be made enforceable by reductions of either or any thereof, you and we agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement or refusal to grant a renewal franchise than is required hereunder, or requires the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure we prescribe is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof. In such case, we shall have the right in our sole discretion to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Such modifications to this

Agreement shall be effective only in such jurisdiction and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

ARTICLE 22: MISCELLANEOUS

22.1 Waiver of Obligations

22.1.1 We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement. Such waiver shall be effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor and such approval shall be obtained in writing.

22.1.2 We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by granting any waiver, approval, or consent to you or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked in our sole discretion at any time and for any reason effective upon delivery to you of ten (10) days' prior written notice.

22.1.3 We and you shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement including, without limitation, the right to demand exact compliance with every term, condition, and covenant herein, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term by virtue of any (a) custom or practice of the parties at variance with the terms hereof; (b) any failure, refusal, or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure; (c) any waiver, forbearance, delay, failure, or omission by us to exercise any right, power, or option, whether of the same, similar or different nature, with respect to any other Champions Martial Arts Center or any franchise agreement therefor; or (d) our acceptance of any payments from you after any breach by you of this Agreement.

22.2 Force Majeure

Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our failure to perform our obligations results from any of the following and is not caused or exacerbated by the non-performing party: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary forgoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any federal, state, or municipal government or any department or agency thereof; (b) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof; (c) acts of God; (d) acts of war or insurrection; (e) strikes, lockouts, boycotts, fire and other casualties; or (f) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of royalty fees or other fees thereafter and as soon as performance is possible the non-performing party shall immediately resume performance, nor shall such period of excused non-performance exceed six (6) months.

22.3 Rights of Parties are Cumulative

Our and your rights hereunder are cumulative and no exercise or enforcement by us or you of any right or remedy hereunder shall preclude the exercise or enforcement by us or you of any other right or remedy hereunder or which we or you are entitled by law to enforce.

22.4 Costs and Legal Fees

If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

22.5 Governing Law; Consent to Jurisdiction

22.5.1 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) or other federal law, this Agreement and the relationship between the parties hereto shall be governed by the internal laws of the State of New York without regard to its conflicts of law principles.

22.5.2 You agree that you and your Owners shall institute any action and that we may institute any action against you or your Owners which is not required to be arbitrated hereunder in any state or federal court of general jurisdiction or the state court of general jurisdiction or the Federal District Court nearest to our executive office at the time such action is filed. You and each Owner irrevocably submit to the jurisdiction of such courts and waive any objection you/he/she may have to either the jurisdiction or venue of such courts.

22.6 Limitations of Claims

Except with regard to your obligations to make payments to us or our Affiliates arising from or relating to this Agreement, any and all claims arising out of or relating to this Agreement or the relationship of you and us shall be barred unless an action or proceeding is commenced within one (1) year from the date on which you or we knew or should have known in the exercise of reasonable diligence of the facts giving rise to such claims.

22.7 Waiver of Punitive Damages and Jury Trial

We and you hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between us, except as otherwise provided herein, each shall be limited to the recovery of actual damages sustained by it. We and you hereby irrevocably waive trial by jury on any action, proceeding or counterclaim, whether at law or in equity, brought by either of us.

22.8 Binding Effect

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest and shall not be modified except by written agreement signed by both you and us.

22.9 Construction

22.9.1 The preambles and attachments to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. Except as expressly stated herein, nothing in this Agreement is intended nor shall be deemed to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs. This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

22.9.2 The term “You” as used herein is applicable to one (1) or more persons or entities, as the case may be, and the singular usage includes the plural, and the masculine and neuter usages include each other and the feminine. References to “ownership interests” shall include: (a) in relation to a corporation or limited liability company, the ownership of shares or membership interests; (b) in relation to a partnership, the ownership of a general or limited partnership interest; or (c) in relation to a trust, the ownership of a beneficial interest of such trust. References to “immediate family” as used herein shall mean your parents, spouses, natural and adopted children, siblings and their spouses, their parents, children and siblings and spouses of these siblings. References to a “controlling interest” in you shall mean (a) if you are a corporation or limited liability company, thirty-three and one-third percent (33-1/3%) or more of the voting shares or membership interests of you if you are owned by three (3) or more persons, otherwise fifty percent (50%) or more of the voting control of you, and (b) if you are a partnership, thirty-three and one-third percent (33-1/3%) of the general partnership interest in you if you have three (3) or more general partners, otherwise fifty percent (50%) or more of the general partnership interest. If you are two (2) or more persons at any time hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us shall be joint and several.

22.10 Reasonableness

We and you agree to act reasonably in all dealings with each other pursuant to this Agreement. Whenever the consent or approval of either party is required or contemplated hereunder, the party whose consent is required agrees not to unreasonably withhold the same unless otherwise permitted to do so in this Agreement.

22.11 Operation in the Event of Absence or Disability

In order to prevent any interruption of the Franchised Business operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Franchised Business, operate the Franchised Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by us shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Franchised Business franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties.

22.12 Step-In Rights

If we determine in our sole judgment that the operation of your Franchised Business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause

harm to the System and thereby lessen its value, you authorize us to operate your Franchised Business for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Franchised Business if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your Franchised Business; or we determine that operational problems require that we operate your Franchised Business for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the Franchised Business as a going concern.

We shall keep in a separate account all monies generated by the operation of your Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

ARTICLE 23: SECURITY INTEREST

23.1 Collateral

You grant to us a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Franchised Business, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchised Business. All items in which a security interest is granted are referred to as the "Collateral".

23.2 Indebtedness Secured

The Security Interest is to secure payment of the following (the "Indebtedness"):

23.2.1 All amounts due under this Agreement or otherwise by you;

23.2.2 All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;

23.2.3 All expenses, including reasonable attorneys' fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and

23.2.4 All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or renewal instruments.

23.2.5 Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Franchised Business, including, but not limited to, a real property mortgage and equipment leases.

23.3 Additional Documents

You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

23.4 Possession of Collateral

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral.

23.5 Our Remedies in Event of Default

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of New York (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

23.6 Special Filing as Financing Statement

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

ARTICLE 24: NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operations Manual shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by facsimile with machine-generated evidence of receipt, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, one (1) business day after transmission by electronic mail provided that a hard copy is sent by another method provided in this Section, or five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid to the addresses within the introductory paragraph of this Agreement:

ARTICLE 25: YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS

25.1 Your Representations

You represent and warrant to us, with the intention that we are relying thereon in entering into this Agreement, that:

25.1.1 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, then you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and are in good standing with and qualified

to do business in each state and political/governmental subdivision having jurisdiction over the Champions Martial Arts Center.

25.1.2 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, you have all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon you and your successors and assigns when executed.

25.1.3 You do not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements, which you have furnished to us before the execution of this Agreement.

25.1.4 As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, principal shareholders, proprietors, partners or Controlling Principals (as applicable) after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business; your right to operate and use your assets, properties or rights to carry on your business; and/or which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.

25.1.5 Neither you nor any of your Principal Owners is a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

25.1.6 All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

ARTICLE 26: SUBMISSION OF AGREEMENT

The submission of this Agreement to you does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by both us and you.

THIS AGREEMENT WILL NOT BE BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF OURS. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO YOU OTHER THAN THOSE SET FORTH IN OUR DISCLOSURE DOCUMENT, OR THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO YOU, YOU ARE NOT RELYING ON THEM. YOU HAVE READ ALL OF THE FOREGOING AGREEMENT AND ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

The parties hereto have executed and delivered this Agreement in multiple counterparts on the day and year first above written.

FRANCHISOR:

CHAMPIONS MARTIAL ARTS INTERNATIONAL, INC.

By: _____

Clinton Oh, President
(Print Name, Title)

FRANCHISEE:

By: _____

_____, _____
(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

ATTACHMENT 1 TO THE FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE

<u>Name</u>	<u>Percentage of Ownership</u>	<u>OWNERS</u>
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ATTACHMENT 2 TO THE FRANCHISE AGREEMENT

SITE AND EXCLUSIVE TERRITORY

The Site of the Champions Martial Arts Center will be located at:

The Exclusive Territory shall be as follows:

FRANCHISOR:

CHAMPIONS MARTIAL ARTS INTERNATIONAL, INC.

