

FRANCHISE DISCLOSURE DOCUMENT

GRACIE BARRA FRANCHISE SYSTEMS, INC.

a California Corporation

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Department of
Business Oversight



Gracie Barra Franchise Systems, Inc. is offering franchises for the operation of a business which provides martial arts instruction, primarily Brazilian Jiu-Jitsu, to individuals.

The total estimated initial investment necessary to begin operation of a Gracie Barra school ranges from \$70,500 to \$223,500. This includes \$8,000 that must be paid to the franchisor when you sign the Franchise Agreement. The Franchisee will also have to purchase \$2,500 to \$10,000 in uniforms and this amount must be paid to Franchisor's affiliate prior to opening your school. We also offer development rights for multiple schools in a designated area for a Development Fee which varies from \$5,000 to \$20,000 per school, which is applied towards the initial franchise fee, when you sign the Franchise Agreement. See Items 5 and 7.

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 this 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 governmental 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 Flavio Almeida at, 300 Spectrum Center Drive, Suite 400, Irvine, California 92618 and (949) 485-5214.

The terms of your contract will govern your franchise relationship. Do not 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 "Buying a Franchise: A Consumer Guide," 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, D.C. 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: April 18, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR SCHOOL. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. **THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR, AS APPLICABLE, LITIGATION, ONLY IN ORANGE COUNTY, CALIFORNIA. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN ORANGE COUNTY, CALIFORNIA, THAN IN YOUR HOME STATE.**
2. **THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
3. **THE TRADEMARK DOES NOT HAVE A FEDERAL REGISTRATION WITH THE USPTO AND THAT IF AN ALTERNATIVE TRADEMARK MUST BE ADOPTED AS A RESULT, IT MAY INCREASE THE FRANCHISEE'S EXPENSES.**
4. **IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, ALL OWNERS WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AT RISK.**
5. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

We reserve the right to use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise, however we do not use the services of any FRANCHISE BROKERS or referral sources at the moment. A franchise broker or referral source is our agent and represents us, and not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.

The effective date of this Disclosure Document in the states with registration laws are on the following page.

**FRANCHISE DISCLOSURE DOCUMENT –
STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state, 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 Franchise Disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California:	<u>Pending</u>	New York:	<u>Pending</u>
Hawaii:	<u>Not registered</u>	North Dakota:	<u>Not Registered</u>
Illinois:	<u>Pending</u>	Rhode Island:	<u>Not Registered</u>
Indiana:	<u>Pending</u>	South Dakota:	<u>Not Registered</u>
Maryland:	<u>Pending</u>	Virginia:	<u>Pending</u>
Michigan:	<u>Pending</u>	Washington:	<u>Pending</u>
Minnesota:	<u>Pending</u>	Wisconsin:	<u>Not Registered</u>

EXEMPTION/NOTICE FILING STATES:

Connecticut:	<u>Not Registered</u>	Florida:	<u>December 19, 2018</u>
Kentucky:	<u>Not Registered</u>	Nebraska:	<u>Not Registered</u>
North Carolina:	<u>Pending</u>	South Carolina:	<u>Pending</u>
Texas:	<u>July 13, 2010</u>	Utah:	<u>Not Registered</u>

In all the other states, the effective date of this Franchise Disclosure Document is the issuance date of April 18, 2019

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- B. Franchise Agreement
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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The name of the franchisor is Gracie Barra Franchise Systems, Inc. and will be referred to as “we”, “us”, “our” or “GBFS” in this Disclosure Document. We will refer to the person who buys the franchise as “you” or “your” throughout this Disclosure Document. If you are a corporation, partnership, or limited liability company (“**Business Entity**”), certain provisions of the Franchise Agreement will also apply to your owners as noted in the Franchise Agreement.

Gracie Barra Franchise Systems, Inc. was incorporated in California on March 27, 2009. We currently conduct business under our corporate name and under the names GRACIE BARRA and G BARRA. Our principal business address is 300 Spectrum Center Drive, Suite 400, Irvine, California 92618. We have no parents. Our agents for service of process are disclosed in Exhibit A.