By: _____

Clinton Oh, President
(Print Name, Title)

FRANCHISEE:

By: _____

_____, _____
(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

ATTACHMENT 3 TO THE FRANCHISE AGREEMENT

INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT (the “Agreement”) is made and entered into this day of _____ (the “Effective Date”), by and between Champions Martial Arts International, Inc., a New York corporation with its principal place of business at 21 Kettlepond Road, Jericho, New York 11753 (the “Franchisor”), and _____, a(n) _____, with its principal place of business located at _____ and _____’s principal(s), _____, an individual, residing at _____, and _____, an individual, residing at _____ (“Principal(s)”). _____ and Principal(s) shall be collectively referred to in this Agreement as the “Franchisee”.

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for an Champions Martial Arts business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, use software, and use telephone listings linked to the Champions Martial Arts brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. Internet Advertising and Telephone Listings

2.1 Interest in Web Sites, Social Media Accounts, Other Electronic Listings and Software. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet web sites, the right to hyperlink to certain web sites and listings on various internet search engines, and the right to use certain software (collectively, “Electronic Advertising and Software”) related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, other listing agencies and software companies (collectively, the “Internet and Software Companies”) with which Franchisee has Electronic Advertising and Software: (i) to transfer all of Franchisee’s interest in such Electronic Advertising and Software to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Software, Franchisee will immediately direct the Internet and Software Companies to terminate such Electronic Advertising and Software or will take such other actions with respect to the Electronic Advertising and Software as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet and Software Companies to transfer all Franchisee’s interest in and to the Electronic Advertising and Software to Franchisor, or alternatively, to direct the Internet and Software Companies to terminate any or all of the Electronic Advertising and Software;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet and Software Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet and Software Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet and Software Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and Software and/or Telephone Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet and Software Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. Miscellaneous

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet and Software Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York, without regard to the application of New York conflict of law rules.

-Remainder of Page Intentionally Blank-

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

CHAMPIONS MARTIAL ARTS INTERNATIONAL, INC.

By:_____

Clinton Oh, President
(Print Name, Title)

FRANCHISEE:

By:_____

_____, _____
(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

ATTACHMENT 4 TO THE FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned (“Assignor”) assigns, transfers and sets over to Champions Martial Arts International Inc., a New York corporation (“Assignee”), all of Assignor’s right and title to and interest in that certain “Lease”, a copy of which is attached as Attachment 2, respecting premises commonly known as _____. This assignment is for collateral purposes only and except as specified in this document Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor’s obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises.

Upon Assignor’s default under the Lease or under the “Franchise Agreement” for a Champions Martial Arts Center between Assignee and Assignor, or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee’s prior written consent. Throughout the term of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee’s failure to agree otherwise in writing and upon Assignor’s failure to elect to extend or renew the Lease as required, Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

ASSIGNOR:

Dated: _____

**CORPORATION, LIMITED LIABILITY
COMPANY, PARTNERSHIP OR
PROPRIETORSHIP:**

[Name]

By: _____

Print Name: _____

Title: _____

INDIVIDUALS:

[Print Name]

[Print Name]

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease:

(a) Agrees to notify Assignee in writing of and upon Assignee's failure to cure any default by Assignor under the Lease;

(b) Agrees that Assignee will have the right but not the obligation to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the Collateral Assignment and agrees that if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease provided that Assignee cures within the thirty (30) day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that upon that assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a Champions Martial Arts Center.

DATED: _____

_____, Lessor

ATTACHMENT 5 TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

**(for trained employees, shareholders, officers, directors,
general partners, members and managers of Franchisee)**

In consideration of my being a _____ of _____ (“Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated _____, 20____ (the “Franchise Agreement”), Franchisee has acquired the right and franchise from Champions Martial Arts International Inc. (the “Company”) to establish and operate a Champions Martial Arts Center (the “Franchised Business”) and the right to use in the operation of the Franchised Business the Company’s trade names, service marks, trademarks, logos, emblems, and indicia of origin (the “Proprietary Marks”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: _____ (the “Approved Location”).

2. The Company, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the “System”) relating to the establishment and operation of Franchised Businesses, which offer Tae Kwon Do training to students at all levels. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the “Confidential Information”).

3. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As _____ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company’s Confidential Operations Manuals (the “Manuals”), and other general assistance during the term of the Franchise Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as _____ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any retail business or e-commerce business which: (a) is the same as, or substantially similar to, a Franchised Business; or (b) offers to sell or sells any products or services which are the same as, or substantially similar to, any of the products or services offered by a Franchised Business (a "Competitive Business"); and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business that is, or is intended to be, located at or within:

7.1 Franchisee's Exclusive Territory, as defined in the Franchise Agreement ("Franchisee's Exclusive Territory");

7.2 Thirty (30) miles of Franchisee's Exclusive Territory; or

7.3 Thirty (30) miles of any Franchised Business operating under the System and the Proprietary Marks.

The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with a Franchised Business. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held corporation.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of New York. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature

Name

Address

Title

ACKNOWLEDGED BY FRANCHISEE

By:_____

Name:_____

Title:_____

ATTACHMENT 6 TO THE FRANCHISE AGREEMENT

GUARANTY

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on _____ to Champions Martial Arts International, Inc. a New York corporation (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the “Franchise Agreement”) with _____, a(n) _____, _____ and _____ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Section 2.1.9 of the Franchise Agreement (“Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

Print Name: _____

Address: _____

ATTACHMENT 7 TO THE FRANCHISE AGREEMENT

TRANSFER OF FRANCHISE TO A CORPORATION OR LIMITED LIABILITY COMPANY

This Transfer Agreement hereby amends that certain Franchise Agreement dated _____, 20__ between Champions Martial Arts International Inc. (“Franchisor”) and _____ (“Franchisee”).

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below and the Franchisee of the Champions Martial Arts Center under a Franchise Agreement executed on the date set forth below, between himself or herself and Franchisor granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation, or Limited Liability Company in accordance with the provisions of Article 16 of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article 9 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee’s obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and Champions Martial Arts International Inc.”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and Champions Martial Arts International Inc.”

3. _____ or his designee shall devote his best efforts to the day-to-day operation and development of the Franchised Champions Martial Arts Center.

4. _____ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Franchisor, to the same extent as if it were named as the Franchisee therein.

Date of Franchise Agreement: _____

Location of Champions Martial Arts Center: _____

WITNESS:

As to Paragraph 3:

[Name]

As to Paragraph 4:

[Name]

ATTEST:

Name of Corp. or Limited Liability Company

By: _____
Title: _____

In consideration of the execution of the above Agreement, Champions Martial Arts International Inc. hereby consents to the above referred to assignment on this ____ day of _____, 20__.

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC.

By: _____

Title: _____

ATTACHMENT

GENERAL RELEASE

_____, (“Franchisee”) and its principal(s):

(a) Franchisee and Franchisee’s Principal(s) do, for themselves and their successors and assigns, hereby release and forever discharge generally Franchisor and any affiliate, wholly owned or controlled limited liability company, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, agent, executor, administrator, estate, trustee or heir of any of them (the “Released Franchisor Party”), from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Franchisee or Franchisee’s Principal(s) may now have, or may hereafter claim to have or to have acquired of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and antitrust statutes, rules or regulations, in any way arising out of or connected with the Franchise Agreement or this General Release, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against any Released Franchisor Party, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this General Release. In the event Franchisee or Franchisee’s Principal(s) breaches any of the promises, covenants, or undertakings made herein by any act or omission, Franchisee and Franchisee’s Principal(s) shall pay, by way of indemnification, all costs and expenses of any Released Franchisor Party caused by the act or omission, including reasonable attorneys’ fees and costs.

(b) Franchisee and Franchisee’s Principal(s) represent and warrant that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Franchisee or Franchisee’s Principal(s) to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand, or suit shall be made or institute against any Released Franchisor Party because of any such purported assignment, transfer or subrogation, Franchisee and Franchisee’s Principal(s) agree to indemnify and hold such Released Franchisor Party free and harmless from and against any such claim, demand, or suit, including reasonable costs and attorneys’ fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

(c) THIS RELEASE IS A GENERAL RELEASE AND THE PARTIES INTEND AND AGREE THAT IT SHALL BE INTERPRETED, CONSTRUED AND ENFORCED AS SUCH.

(d) Franchisee and Franchisee’s Principal(s) acknowledge, warrant, and represent that no promises, representations, or inducements, except as set forth in this General Release, have been offered or made by any Franchisor Released Party to secure the execution of this General Release, and that this General Release is executed

without reliance on any statements or any representations not contained herein. Franchisee and Franchisee's Principal(s) knowingly waive (1) any claim that this General Release was induced by any misrepresentation or nondisclosure, and (2) any right to rescind or avoid this General Release based upon presently existing facts, known or unknown.

FRANCHISEE AND FRANCHISEE'S PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. Franchisee and Franchisee's Principal(s) also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Released Franchisor Party with respect to any Franchisee Released Claim, and Franchisee and Franchisee's Principal(s) shall defend, indemnify, and hold harmless each of Franchisor Releasees against same.

Executed as of _____, 20__.

FRANCHISEE:

By: _____

(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

EXHIBIT C TO THE DISCLOSURE DOCUMENT
MULTI-UNIT DEVELOPMENT AGREEMENT

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC.

MULTI-UNIT DEVELOPMENT AGREEMENT

MULTI-UNIT DEVELOPER

DATE

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ATTACHMENTS

- 1 – Development Territory
- 2 – Reservation Fee and Development Period
- 3 – Guaranty
- 4 – Transfer to a Corporation or Limited Liability Company

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT ("Multi-Unit Development Agreement") is made and entered into this day _____ by and between Champions Martial Arts International Inc., a New York corporation with its principal office at 21 Kettlepond Road, Jericho, New York 11753 ("we", "us" or "our"), and _____, a _____ whose principal address is _____ ("you" or "your").

WITNESSETH:

WHEREAS, you have entered into a Franchise Agreement with us dated _____, 20____ (hereinafter referred to as the "Franchise Agreement") to operate a business (the "Center" or "Franchised Business") using our plan and a system of uniform standards, methods, procedures, specifications, merchandising and advertising (hereinafter referred to as the "System") for the operation of a business that offers Tae Kwon Do and other martial arts training programs to students at all levels ("Approved Products and Services"), and includes management programs, standards, service programs, business methods, product specifications and proprietary marks and information. The System provides programs for personnel management, sales promotion, advertising programs, franchisee training, business administration, business operations methods and other procedures and methods related to the operation of the Center;

WHEREAS, we are the owner of the Proprietary Marks specified in the Franchise Agreement, or as may be hereafter designated as a part of the System and not thereafter withdrawn, and which we or our Affiliate may hereafter acquire or develop for use with the System; and

WHEREAS, you wish to obtain the rights and license from us for the use of the System and Proprietary Marks and, in association therewith, to own and operate additional Centers in the area described in Attachment 1 attached hereto (hereinafter referred to as the "Development Territory") and you understand and accept the terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain our high and uniform standards of quality and service in order to protect the goodwill and enhance the public image of the System and the Proprietary Marks; and

WHEREAS, you acknowledge that you have read this Agreement and our Disclosure Document and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all Centers in order to protect and preserve the goodwill of the Proprietary Marks; and

WHEREAS, we expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guarantee, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. You acknowledge that you have not received or relied on any representations, written or oral, about the franchise by us, or our officers, directors, employees or agents, that are contrary to the statements made in our Disclosure Document or to the terms herein, and you further represent to us, as an inducement to our entry into this Agreement, that you have made no misrepresentations, written or oral, to us in the application for the multi-unit development rights granted hereunder.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE 1
DEVELOPMENT RIGHTS AND OBLIGATIONS

1.1 Subject to the provisions contained herein, this Agreement shall be for a term commencing on the date hereof and expiring on the last day of the last development period as defined in Attachment 2, attached hereto and incorporated herein by reference (“Development Period”).

1.2 The Development Territory is not exclusive. We retain the right, in our sole discretion and without granting any rights to you: (a) to own and operate, or to grant other persons the right to own and operate, Centers at such locations inside and outside the Development Territory, and on such terms and conditions as we deem appropriate in our sole discretion; and (b) to sell inside and outside the Development Territory the services and products authorized for Centers under the Proprietary Marks or other trademarks, service marks and commercial symbols through dissimilar channels of distribution and pursuant to such terms and conditions as we deem appropriate.

1.4 You agree, during the term of this Agreement, that you will at all times faithfully, honestly and diligently perform your obligations hereunder and that you will continuously exert your best efforts to promote and enhance the development of Centers within the Development Territory. Without limiting the foregoing obligation, you agree to have developed within the Development Territory the cumulative number of Centers at the end of each Development Period set forth in Section 2 of Attachment 2 hereof (“Minimum Development Quota”) and to have each such Center open and operating by the dates stated on such Attachment 2. If you fail at any time to meet any Minimum Development Quota, we shall have the right to terminate this Agreement by delivering a notice to you stating that we elect to terminate this Agreement as a result of such failure. Such termination shall be effective upon delivery of such notice of termination. Our right to terminate this Agreement shall be our sole and exclusive remedy for your failure to meet a Minimum Development Quota.

1.5 You understand and acknowledge that (a) this Agreement does not confer upon you the right or license to use the Proprietary Marks or the System, which right and license may only be granted pursuant to a Franchise Agreement with us; and (b) you shall not open a Center to the public unless and until a fully executed Franchise Agreement is in place for such Center.

ARTICLE 2
GRANT OF FRANCHISES TO YOU

2.1 Subject to the provisions of Article 1 hereof, we agree to grant franchises to you for the operation of Centers located within the Development Territory, subject to the following: you shall submit to us a complete site report (containing such demographic, commercial, and other information and photographs as we may reasonably require) for each site at which you propose to establish and operate a Center and which you reasonably believe to conform to site selection criteria established by us from time to time. Such proposed site shall be subject to our prior written approval, which will not be unreasonably withheld. In approving or disapproving any proposed site, we will consider such matters as we deem material, including, without limitation, demographic characteristics of the proposed site, traffic patterns, density of population, and other commercial characteristics (including the purchase price or rental obligations and other lease terms for the proposed site) and the size of premises, appearance, and other physical characteristics.

2.2 By delivery of written notice to you, we will approve or disapprove sites proposed by you for the operation of a Center. We agree to exert our best efforts to deliver such notification to you within thirty (30) days of receipt by us of the complete site reports and other materials requested by us, containing

all information reasonably required by us. If you shall have failed to obtain lawful possession of any approved site (through acquisition, lease, or sublease) within thirty (30) days after delivery of our approval thereof, we may, at our sole discretion, withdraw approval of such site. Our approval of a site is not a representation, warranty or guarantee that you will be successful at such site. Our approval only indicates that the site meets our criteria applied at the time of our review.

2.3 Provided you shall have obtained lawful possession of any approved site, we shall offer to you a franchise to operate a Center at such approved site by delivering to you a Franchise Agreement in form for execution by you. Such Franchise Agreement shall be executed by you and returned to us within fifteen (15) days of our delivery thereof, with payment of the franchise fee required thereunder. If you fail to execute such Franchise Agreement and tender payment of the franchise fee as above provided, we may, at our sole discretion, terminate our offer to grant to you a franchise to operate a Center at such approved site and withdraw our approval of such site.

ARTICLE 3

RESERVATION FEE

In consideration of the development rights granted herein, you shall pay to us a Reservation Fee of _____ Thousand Dollars (\$_____), which is calculated as Fifteen Thousand Dollars (\$15,000) multiplied by the total number of Centers to be developed pursuant to this Agreement.

You acknowledge and agree that the Reservation Fee shall be fully earned by us upon execution of this Agreement, is not refundable, and will not be credited against any other fees you may pay to us pursuant to this Agreement or any Franchise Agreement.