Parents, Predecessors and Affiliates

Our affiliate, Gracie Barra Events, Inc. is a California corporation formed on December 18, 2018 operates and produces Jiu-Jitsu competitions for GRACIE BARRA Schools and while franchisees are not currently required to participate in them, we reserve the right to require participation by franchisees in the future. Gracie Barra Events’s principal business address is 300 Spectrum Center Drive, Suite 400, Irvine, California 92618. Gracie Barra Events entered into a long-term license agreement with Carlos Gracie Jr. Inc., on January 5, 2019, for the use of the Mark GRACIE BARRA, and was granted a limited right to use the mark in connection with Jiu-Jitsu competitions.

Our affiliate and predecessor, Gracie Barra America, Inc., a California corporation formed on November 22, 2005 (“**GB America**”) was granted a limited right to sub-license the GRACIE BARRA mark to members of its Gracie Barra Association in connection with the provision of independently provided martial arts instruction. Former licensees of GB America do not continue to offer martial arts instruction using the GRACIE BARRA Mark, and GB America is no longer offering licenses. See Item 20. GB America’s principal business address is 300 Spectrum Center Drive, Suite 400, Irvine, California 92618.

Our affiliate Gracie Barra Wear, Inc., a California corporation formed on May 15, 2006 (“**GB Wear**”), is our designer, product developer, manufacturer of products and services that express Master Carlos Gracie Jr.’s vision and the Gracie Barra values and philosophy. GB Wear is the designated source of martial arts-related uniform, training gear, lifestyle apparel and other products and services to franchisees. GB Wear’s principal business address is 20512 Crescent Bay Dr. #106, Lake Forest, California, 92630. GB Wear entered into a long-term license agreement with us on September 11, 2009 and, subsequently with Carlos Gracie Jr. Inc., on January 5, 2019, for the use of the Mark GRACIE BARRA, and was granted a limited right to use the mark in connection with martial arts-related apparel and certain other products and services.

The Franchise

We offer franchises for the establishment and operation of a business (“**GRACIE BARRA School**” or “**School**”) which provides martial arts instruction, primarily Brazilian Jiu-Jitsu, to individuals. A GRACIE BARRA School operates using our distinctive business format, systems, methods, procedures, designs, advertising, promotional and marketing methods, and operational standards and

specifications (collectively, the “**Licensed Methods**”) and is licensed to use our mark GRACIE BARRA, and other trademarks, service marks and commercial symbols (“**Marks**”). A GRACIE BARRA School is typically between 2,000 to 5,000 square feet in mixed use space, which may include retail, light industrial or office park space, has street-level visibility and free parking spaces.

Our Franchise Agreement (“**Franchise Agreement**”), attached as Exhibit B to this Disclosure Document, is signed for each GRACIE BARRA School franchise purchased. As a School franchisee, you will receive the right to use our Marks and Licensed Methods to operate your GRACIE BARRA School within a geographic area (“**Territory**”) where you will market, advertise and solicit students. Your right to use our Marks and Licensed Methods is limited to your Territory.

If you qualify, you may obtain from us the right to develop multiple GRACIE BARRA Schools within a designated geographic area under our Development Agreement (“**Development Agreement**”), which is attached as Exhibit C to this Disclosure Document. The Development Agreement designates a “**Development Area**” reserved for your development of GRACIE BARRA Schools. The Development Agreement states the number of GRACIE BARRA Schools and the schedule for your development of those locations. A separate Franchise Agreement will be executed for each School developed under the Development Agreement. The scope and term of any Development Agreement and number of Schools to be developed is dependent on both your development plans and our determination, in our judgment, of your financial capability and qualifications to develop and operate multiple GRACIE BARRA Schools within the Development Area.

Regulations

Certain states regulate health clubs and some states may include your School within those regulations. You must investigate and comply with all applicable laws in your state, including bonding requirements and restrictions on membership contracts. We recommend that you retain a local attorney familiar with local, state, and federal laws and regulations that are in effect or proposed in the jurisdiction where you will operate your GRACIE BARRA School. You must also comply with all local, state and federal laws of a more general nature which affect the operation of your GRACIE BARRA School, including employment, worker’s compensation, insurance, corporate, taxing, licensing, zoning and similar laws and regulations.

Market and Competition

The students that you will target will primarily be individuals located in your Territory. You will experience competition from local, regional and nationally known businesses that operate under well-known brands, including other franchised businesses, that provide martial arts instruction services. In addition, you will experience competition from franchisees, company and affiliate-owned Schools, as such businesses may provide martial arts instruction services and other authorized products and services to students and other customers located in your Territory. See Items 12 and 16. The level of competition will vary depending on the geographic area and the type of student to whom the authorized products and services are offered. We encourage you to study your potential market and the competition that may already exist there.

Our Business Experience

We have offered franchises for GRACIE BARRA Schools since April 1, 2010. From 2005 to 2009, GB America offered licenses to certain individuals for martial arts instruction. As of the date of this Disclosure Document, no licensees offer martial arts instruction under limited license agreements with GB America. See Item 20. We granted one Regional Collaborator franchise in 2011 to an existing

franchisee in Texas. Other than the foregoing, neither we nor any affiliate or predecessor have offered franchises in any other lines of business.

ITEM 2

BUSINESS EXPERIENCE

The Franchisor

Gracie Barra Franchise Systems, Inc. was incorporated in California on March 27, 2009. We currently conduct business under our corporate name and under the names GRACIE BARRA and G BARRA. Our principal business address is 300 Spectrum Center Drive, Suite 400, Irvine, California 92618. We have no parents. Our agents for service of process are disclosed in Exhibit A.

President and Founder: Carlos Gracie, Jr.

Mr. Gracie has served as President and Chairman of the Board of Directors of Gracie Barra Franchise Systems, Inc., located in Irvine, California, since our inception in March 2009. Mr. Gracie is the son of Carlos Gracie Sr., who, along with his brother Helio, invented Brazilian Jiu-Jitsu in the early 1900s. He has served as President of two Brazilian Jiu-Jitsu organizations located in Rio de Janeiro, Brazil, the Brazilian Jiu-Jitsu Confederation, since 1994, and the International Brazilian Jiu-Jitsu Federation since 1996. He founded the Gracie Barra Organization in Rio de Janeiro, Brazil, in 1986, and continues to serve as its Chief Executive Officer. Mr. Gracie has also served as President of GB Wear since its inception in 2006 and as President of GB America California since its inception in 2005, both of which are located in Irvine, California.

Chief Executive Officer: Flavio Almeida

Mr. Almeida has served as Chief Executive Officer of Gracie Barra Franchise Systems, Inc. located in Irvine, California, since our inception in March 2009. He has also owned and served as Head Instructor at Gracie Barra San Clemente, a Gracie Barra school located in San Clemente, California, since 2008. And as Executive Director of Gracie Barra America from February 2008 to the present. He has also served as Member Manager of Arma Systems LLC, a company that develops Gracie Barra Schools since 2015.

Vice President: Marcio Feitosa Souza

Mr. Souza has served as Vice President of Gracie Barra Franchise Systems, Inc. located in Irvine, California, since our inception in March 2009. Since August 2007, he has served as Head Instructor at GB Academy, a Gracie Barra school located in Irvine, California, and he has also served as Head Instructor at Gracie Barra Brazil, a Gracie Barra school located in Rio de Janeiro, Brazil, since 1997. Since 2005, he has also been Vice President of Gracie Barra America and since 2006 Vice President of Gracie Barra Wear, both of which are located in Irvine, California.

Franchise Development: Dave Weber

Mr. Weber has served as Franchise Developer at Gracie Barra Franchise Systems, Inc. since March 2017. He has also served as Member Manager of Arma Systems LLC, a company that develops Gracie Barra Schools since 2015. He served as President of D-Web Enterprises, Inc from 2009 to 2014 and D-Web MMA, Inc, from 2013 to 2015, these companies operated LA Boxing franchises.

GRC Manager: Leonardo de Souza

Mr. de Souza has served as Governance, Risk and Compliance Manager at Gracie Barra Franchise Systems since 2013. He has also served as Admissions Manager at Gracie Barra Franchise Systems, Inc., since March 2017. He has also owned and served as an Instructor at Gracie Barra Henderson, a Gracie Barra school located in Henderson, Nevada, since 2017.