ARTICLE 4

TERMINATION BY US

In addition to our right to terminate under Section 1.4 hereof for your failure to meet the Minimum Development Quota, we shall have the right to terminate this Agreement by delivering a notice to you stating that we elect to terminate this Agreement as a result of any of the breaches set forth below. Such termination shall be effective upon delivery of such notice of termination or, if applicable, upon your failure to cure (to our satisfaction) any such breach by the expiration of any period of time within which such breach may be cured in accordance with the provisions set forth below. It shall be a material breach of this Agreement if:

(a) you, or any of your shareholders or members, make an unauthorized assignment or transfer of this Agreement or an ownership interest in you;

(b) you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed

within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable;

(c) a general partnership interest in you (if you are a limited partnership) is terminated for whatever reason or, of you are a corporation or limited liability company, such corporation or limited liability company is involuntarily dissolved by the Secretary of State (or similar authority) where such entity was formed;

(d) you or any of your shareholders or members have made any material misrepresentation or omission in your application for the development rights conferred by this Agreement or are convicted of or plead no contest to a felony or other crime or offense that may adversely affect the goodwill associated with the Proprietary Marks;

(e) you fail to comply with any other provision of this Agreement, and such breach is not cured within thirty (30) days after delivery to you of our notice of termination;

(f) you fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to you; or

(g) any other agreement between you and us, including, but not limited to, a Franchise Agreement, is terminated in accordance with its terms and conditions as defined in such agreement.

ARTICLE 5

EFFECT OF TERMINATION AND EXPIRATION

5.1 All of our and your obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

5.2 Upon termination or expiration of this Agreement, you agree that for a period of two (2) years, commencing on the effective date of expiration or termination of this Agreement, you and your shareholders or partners will not have any interest as an owner, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any business that offers products or services the same as or substantially similar to those offered at the Center located or operating within the Development Territory or within thirty (30) miles of any Franchised Business, except for Centers operated under Franchise Agreements granted by us and the ownership of securities in a publicly held company that represent less than five percent (5%) of that class of securities.

ARTICLE 6

ASSIGNMENT

6.1 We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Proprietary Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of

our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of “Champions Martial Arts International Inc.” as Franchisor. Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that we exercise our right to assign our rights in this Agreement.

6.2 You understand and acknowledge that the rights and duties created by this Agreement are personal to you and that we have granted this Agreement in reliance upon the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of your owners. Therefore, neither this Agreement (or any interest therein) nor any part or all of the ownership of you may be voluntarily, involuntarily, directly or indirectly, assigned, sold, subdivided, sub-franchised, or otherwise transferred by you or your owners (including, without limitation, by consolidation or merger, by issuance of securities representing an ownership interest in you, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner of a limited partnership, by transfer of an interest in you, or in the event of death of you or an owner of you, by will, declaration of or transfer in trust or the laws of intestate succession), without our prior written approval. Any such assignment or transfer without such approval shall constitute a breach hereof and shall convey no rights to or interest in this Agreement to such assignee. You understand that this Agreement may not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered.

6.3 Upon the death or mental incapacity of any person with an interest of more than fifty percent (50%) in this Agreement or in you, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by us within twelve (12) months. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions stated in Section 6.2 hereof, the personal representative of the deceased shall have a reasonable time, not to exceed twelve (12) months from the date said personal representative is appointed, to dispose of the deceased’s interest in you or in the development rights, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. It is understood and agreed, however, that notwithstanding the foregoing, the Minimum Development Quota shall be complied with as though no such death or mental incapacity had occurred. In the event the interest described above is not disposed of within such time, we shall have the right to terminate this Agreement, provided such termination had not previously occurred for failure to perform pursuant to the Minimum Development Quota, upon ninety (90) days’ notice to your representative, or we shall have the right to re-purchase same at the same price being sought by your representative.

6.4 You have represented to us that you are entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the development rights hereunder. Therefore, you agree that any attempt to assign this Agreement, prior to the time that at least twenty-five percent (25%) of the Franchised Businesses to be constructed hereunder are opened or under construction shall be deemed to be an event of default.

6.5 Except as provided in Section 6.4, if you receive from an unaffiliated third party and desire to accept a bona fide written offer to purchase your business, development rights and interests, we shall have the option, exercisable within thirty (30) days after receipt of written notice setting forth the name and address of the prospective purchaser, the price and terms of such offer, and a copy of such offer and the other information stated in this Section 6.5, to purchase such business, development rights and interests, including your right to develop sites within the Development Territory, on the same terms and conditions

as offered by said third party. In order that we may have information sufficient to enable us to determine whether to exercise this option, we may require you to deliver to us certified financial statements as of the end of your most recent fiscal year and such other information about your business and operations as we may request. If we decline, or do not accept the offer in writing within thirty (30) days, you may, within thirty (30) days from the expiration of the option period, sell, assign and transfer your business, development rights and interest to said third party, provided we have consented to such transfer as required by this Article 6. Any material change in the terms of the offer prior to closing of the sale to such third party shall constitute a new offer, subject to the same rights of first refusal by us or our nominee, as in the case of an initial offer. Our failure to exercise the option afforded by this Section 6.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Article with respect to the proposed transfer.

6.6 You acknowledge and agree that the restrictions on transfer imposed herein are reasonable and are necessary to protect the development rights, the System and the Marks, as well as our reputation and image, and are for the protection of us, you and other multi-unit developers and franchisees. Any assignment or transfer permitted by this Article 6 shall not be effective until we receive a completely executed copy of all transfer documents, and we consent in writing thereto.

Except as provided in Section 6.5 hereof, we agree not to unreasonably withhold our consent to a sale, assignment or transfer by you hereunder. Consent to such transfer otherwise permitted or permissible as reasonable may be refused unless:

(a) All of your obligations created by this Agreement, all other franchise documents, including all Franchise Agreements, and the relationship created hereunder are assumed by the transferee.

(b) All ascertained or liquidated debts of you to us or our affiliated or subsidiary corporations are paid.

(c) You are not in default hereunder.

(d) We are reasonably satisfied that the transferee meets all of our requirements for new multi-unit developers, including but not limited to, good reputation and character, business acumen, operational ability, management skills, financial strength and other business considerations.

(e) Transferee executes or, in appropriate circumstances, causes all necessary parties to execute, our standard form of Multi-Unit Development Agreement, Franchise Agreements for all Centers open or under construction hereunder, and such other then-current ancillary agreements being required by us of new multi-unit developers on the date of transfer.

(f) You execute a general release, in a form satisfactory to us, of any and all claims against us, our officers, directors, employees and principal stockholders of any and all claims and causes of action that you may have against us or any subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance thereof by us.

(g) You or transferee pay to us a transfer fee in an amount equal to fifty percent (50%) of our then-current initial franchise fee to cover our reasonable costs in effecting the transfer and in providing training and other initial assistance to transferee.

Our consent to a transfer of any interest in you or in the development rights pursuant to this Section shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferee.

6.7 In the event that you are a corporation or desire to conduct business in a corporate capacity, said corporate entity or assignment to a corporate entity (which may include a corporation, limited liability company or partnership) must receive our prior written approval and you agree to comply with the provisions hereinafter specified, including without limitation, personal guaranties by one or more equity owners of all of the obligations of said corporate entity or assignee corporate entity to us and other parties designated by us. The corporate entity or assignee corporate entity shall not engage in any business activities other than those directly related to the operation of the Centers pursuant to the terms and conditions of the Franchise Agreements with us, and all assets related to the operation of the Centers shall be held by the corporate entity or assignee corporate entity. There shall be no transfer fee charged by us for a one (1) time assignment to a corporate entity.

ARTICLE 7

ENFORCEMENT

7.1 To the extent that Section 5.2 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but may be made enforceable by reductions of any or all thereof, you and we agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

7.2 If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and we shall have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement that may result from striking from any of the provisions hereof, or any specification, standard or operating procedure prescribed by us, any portion or portions which a court may hold to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such court order. Such modifications to this Agreement shall be effective only in such jurisdiction unless we elect to give them greater applicability and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

7.3 We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor, and such approval shall be obtained in writing.

7.4 We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you by granting any waiver, approval, or consent to you, or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to our continuing review, and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice.

7.5 We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to determine this

Agreement prior to the expiration of its term) by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal, or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure, or omission by us to exercise any right, power, or option, whether of the same, similar or different nature, with respect to any Center or any development or franchise agreements therefor; any grant of a Franchise Agreement to you; or the acceptance by us of any payment from you after any breach of this Agreement.