ITEM 3

LITIGATION

No litigation or arbitration is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Franchise Agreement

You pay to us in full an initial franchise fee of \$8,000 when you sign the Franchise Agreement. You will also purchase uniforms from our affiliate, GB Wear, before your School opens. We estimate that uniforms will cost approximately \$2,500 to \$10,000. The initial franchise fee and the uniform expenses are fully earned on receipt and non-refundable in all circumstances. We also offer financing of the initial franchise fee as described in Item 10, but we do not offer financing for the uniform expenses.

We customarily waive the initial franchise fee for any outlets owned by our officers, board members, other affiliates, IBJJF Adult Black Belt World Champions and Black Belts 5th Degree or up. Except as set forth above, all franchisees currently acquiring a franchise pay the same franchise fee.

Referral Fees

If after you become a Gracie Barra franchisee, you complete and send us a "referral form" which clearly identifies you as the party making the referral, and you refer to us a prospective franchisee for a new Gracie Barra School (not as part of a transfer), and your referral actually purchases a franchise for a new Gracie Barra School, we may (and we reserve the right to or not to, at our discretion) provide you with a referral fee which may consist of cash or merchandise, at the value of \$500 (Five Hundred Dollars). We may implement, end or change this policy, and impose rules or conditions, whenever we choose. We do not expect or want you to be involved in the franchise solicitation, offering or sales process, and you are strictly prohibited from doing so. You simply are passing along to us the name of someone you know who might be interested in acquiring a new Gracie Barra School.

Development Agreement

If you qualify to open more than one GRACIE BARRA School, you will sign a Development Agreement together with the Franchise Agreement for the first GRACIE BARRA School to be developed. When you sign the Franchise Agreement, you pay the \$8,000 initial franchise fee and purchase uniforms for the first GRACIE BARRA School, plus a fee ("**Development Fee**") which varies from \$5,000 to \$20,000 multiplied by the number of additional locations to be developed under the Development Agreement. The Development Fee is fully earned by us on receipt for the reservation of a geographic territory for your development of locations and is non-refundable. We apply the Development Fee paid for the second and subsequent locations toward the initial fees for each additional location. The balance of any initial fees for the second and subsequent locations to be developed under the Development Agreement is due upon the execution of the Franchise Agreement for that location, but not later than the date in the Development Agreement which corresponds to the deadline for developing that GRACIE BARRA School location, provided that the previous location meets our minimum monthly Gross Sales levels for three consecutive months before the development deadline. The current minimum monthly Gross Sales level is \$8,000. Be advised that this is not intended to be a financial performance representation. Our affiliates may pay reduced Development Fees. These fees are non-refundable after payment in all circumstances. We do not offer financing for Development Fees.

Regional Collaborator Agreement

There is a \$5,000 initial fee under the Regional Collaborator Agreement. We grant rights under Regional Collaborator Agreements only to a limited group of individuals who have earned a high ranking black belt and have demonstrated other extraordinary achievements in either Brazilian Jiu-Jitsu or in business.

Other than as stated above, all fees are non-refundable after payment and all franchisees and Regional Collaborators currently acquiring franchise rights pay the same initial fees.

ITEM 6

OTHER FEES

GRACIE BARRA Schools

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	Royalties will be calculated as follows: (i) \$300, beginning on the 3rd month after you sign the Franchise Agreement; or (ii) \$600, beginning on the 6th month after you sign the Franchise Agreement. We reserve the right, on an annual basis, to increase the Royalty rates described above based on changes to the Consumer Price Index ("CPI") in order to account for inflation and other economic changes during the term of the Franchise Agreement. A decrease in CPI will not result in a reduction in the Royalty, and an increase from one year over the previous year shall not exceed 8% in any event.	Payable monthly, by the 13th day of the month or another day designated by us. Royalty payments begin in the third month after you sign the Franchise Agreement. We reserve the right to require payments on a bi-monthly or weekly basis.	You must pay Royalties by electronic transfer of funds.
Advertising Contribution ¹	The current Advertising Contribution is \$100 per month; however, we reserve the right to increase the amount up to 1% of Gross Sales per month on 30 days' notice to you.	Payable monthly, by the 13th day of the month. We reserve the right to require payments on a bi-monthly or weekly basis. Advertising Contribution payments begin on the 3rd month after you sign the Franchise Agreement.	Our affiliates' GRACIE BARRA Schools pay the same Advertising Contributions as franchisee-owned Schools. Advertising Contributions are paid by electronic transfer of funds that we initiate. We reserve the right to increase the Advertising Contribution amount effective January 1 of each year based on increases in the CPI during the previous year. The Advertising Contribution will be prorated if the first month the Advertising Contribution is due is a partial month. See Item 11.
Advertising and Marketing Materials	In addition to the Advertising Contribution, you may purchase certain designated advertising and marketing materials from us, our affiliates or our designated supplier	As incurred	Payable to us or our affiliate for online marketing, brochures, flyers, posters, handouts and other marketing materials.
Local Advertising Allocation ²	We do not require you to spend a Local Advertising Allocation.	We do not collect this fee.	The Local Advertising Allocation is in addition to the Advertising Contribution, and retained by you for local advertising.

Type of Fee	Amount	Due Date	Remarks
Regional Advertising Co-ops ²	Not applicable.	Not applicable	As of the date of this Disclosure Document, there were no established cooperatives.
Interest and Late Charges ¹	Lesser of 1½% per month or highest rate of interest allowed by law, plus a \$50 late charge.	Late fee automatically assessed; interest due on demand.	Interest begins to accrue and late fee is assessed five days after payments or reports are due.
Consultation Support Fee	Not applicable.	Not applicable	Not Applicable
Financial Services Fee ²	Not applicable.	Not applicable	We do not have a designated billing and collection vendor at the moment.
Equipment, Inventory and Supplies	You pay our affiliate for uniforms and equipment used by instructors and students on an on-going basis at our then current published prices.	As arranged	We or our affiliates charge you for items you purchase through us or our affiliates. On request, we will provide you with our current price list.
Inspection and Audit ¹	Cost of inspection and audit.	On demand	Payable only if we decide to conduct an audit and (1) the audit resulted from your failure to submit reports to us or our inability to collect royalties or advertising fees due for two months or more during any 12 month period; (2) you fail to make your books and records available to us; (3) you do not cooperate in our request for an inspection and audit; or (4) you under-report your Gross Sales by 2% or more.
Transfer Fees ¹	\$1,000 for operating Schools; \$1,000 for undeveloped franchise rights under a Development Agreement	Before transfer occurs	Payable when the Franchise Agreement or other interest in the School or franchise is transferred by you.
Renewal Franchise Fee ¹	\$1,000	Not applicable	Payable upon renewal of the Franchise Agreement. However, it can be waived if Franchisee renews the Franchise Agreement before its expiration.
Training Program Expenses ^{2,4}	There are no costs associated with completing web-based initial training program for two people, including your Head Instructor; franchisees attend training online. Extra registrations will be at a rate of \$199.00 paid to the Franchisor	As incurred	Initial training is included as part of your initial franchise fee for two persons per year, except for those costs related to internet and computer. Extra registrations will be at a rate of \$199.00 paid to the Franchisor. See Item 11.
Follow-up Training Programs ^{1,2,4}	There is no tuition and costs associated with attending mandatory follow-up training programs	Not applicable	You are required to participate in ongoing web-based training courses. See Items 8 and 11.

Type of Fee	Amount	Due Date	Remarks
Additional Initial Training ⁴	Free of charge for two persons per year. \$199.00 for each additional person.	As incurred before training	Payable only if you request that additional persons attend the initial training program, hire a new Program Director, Head Instructor, or another person is required to attend the initial training program. Additional Initial Training is provided on-demand via the internet. See Item 11.
Optional Additional Assistance ¹	Not applicable	Not applicable	Free additional assistance through email See Item 11.
Costs and Attorneys' Fees ¹	Will vary depending on circumstances	As incurred	Payable if we are the prevailing party in a dispute.
Indemnification ¹	Will vary depending on circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your School.
Insurance Premiums ²	Will vary depending on circumstances	As incurred	If you do not pay your premiums, although we do not have to do so, we can pay them for you and you must reimburse us.
Cost of Product Testing and Supplier Approval ¹	Not applicable	Not applicable	Not applicable

¹ Fees and charges which are imposed by and payable to us. All of these fees and charges are nonrefundable. Except as described in this Item, all fees are uniformly imposed upon franchisees currently acquiring a franchise. We reserve the right to modify these fees, under certain circumstances, including, to resolve disputes, to address current business and economic conditions and under other circumstances.