7.6 Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform its obligations results from: (1) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof; (2) acts of God; (3) acts or omissions of the other party; (4) fires, strikes, embargoes, war, or riot; or (5) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable; provided, however, that in no event will a cause under this Section include your lack of available financing.

7.7 Nothing herein contained shall bar our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may have such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law.

7.8 Our and your rights hereunder are cumulative and no exercise or enforcement by us or you of any right or remedy hereunder shall preclude the exercise or enforcement by us or you of any other right or remedy hereunder or which we or you are entitled by law or equity to enforce.

7.9 To the extent not inconsistent with applicable law, this Agreement and the offer or sale of this Agreement shall be governed by the substantive laws (and expressly excluding the choice of law) of the State of New York.

7.10 You and we agree that any action arising out of or relating to this Agreement (including, without limitation, the offer and sale of this Agreement) shall be instituted and maintained only in a state or federal court of general jurisdiction in the State of New York, and you irrevocably submit to the jurisdiction of such court and waive any objection you may have to either the jurisdiction or venue of such court.

7.11 This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and shall not be modified except by written agreement signed by both you and us.

7.12 The preambles and attachments(s) are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us.

7.13 Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

7.14 The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

7.15 The term “Multi-Unit Developer” as used herein is applicable to one (1) or more persons, a corporation, limited liability company, or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Multi-Unit Developer hereunder, their obligations and liabilities to the Franchisor shall be joint and several. References to “Multi-Unit Developer” and “assignee” which are applicable to an individual or individuals shall mean the owner(s) of the equity or operating control of Multi-Unit Developer or the assignee, if Multi-Unit Developer or the assignee is a corporation or partnership.

7.16 This Agreement may be executed in multiple copies, each of which shall be deemed an original.

7.17 Time is of the essence of this Agreement.

ARTICLE 8

DISPUTE RESOLUTION

8.1 (a) We and you acknowledge that during the term of this Agreement disputes may arise between the parties that may be resolvable through mediation. To facilitate such resolution, we and you agree that each party shall submit the dispute between them for non-binding mediation at a mutually agreeable location before commencing an arbitration proceeding under Section 8.1(c). If we and you cannot agree on a location, the mediation will be conducted in Nassau County, New York. The mediation will be conducted by one (1) mediator who is appointed under the American Arbitration Association’s Commercial Mediation Rules and who shall conduct the mediation in accordance with such rules. We and you agree that statements made by us, you or any other party in any such mediation proceeding will not be admissible in any arbitration or other legal proceeding. Each party shall bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate in the mediation.

(b) If any dispute between the parties cannot be resolved through mediation within forty-five (45) days following the appointment of the mediator, the parties agree to submit such dispute to arbitration subject to the terms and conditions of Section 8.1(c).

(c) Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in New York under the authority of New York Statutes. The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the New York Statutes. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the New York Statutes. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

(d) If we desire to seek specific performance or other extraordinary relief including, but not limited to, injunctive relief under this Agreement, and any amendments thereto, or to collect monies due, then any such action shall not be subject to arbitration and we shall have the right to bring such action as described in Section 8.2.

(e) In proceeding with arbitration and in making determinations hereunder, the arbitrators shall not extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by us in good faith. Notice of or request to or demand for arbitration shall not stay, postpone or rescind the effectiveness of any termination of this Agreement.

8.2 Notwithstanding anything to the contrary contained in Section 8.1 above, we and you each have the right, in a proper case, to seek injunctions, restraining orders and orders of specific performance from a court of competent jurisdiction, provided that we agree to contemporaneously submit our dispute for arbitration on the merits as provided herein.

You agree that we will not be required to post a bond to obtain any injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction if warranted upon due hearing. All claims for damages by reason of the wrongful issuance of such injunction are hereby expressly waived. If we secure any such injunction or order of specific performance, you agree to pay to us an amount equal to the aggregate of our costs of obtaining such relief including, without limitation, reasonable legal fees, costs and expenses as provided in this Section and any damages incurred by us as a result of the breach of any such provision.

8.3 If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

ARTICLE 9

INDEPENDENT CONTRACTORS; INDEMNIFICATION

We and you are independent contractors. Neither we nor you shall be obligated by or have any liability under any agreements, representations, or warranties made by the other that are not expressly authorized hereunder, nor shall we be obligated for any damages to any person or property directly or indirectly arising out of your operation of your business conducted pursuant to this Agreement, whether or not caused by your negligent or willful action or failure to act. We shall have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied upon you or your assets or upon us in connection with the business conducted by you, or any payments made by you to us pursuant to this Agreement or any Franchise Agreement. You agree to indemnify us and our subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees against and to reimburse them for all such obligations, damages, and taxes for which they are held liable and for all costs reasonably incurred by them in the defense of any such claim brought against them or in any action in which they are named as a party, including, without limitation, reasonable attorneys' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. We shall have the right to defend any such claim against us. The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 10
NOTICES AND PAYMENTS

All notices and reports to us or you, if not personally served, shall be deemed so delivered one (1) business day after sending by facsimile or comparable electronic system or two (2) business days after deposit with Federal Express or a comparable overnight courier company or five (5) business days after being placed in the U.S. mail by Registered or Certified Mail, return receipt requested. All notices shall be sent postage prepaid and addressed to the respective party as listed in the introductory paragraph of this agreement

ARTICLE 11
MISCELLANEOUS

12.1 We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement. Such waiver shall be effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor and such approval shall be obtained in writing.

12.2 We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by granting any waiver, approval, or consent to you or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked in our sole discretion at any time and for any reason effective upon delivery to you of ten (10) days' prior written notice.

12.3 We and you shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement including, without limitation, the right to demand exact compliance with every term, condition, and covenant herein, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term by virtue of any (a) custom or practice of the parties at variance with the terms hereof; (b) any failure, refusal, or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure; (c) any waiver, forbearance, delay, failure, or omission by us to exercise any right, power, or option, whether of the same, similar or different nature, with respect to any other Champions Martial Arts Center or any franchise agreement or multi-unit development agreement therefor; or (d) our acceptance of any payments from you after any breach by you of this Agreement.

12.4 Our and your rights hereunder are cumulative and no exercise or enforcement by us or you of any right or remedy hereunder shall preclude the exercise or enforcement by us or you of any other right or remedy hereunder or which we or you are entitled by law to enforce.

12.5 If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

12.6 You agree that you and your owners shall institute any action and that we may institute any action against you or your owners which is not required to be arbitrated hereunder in any state or federal

court of general jurisdiction applicable to Westbury, New York or the state court of general jurisdiction or the Federal District Court nearest to our executive office at the time such action is filed. You and each owner irrevocably submit to the jurisdiction of such courts and waive any objection you/he/she may have to either the jurisdiction or venue of such courts.

12.7 Any and all claims arising out of or relating to this Agreement or the relationship of you and us shall be barred unless an action or proceeding is commenced within one (1) year from the date on which you or we knew or should have known in the exercise of reasonable diligence of the facts giving rise to such claims.

12.8 We and you hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between us, except as otherwise provided herein, each shall be limited to the recovery of actual damages sustained by it. We and you hereby irrevocably waive trial by jury on any action, proceeding or counterclaim, whether at law or in equity, brought by either of us.

12.9 This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest and shall not be modified except by written agreement signed by both you and us.

12.10 The preambles and attachments to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. Except as expressly stated herein, nothing in this Agreement is intended nor shall be deemed to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs. This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

12.11 We and you agree to act reasonably in all dealings with each other pursuant to this Agreement. Whenever the consent or approval of either party is required or contemplated hereunder, the party whose consent is required agrees not to unreasonably withhold the same unless otherwise permitted to do so in this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed, sealed and delivered this Agreement on the day and year first above written.

CHAMPIONS MARTIAL ARTS
INTERNATIONAL INC.

By: _____
Name: _____
Title: _____

MULTI-UNIT DEVELOPER

By: _____
Name: _____
Title: _____

ATTACHMENT 1
DEVELOPMENT TERRITORY

The Development Territory referred to in Article 1 of the captioned agreement shall be:

CHAMPIONS MARTIAL ARTS
INTERNATIONAL INC.

By: _____
Name: _____
Title: _____

MULTI-UNIT DEVELOPER

By: _____
Name: _____
Title: _____

ATTACHMENT 2

RESERVATION FEE AND DEVELOPMENT PERIOD

SECTION 1

The Reservation Fee referred to in Article 3 of the captioned agreement shall be _____ Dollars (\$_____).

SECTION 2

The Agreement authorizes and obliges Multi-Unit Developer to establish and operate _____ (____) Franchised Businesses pursuant to a Franchise Agreement for each Franchised Business. The following is Multi-Unit Developer's Minimum Development Quota:

Number of Franchised Businesses	Last Day of Development Period	
_____	_____, 20__	(First Development Period)
_____	_____, 20__	(Second Development Period)
_____	_____, 20__	(Third Development Period)
_____	_____, 20__	(Fourth Development Period)
_____	_____, 20__	(Fifth Development Period)
_____	_____, 20__	(Sixth Development Period)

The first Development Period commences on the date of the captioned agreement and expires on the date shown; each subsequent Development Period commences on the date succeeding the last day on the preceding Development Period and expires on the date shown.

CHAMPIONS MARTIAL ARTS
INTERNATIONAL INC.

MULTI-UNIT DEVELOPER

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ATTACHMENT 3

GUARANTY

(TO BE EXECUTED ONLY IF MULTI-UNIT DEVELOPER IS A CORPORATION,
LIMITED LIABILITY COMPANY OR PARTNERSHIP)

In consideration of the execution by Champions Martial Arts International Inc. of the annexed Multi-Unit Development Agreement, and acknowledging that undersigned will benefit directly or indirectly from the execution thereof, the undersigned, being all of the shareholders, directors, and officers of the Multi-Unit Developer, agree to be jointly and severally bound by and agree to guaranty the performance of all of the terms and conditions of the Multi-Unit Development Agreement and any amendments thereto or renewals thereof, and do hereby execute this Multi-Unit Development Agreement for the purpose of binding and obligating themselves to the terms and conditions of the aforesaid Multi-Unit Development Agreement and any amendments thereto or renewals thereof.

The guarantors hereunder hereby waive notice of termination or default under the Multi-Unit Development Agreement.

SIGNATURES OF ALL SHAREHOLDERS, DIRECTORS, OFFICERS,
MEMBERS AND PARTNERS, AS APPLICABLE

WITNESS

WITNESS

WITNESS

Each of the undersigned owns a five percent (5%) or greater beneficial interest in Multi-Unit Developer, each has read this Multi-Unit Development Agreement, and each agrees to be individually bound by all obligations of Multi-Unit Developer hereunder.

WITNESS

WITNESS

WITNESS

ATTACHMENT 4

TRANSFER OF A FRANCHISE TO A CORPORATION OR LIMITED LIABILITY COMPANY

This Transfer Agreement shall amend that certain Multi-Unit Development Agreement between _____, an individual with an address at _____ (“Multi-Unit Developer”), and Champions Martial Arts International Inc. (“Franchisor”).

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below, and the Multi-Unit Developer of the Champions Martial Arts Centers under a Multi-Unit Development Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate in the Development Territory set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Multi-Unit Developer constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Multi-Unit Development Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Article 6 of the Multi-Unit Development Agreement, agree as follows:

1. The undersigned Multi-Unit Developer shall remain personally liable in all respects under the Multi-Unit Development Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Multi-Unit Development Agreement including the restrictive covenants contained in Article 5 thereof, to the same extent as if each of them were the Multi-Unit Developer set forth in the Multi-Unit Development Agreement and they jointly and severally personally guarantee all of the Multi-Unit Developer’s obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Multi-Unit Development Agreement dated _____, 20__ between _____ and Champions Martial Arts International Inc.”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Multi-Unit Development Agreement dated _____, 20__ between _____ and Champions Martial Arts International Inc.”

3. _____ or his designee shall devote his best efforts to the day-to-day operation and development of the Champions Martial Arts Centers.

4. _____ hereby agrees to become a party to and to be bound by all of the provisions of the Multi-Unit Development Agreement executed on the date set forth below between Multi-Unit Developer and Franchisor, to the same extent as if it were named as the Multi-Unit Developer therein.

Date of Multi-Unit Development Agreement: _____

Development Territory: _____

WITNESS:

As to Paragraph 3:

[Name]

As to Paragraph 4:

[Name]

ATTEST:

Name of Corp. or Limited Liability Company

By: _____
Title: _____

In consideration of the execution of the above Agreement, Champions Martial Arts International Inc. hereby consents to the above referred to assignment on this ____ day of _____, 20__.

CHAMPIONS MARTIAL ARTS
INTERNATIONAL INC.

By: _____
Name: _____
Title: _____

EXHIBIT D TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES AND MULTI-UNIT DEVELOPERS

(as of December 31, 2022)

NEW YORK	
CMA Bayridge 2 Bayridge Champions Taekwondo, Inc 9301 3 rd Avenue, Brooklyn, NY 11209 (571) 481-1233	CMA Upper West BKLN Champions Martial Arts Inc. 493 Columbus Ave, New York, NY 10024 (347) 263-6659
CMA Williamsburg 2 C.G Champions Taekwondo Inc 75 Graham Ave, Brooklyn, NY 11206 (917) 232-4873	CMA Sunset Park Brooklyn MA Center Corp. 4921 5th Ave, Brooklyn, NY 11220 (347) 733-3224
CMA Dyker Heights 2 Champions MA 86th Inc. 1484 86th St. Brooklyn, NY 11228 (718) 942-4422	CMA Marine Park Champions MA 18th Ave Inc. 3424 Quentin Rd, Brooklyn, 11234 (347) 312-7920
CMA Bethpage Champions Martial Arts and Taekwondo Inc. 566 Stewart Avenue, Bethpage, NY 11714 (516) 622-1222	CMA Quentin Rd Champions MA Quentin Inc. 74 Quentin Rd, Brooklyn ,NY 11205 (718) 676-5454
CMA Westbury Champions Martial Arts Taekwondo Inc. 247 Post Avenue, Westbury, NY 11590 (516) 385-6877	CMA Hicksville Champions Martial Arts Taekwondo Inc. 257 W Old Country Rd, Hicksville, New York 11801 (516) 342-1585
CMA 1236 Avenue U Champions TKD Ave U Corp. 1236 Avenue U, Brooklyn NY 11229 (718) 684-5425	CMA Kew Gardens Champions Martial Arts Taekwondo Inc. 81-50 Lefferts Blvd, Queens, NY 11415 (718) 674-6778
CMA Mill Basin Lee Champions TKD Inc. 2173 Utica Ave Brooklyn, New York 11234 (347) 713-5425	CMA Borough Park Dragon Ben's Taekwondo Inc. 4103 Fort Hamilton Pkwy, Brooklyn, NY 11219 (646) 725-7227
CMA South Park Slope Master Song Champions Taekwondo Inc. 355 7th Ave Brooklyn NY 11215 (571) 420-3463	CMA Copiague Hans Champions Taekwondo Inc. 903 Montauk Hwy Bayport NY 11705 (631) 922-8043
CMA Bellmore MK Champions TKD Inc 2585 Merrick Road Bellmore, NY 11710 (516) 641-0707	CMA Maspeth Maspeth Champions Taekwondo Inc. 7207 Grand Ave, Queens, NY 11378 (718) 507-5425
CMA Lenox Hill	CMA Bayridge