² Fees which are not paid to us and are not refundable.

³ If you are not consistently timely in your payments for any inventory and supplies purchased from us or our affiliates, we may make you pay at time of order or on a C.O.D. basis.

⁴ Expenses associated with Internet connection and computer hardware for web-based initial training program.

Regional Collaborator Agreement

Type of Fee	Amount	Due Date	Remarks
Computer Hardware and Software, Internet Access and Cell Phone ²	Varies	As incurred	These expenses are payable to third parties.
Transfer ¹	\$1,000 for the transfer of a Regional Collaborator Business.	Before effectiveness of transfer	Payable when you transfer the Regional Director Agreement, or an interest in your Regional Collaborator Business.

Type of Fee	Amount	Due Date	Remarks
Insurance Premiums ²	Varies; you must obtain and maintain the types and amounts of insurance we specify.	As incurred	If you do not pay your premiums, we can pay them for you and you must reimburse us or we may direct debit this amount from your bank account.
Indemnification ¹	Varies under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from the operation of your Regional Collaborator Business.

- 1 Except as otherwise noted, fees are imposed by and payable to us. All fees are nonrefundable and are uniformly imposed on Regional Directors currently acquiring a Regional Director franchise.
- 2 Expenses associated with Internet connections, computer hardware and software needed to access the web-based initial training sessions, as well as worker's compensation and proof of all required insurance. All of these expenses are paid to third parties.

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 (See Note 1)	\$8,000	Cash or Certified Funds	When you sign the Franchise Agreement	Us
Uniform Expenses (See Note 1)	\$2,500 - \$10,000	As Agreed	As Incurred	Our Affiliate
Initial Training Expenses (See Note 2)	\$0	Not applicable	Not applicable	Third Parties
Leasehold Improvements (See Note 3)	\$10,000 - \$40,000	As Agreed	Before Opening	Third Parties
Rent (See Note 4)	\$18,000 - \$60,000	As Agreed	As Agreed	Third Parties
Computer Equipment and Software (See Note 5)	\$2,000 - \$4,000	Lump Sum or Financed	Upon Ordering	Third Parties
School Furnishings, Fixtures and Equipment (See Note 6)	\$10,000 - \$40,000	As Agreed	As Incurred	Third Parties
Licenses and Deposits (See Note 7)	\$3,000 - \$20,000	As Agreed	Before you begin operating your School	Third Parties
Insurance (See Note 8)	\$1,000 - \$2,000	As Agreed	As Incurred	Third Parties

Type of Expenditure*	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Supplies (See Note 9)	\$1,000 - \$2,000	As Agreed	Before Opening	Third Parties
Additional Funds (3 months) (See Note 10)	\$10,000 - \$30,000	As Agreed	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (See Notes 11 and 12)	\$70,500 - \$223,500			

Explanatory Notes

*All amounts paid to us for GRACIE BARRA Schools are non-refundable. Third-party suppliers will determine whether deposits or payments to them are refundable.

Note 1: Initial Franchise Fee and Uniform Expenses. We offer financing for the initial franchise fee as set forth in Item 10. We estimate that uniforms will cost you \$2,500 to \$10,000, payable to GB Wear, our affiliate. If you sign a Development Agreement to open multiple School locations, you must pay a development fee which varies from \$5,000 to \$20,000 multiplied by the number of additional locations to be developed, for a geographic territory reserved for your development of School locations. We apply the development fee paid toward the initial franchise fee for the second and each additional School location to be developed, the balance of which is paid at a later date. All of these fees are non-refundable. See Item 5.

Note 2: Initial Training Expenses. Our initial training program is offered through secure access to our training website. You will incur expenses for an Internet connection, computer hardware and employee compensation for those employees who take the training. In addition, your Head Instructor must become certified to teach and supervise other instructors at the School by attending and successfully completing the Instructor Certification Program which is offered by the Franchisor and consists of approximately of 20 hours of web based training. See Items 1, 6 and 11.