NY Champions Taekwondo Inc. 220E E 60th St New York, NY 10022 (646) 255-2496	MGYN Champions Taekwondo Inc. 7016 3rd Ave Brooklyn, NY 11209 (917) 284-4883
CMA 3rd Ave NYC Champions MA Inc 2158 3rd Ave, New York, NY 10035 (917) 261-5114	CMA Kings Hwy MM Champions TKD 434 Kings Highway Brooklyn, NY 11223 (347) 587-5425
CMA Oceanside Oceanside Martial Arts 3110 Long Beach Road Oceanside, NY 11572 (516) 825-5425	CMA Avenue C NYC Champions MA Inc 177 Avenue C, New York, NY 10009 (917) 265-8533
CMA College Point YB Taekwondo Inc 1848 College Point Blvd Queens, NY 11356 (718) 358-6601	CMA Brighton Beach NYC Champions MA Inc 1139 Brighton Beach Ave, Brooklyn, NY 11235 (347) 374-4793
CMA Bayshore YH Champions Martial Arts Inc. 1701 Sunrise Hwy Bay Shore, NY 11706 (631) 665-0022	CMA Syosset Syosset Martial Arts Inc. 112 Jackson Ave Syosset, NY 11791 (516) 496-7777
CMA 13 th Avenue Champions MA 13 th Ave 7509 13 th Ave, Brooklyn, NY 11228 (718) 491-5425	CMA North Babylon YH Champions Martial Arts Inc. 1239 Deer Park Ave North Babylon, 11703 (631) 392-0060
CMA 18th Avenue Champions MA 18th Ave Inc. 7421 18th Ave, Brooklyn, NY 11204 (718) 621-5425	

FRANCHISEES AND MULTI-UNIT DEVELOPERS WHO HAVE LEFT THE SYSTEM
(as of December 31, 2022)

PENNSYLVANIA	
CMA Hershey Kim's Institute of Martial Arts Inc 3003 Elizabethtown rd. Hershey, PA 17033 (717) 909-5566 Temporarily closed as of: 10/2020	
NEW YORK	
CMA Woodside Extreme Mixed Martial Arts & Fitness Inc 45-35 47 Street Woodside, New York, 11377 (917) 509-7374	

Date closed: 12/2022	
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EXHIBIT E TO THE DISCLOSURE DOCUMENT

LIST OF AFFILIATED LOCATIONS

Outlet Name	Operator	Address	Opened
CMA Franklin Square	Champions Martial Arts and Taekwondo Inc	308 Franklin Avenue, Franklin Square, NY 11010	5/2022
CMA Greenpoint	NY Champs MA Inc.	667 Manhattan Avenue, Brooklyn, NY 11222	10/2020
CMA Bayside	Bayside Taekwondo Inc.	213-18 48 th Avenue, Bayside, NY 11364	8/2022
CMA Long Island City	Champion Martial Arts LIC Inc.	4915 Vernon Boulevard, Long Island City, NY 11101	8/2022
CMA Wantagh	W.S. Taekwondo, Inc.	1184 Wantagh Avenue, Wantagh, NY 11793	8/2018
CMA 20th Avenue	Champions MA 20 th Ave Inc.	6503 20th Avenue, Brooklyn, NY 11204	8/2018
CMA East Meadow	Champions Martial Arts & Fitness, Inc.	2069 Hempstead Turnpike, East Meadow, NY 11554	12/2014
CMA Freeport	L.I. Champion's Tae Kwon Do, Inc.	54 W Merrick, Freeport, NY 11520	1/2015
CMA Carroll Gardens	L.I. Champion's Tae Kwon Do, Inc.	308 Court Street, Brooklyn, NY 11231	2/2016
CMA Park Slope 4th	C.P Taekwondo Inc.	74 4th Avenue, Brooklyn, NY 11217	8/2018
CMA Washington Heights	NY Champions Taekwondo, Inc.	638 W 174st, New York, NY 10033	1/2017
CMA Clinton Hill	NY Champions Taekwondo, Inc.	434 Myrtle Avenue, Brooklyn, NY 11205	2/2017
CMA Little Neck	CMA Little Neck Inc.	5610 Marathon Pkwy, Little Neck, NY 11362	8/2018
CMA Ozone Park	W.S. Taekwondo, Inc.	95-12 101st Avenue, Ozone Park, NY 11416	8/2018
CMA South Babylon	W.S. Taekwondo, Inc.	18 Deer Park Avenue, Babylon, NY 11702	8/2018

CMA Bay Parkway	BrooklynTKD Center Corp	8523 Bay Pkwy FL 2 Brooklyn, NY 11214	6/2019
CMA Astoria	Champions MA Astoria, Inc	23-68 Steinway Street, Astoria NY 11105	1/2019
CMA Staten Island	Brooklyn MA Center	541 Port Richmond Ave, Staten Island, NY 10302	4/2020
CMA Mapleton	Brooklyn MA Center Corp.	2277 65th Street, Brooklyn, NY 11204	2/2020
CMA Forest Hills	Brooklyn MA Center Corp.	7172 Yellowstone Boulevard, Forest Hills, NY 11375	10/2020
CMA Merrick	M.C Taekwondo Inc	391 Merrick Avenue, Merrick, NY 11566	9/2018
CMA Chinatown	L.I Champions Taekwondo Inc	51 East Broadway, New York, NY 10002	10/2021

EXHIBIT F TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

CHAMPION MARTIAL ARTS INTERNATIONAL INC
FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC
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MONIS J. SIDDIQUI, CPA P.C.
Certified Public Accountant
917.309.5670

INDEPENDENT AUDITOR'S REPORT

**To the Stockholders of
Champion Martial Arts International Inc**

Opinion

We have audited the financial statements of Champion Martial Arts International Inc, which comprises the balance sheet as of December 31, 2022, 2021 and 2020 and the related statement of operations, and changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Champion Martial Arts International Inc as of December 31, 2022, 2021 and 2020 and the results of its operations and its cash flows for the for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Champion Martial Arts International Inc, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Champion Martial Arts International Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Champion Martial Arts International Inc's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Champion Martial Arts International Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in purple ink that reads "Monis Siddiqui, CPA P.C.".

Monis Siddiqui, CPA P.C.
Bellerose, NY
December 21, 2023

CHAMPION MARTIAL ARTS INTERNATIONAL INC.
BALANCE SHEETS AND STATEMENT OF STOCKHOLDERS' EQUITY

	<u>ASSETS</u>		
	YEARS ENDED DECEMBER 31,		
	2022	2021	2020
Current Assets			
Cash	\$ 240,575	\$ 125,908	\$ 85,580
Accounts receivable	6,302	1,750	23,500
Prepaid Tax	27	27	3,218
Due from related parties	242,513	225,887	177,973
Total Current Assets	489,417	353,572	290,271
 Fixed assets, net	 39,120	 37,574	 33,641
 Total Assets	 \$ 528,537	 \$ 391,146	 \$ 323,912
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current Liabilities			
Accounts payable and accrued expenses	\$ 50,619	\$ 51,369	\$ 9,904
Contract Liability	29,984	29,984	29,984
Total Current Liabilities	80,603	81,353	39,888
 Contract Liability, net of current	 158,608	 188,592	 218,576
Loan Payable - net of current	130,668	126,200	121,462
 Total Liabilities	 369,879	 396,145	 379,926
 Stockholders' Equity			
Common stock	1,000	1,000	1,000
Dividends paid	(10,005)	(10,277)	—
Additional paid in capital	9,005	9,005	9,005
Retained earnings	158,658	(4,727)	(66,019)
Total stockholders' equity	158,658	(4,999)	(56,014)
 Total Liabilities and Stockholders' Equity	 \$ 528,537	 \$ 391,146	 \$ 323,912

See notes to financial statements

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC.
STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	2022	2021	2020
Revenue			
Royalties	\$ 213,435	\$ 135,226	\$ 115,020
Franchise fees	29,984	29,984	29,984
Rebate	—	—	22,286
Other income	—	50	1,268
Total Revenues	243,419	165,260	168,558
 Operating Expenses	 75,293	 109,318	 154,517
 Operating Income	 168,126	 55,942	 14,041
 Interest Income (Expense)	 (4,469)	 (4,655)	 (2,362)
 Net Income	 \$ 163,657	 \$ 51,287	 \$ 11,679

See notes to financial statements

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC.
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	2022	2021	2020
Cash Flows from Operating Activities:			
Net income	\$ 163,657	\$ 51,287	\$ 11,679
Depreciation	4,468	4,468	1,201
Adjustments to reconcile net income to net cash provided by operating activities:			
Changes in assets and liabilities			
Accounts receivable	(4,552)	21,750	(20,185)
Prepaid Taxes	—	3,191	(3,218)
Due from related parties	(16,626)	(47,914)	(177,973)
Accounts payable and accrued expenses	(750)	41,465	8,103
Contract Liability	(29,984)	(29,984)	(29,985)
	<u>116,213</u>	<u>44,263</u>	<u>(210,378)</u>
Cash Flows from Financing Activities			
Sale (Purchase) of fixed assets	(6,014)	(8,401)	(26,733)
Proceeds from Loan	4,468	4,466	121,462
	<u>(1,546)</u>	<u>(3,935)</u>	<u>94,729</u>
Cash Flows from Investing Activities			
Security Deposit	—	—	61,000
Net Increase (Decrease) in Cash	114,667	40,328	(54,649)
Cash - Beginning	125,908	85,580	140,229
Cash - Ending	<u>\$ 240,575</u>	<u>\$ 125,908</u>	<u>\$ 85,580</u>

See notes to financial statements

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

Champions Martial Arts International Inc. is NY C Corporation formed in November 2017. The Company offers qualified franchisees the right to own and operate a martial arts school for kids and young adults in accordance with the Company's proprietary standards. The Company is located in New York and sells franchises throughout the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of cash.

Franchise Arrangements - The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a quick-service restaurant using the Champions Martial Arts and name for 10 years.

Concentration of Credit Risk - Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2022, did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Taxes on Income-The Company files as a C corporation for federal and state income tax purposes, and income taxes are paid on net taxable income and tax provisions are made accordingly.

Fair value of financial instruments-The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate their fair values due to the short-term nature of these instruments.

Advertising-Advertising is charged to expense as incurred.

The Company has adopted the recognition requirements for uncertainty in income taxes as required by ASC 740-10. The standard prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in the financial statement's uncertainty in income taxes. In evaluating the Company's tax provisions and accruals, interpretations and tax planning strategies are considered. The Company believes its estimates are appropriate based on current facts and circumstances and has not recorded any reserves or related accruals for interest and penalties for

CHAMPIONS MARTIAL ARTS INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

uncertainty in income taxes as of December 31, 2022, 2021 and 2020.

Fixed Assets - Fixed assets are stated at cost. Depreciation is provided by utilizing the straight-line method over an estimated useful life of 5 years. The Company has been capitalizing website development as incurred, the amortization for website development will start once it has been fully developed

3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commission paid for franchises are amortized over the life of the franchise agreement. The company adopted ASC-606 and ASU 2022-02 using the modified retrospective method starting with January 1, 2019.

4. CONTRACT LIABILITIES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2022, 2021, and 2020, were \$188,592, \$218,576 and \$248,560, respectively.

5. SBA LOAN

During June 2020 the company obtained a note payable of \$119,100 from the US Small Business Administration. (SBA) This note is collateralized by assets of the Company, bearing interest at 3.75% with a term of 30 years. Monthly payments of \$731 are scheduled to begin in January 2024. Ending balance for the years ended 2022, 2021 and 2020 were \$121,462, \$126,200 and \$130,668.

6. RELATED PARTIES

The Company from time-to-time advances funds to related entities. As of December 31, 2022, 2021 and 2020, the balance due from these related parties were \$242,513, \$225,887 and \$177,973.

7. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through December 31, 2023 at which time the financial statements were available to be issued.

EXHIBIT G TO THE DISCLOSURE DOCUMENT

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Champions Martial Arts Centers

OPERATIONS MANUAL TABLE OF CONTENTS

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EXHIBIT H TO THE DISCLOSURE DOCUMENT

MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX

The Department of Financial Protection and Innovation for the State of California requires that certain provisions contained in franchise documents be amended to be consistent with California Franchise Investment Law, Cal. Corp. Code Section 31000 et seq., and of the Rules and Regulations promulgated thereunder. To the extent that this Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.
3. Item 3 is amended to add:

Neither Franchisor nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. 8.78(a) et seq. suspending or expelling such persons from membership in such association or exchange.
4. Item 17 is amended to state:
 - (a) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).
 - (b) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
 - (c) The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.
 - (d) The Franchise Agreement requires application of the laws of New York. This provision may not be enforceable under California law.

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b)

- obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.
4. The following is added to the end of Item 5:
The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.
5. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:
However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
6. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:
You may terminate the agreement on any grounds available by law.
7. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:
However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.
8. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:
The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NEW YORK RIDER TO CHAMPIONS MARTIAL ARTS INTERNATIONAL, INC.
FRANCHISE AGREEMENT

THIS RIDER TO THE FRANCHISE AGREEMENT FOR NEW YORK ("Rider") is entered into by and between Champions Martial Arts International, Inc., a New York corporation, with its principal office at 21 Kettlepond Road, Jericho, New York 11753 ("we," "us" or "our") and _____ ("you" or "your"), whose principal business address is _____.

WHEREAS, we and you have entered into a certain Franchise Agreement dated _____ which grants you the right to operate a Champions Martial Arts franchise (the "Franchise Agreement");

WHEREAS, you are domiciled in New York and the Champions Martial Arts franchise will be located in New York, and/or any of the offering or sales activity relating to the Franchise Agreement occurred in the State of New York; and

WHEREAS, in recognition of the requirements of the General Business Law of the State of New York, Article 33, Sections 680-695, we and you desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Rider.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in the Franchise Agreement and this Rider and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, we and you agree as follows:

1. Sections 16.3 (d) and 17.1.2 of the Franchise Agreement are amended by adding the following language to each Section:

However, to the extent required by applicable law, notwithstanding the signing of a General Release, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force.

2. Section 16.3 of the Franchise Agreement is amended by adding the following language to this Section:

However, to the extent required by applicable law, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment.

3. Section 20.1 of the Franchise Agreement is amended by adding the following language:

New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Sections 680-695. The provisions of this Franchise Agreement shall not be deemed a waiver of any rights conferred upon Franchisee by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

4. In the event of any conflict between a provision of the Franchise Agreement and this Rider, the provision of this Rider shall control. All terms which are capitalized in this Rider and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Rider, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

5. Each provision of this Rider will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, Article 33, Sections 680-695 are met independent of this Rider.

The parties hereto have duly executed this New York Rider to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

CHAMPIONS MARTIAL ARTS INTERNATIONAL, INC.

By: _____

Clinton Oh, President
(Print Name, Title)

FRANCHISEE:

By: _____

(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

EXHIBIT I

NOT FOR USE IN CALIFORNIA

CHAMPIONS MARTIAL ARTS ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement (or Multi-Unit Development Agreement). Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee (or developer) in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit Development Agreement) or the documents incorporated herein. Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit

Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

Initial

7. Franchisee (or Developer) acknowledges that it has received the Champions Martial Arts International Inc. Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's (or Developer's) Territory by others who may have purchased such products from Franchisor.

Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE CHAMPIONS MARTIAL ARTS INTERNATIONAL INC., AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

Initial

FRANCHISEE:

PRINCIPAL:

By: _____

(Print Name)

(Print Name, Title)

Date: _____

Date: _____

PRINCIPAL:

(Print Name)

Date: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans

EXHIBIT J
RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF CHAMPIONS MARTIAL ARTS
INTERNATIONAL, INC

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Champions Martial Arts International, Inc offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Champions Martial Arts International, Inc does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Clinton Oh 21 Kettlepond Road, Jericho, New York 11753 (877) 773-5425		
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Issuance Date: December 22, 2023

I received a Disclosure Document dated _____, that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement with Attachments
- EXHIBIT C: Multi-Unit Development Agreement
- EXHIBIT D: List of Franchisees and Multi-Unit Developers and Those Who Have Left the System
- EXHIBIT E: List of Affiliated Locations
- EXHIBIT F: Financial Statements of Champions Martial Arts International, Inc
- EXHIBIT G: Operations Manual Table of Contents
- EXHIBIT H: State Addenda
- EXHIBIT I: Champions Martial Arts Acknowledgement Statement
- EXHIBIT J: Receipt

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

Please return signed receipt to Champions Martial Arts International, Inc,
21 Kettlepond Road,
Jericho, New York 11753

EXHIBIT K
RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF CHAMPIONS MARTIAL ARTS
INTERNATIONAL, INC

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Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

KEEP FOR YOUR RECORDS