Note 3: Leasehold Improvements. A GRACIE BARRA School shall have approximately 2,000 to 5,000 square feet of usable space and shall be located in a commercially zoned location, classified for retail, office park, or light industrial use per regulation within the International Building Code (IBC) 2006 or any applicable state regulation. Leased space shall preferably be available in "vanilla shell" condition, meaning the facility will contain plumbing, electrical, HVAC, lighting, drywall, and concrete flooring. Costs for tenant improvements will depend, largely, on total square footage leased, initial condition and location of School, available tenant improvement allowance, and local market conditions. Typical tenant improvements include, but are not limited to: light interior construction, IBC/ADA compliance, the painting and finishing of the space, installation of commercial-grade flooring (from designated flooring supplier, see Item 8), FFE (Furniture, Fixtures, & Equipment) procurement (see Note 6), and any other improvements, as approved by the Gracie Barra Support Team, to best support the interior brand identity of Gracie Barra Schools. Contact the Gracie Barra Support Team to obtain a copy of the Gracie Barra Interior Brand Identity Package.

The Tenant is responsible for providing and submitting all architectural and engineering plans for the School for all construction approvals and permitting. The tenant shall ensure the best available labor and material pricing in the local market, by receiving a minimum of (3) three bids, from (3) three separate local contractors, to implement all tenant improvements. All bidding contractors shall provide a minimum

of (3) three professional references for a similar job type, and proof of the following insurances: Personal Liability, Workman's Compensation, and Property Damage. Bidding contractors should also provide names and proof of insurances for any sub-contractors to be used on the job.

If the Tenant purchases property or a building, or both, for the use as a GRACIE BARRA School, the additional costs will depend on the location and size of the land and building. GRACIE BARRA does not typically invest in the land and building for a GRACIE BARRA School. We are unable to estimate these costs due to the significant variances based on location and market conditions, and special provisions may be further developed by the Gracie Barra Support Team.

Note 4: Rent. The School Location will typically be located in leased space. We do not estimate the cost to purchase a School Location. See Note 3 above. The rent estimated in the chart assumes a School Location between 2,000 to 5,000 square feet. The estimate in the chart assumes payment of three month's rent. If you locate your School in a large metropolitan area, your monthly rental rate may exceed the above estimate. You should investigate the rental rates in the area where you propose to locate your School.

Note 5: Computer Equipment and Software. This item includes the estimated cost to purchase and license a computer system, including software. Your computer system, including hardware and software, must meet our standards and specifications. See Items 8 and 11.

Note 6: School Furnishings, Fixtures and Equipment. This item includes the estimated cost to purchase or lease basic furnishings, fixtures and equipment for your School such as: mats, signs, desks, chairs, tables, filing and storage cabinets, reception area furnishings, printers, a facsimile machine, a copy machine, telephones, items for the student reception area and other items.

Note 7: Licenses and Deposits. This item includes any business licenses and utility deposits necessary to begin operating a School. This item also include a rent deposit equal to one month of rent.

Note 8: Insurance. This item estimates your prepaid insurance premiums for one year. The cost of insurance may substantially exceed this estimate. In addition, this item does not estimate any costs or fees for additional insurance required by law for martial arts instruction service providers. You should investigate the insurance rates in the area where you propose to locate your School and whether any law requires you purchase additional insurance.

Note 9: Supplies. This item estimates the cost of your initial inventory of basic office and cleaning supplies.

Note 10: Additional Funds. This is an estimate of your pre-operational expenses, which we have not listed above, as well as additional funds necessary for the first three months of your School operations. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the School. Your costs depend on factors such as: how much you follow our methods and procedures; your sales skill, experience and business acumen; local economic conditions; credit terms available to you based on your credit rating; the local market for our products and services; the prevailing wage rate; competition; and the sales level reached during this initial period. This item includes a variety of expenses and working capital items during your start-up phase such as: additional rent, employee salaries, advertising and promotional expenses, legal and accounting fees, additional office supplies and other miscellaneous costs; however, this item excludes your salary.

Note 11: Basis for Estimates, Financing. We relied on our principals' 75 combined years of experience in the martial arts instruction industry to compile these estimates. Because the ranges in the chart are only estimates, it is possible both to reduce and to exceed the estimated range of costs listed in each item of the chart. In certain major metropolitan areas, actual costs may exceed the high range estimates in the chart. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. Except for the initial franchise fee, we do not offer financing directly or indirectly for any part of the initial investment. See Item 10. The availability and terms of financing from third parties will depend on such factors as the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions.

Note 12: Multiple Schools. Except as mentioned above, if you sign a Development Agreement, you will incur costs described above for every GRACIE BARRA School location.

Regional Collaborator Agreement

Type of Fee	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Home Office Equipment 1	\$500 - \$1,000	As incurred	Before starting RD Business	Landlord/ Suppliers
Insurance	\$1,000 - \$2,000	Lump Sum	Before you begin training	Suppliers
Professional Fees	\$0 - \$300	As incurred	Before starting RD Business	Suppliers
Additional Funds ² – 3 Months	\$3,000 - \$9,000	As incurred	As incurred	Suppliers and Employees
TOTAL ESTIMATED INITIAL INVESTMENT³	\$4,500 - \$12,300			

- 1 Under the Regional Collaborator Agreement, you must maintain an office which may be in your home or at a separate location. You must either live within 50 miles of the outer boundary of your Region or maintain a full time staffed office within your Region. Your office must be serviced by a cellular telephone line dedicated to your Business and you will be required to have access to some basic office equipment such as a facsimile machine, a laptop computer capable of running specified software and a letter quality printer. Expenses with office equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, security deposits, utility deposits, and other prepaid expenses may also vary. These expenses will vary with the geographical, demographical and physical location of your office and also depend on the sophistication of the equipment selected by you. You must also have high speed Internet access in your office.
- 2 This estimates the funds needed to cover your initial expenses for the first three months of operation and includes local advertising expenditures, but does not include payroll costs, or any salary for you. This amount includes miscellaneous supplies and start-up costs, including the cost of uniforms and equipment purchased from our affiliate that you will use in conducting seminars. This amount is an estimate and we cannot guaranty that you will not have additional expenses in operating your Business. Your costs will depend on factors such as your management skill, experience, business acumen, local economic conditions, the prevailing wage rate, competition, and your ability to sell, establish and service franchises.
- 3 We relied on our principals' 75 combined years of experience in the martial arts instruction industry when we prepared these estimates. Because these figures are only estimates, it is possible you will incur both higher and lower costs in the areas listed above. The estimate does not include any finance charge, interest or debt service obligation. You should review these figures carefully with a business advisor before you make any decision to purchase a franchise. We do not offer

financing for any of these fees. See Item 10. None of the fees estimated in the chart above are refundable.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

Operations

A GRACIE BARRA School must be established and operated in compliance with your Franchise Agreement. You must comply with the standards and specifications contained in an operations manual we provide to you, in the form of one or more manuals, handbooks, technical bulletins or other written or electronic materials and an online knowledge base platform called Gracie Barra vHQ ("Operations Manual"), which we may modify. We provide you with our mandatory standards and specifications for almost all of the martial arts instruction services and related products and services offered at or through your GRACIE BARRA School and for your location, lease, equipment, furniture, fixtures, computer hardware and software, technology systems, supplies, insurance, advertising material and techniques, student reports, office equipment, customer service and student training standards, trademark graphics, and other items used in your School.

School Location

You must, at your expense construct, convert, design and decorate the School Location in accordance with our plans and specifications and with the assistance of contractors, architects and suppliers designated or approved by us. We require that you obtain our prior written consent to any improvements to the School Location before construction begins.

We must approve any lease or, if applicable, any purchase agreement for your School before you sign any of these agreements. If you are leasing, a copy of the signed lease must be delivered to us within 15 days before signing. The lease for your School must contain certain provisions granting us certain rights, as your franchisor, including:

- (i) The initial term of the lease, or the initial term together with any renewal terms (for which rent must be specified in the lease) must be for at least 5 years;
- (ii) The lease must give the landlord's consent to your use of standard signage for the School;
- (iii) Your landlord must agree to provide us with a copy of any notices of default sent to you and an opportunity to cure any default; and
- (iv) The lease must contain a use provision which is acceptable by us.

Computer System and Software

You must purchase or lease an office computer system and other technology systems which meet our standards and specifications. You must also use approved or designated operations and martial arts-related software, and other software that has capabilities that meet our standards and specifications. We reserve the right to develop and own proprietary software and derive revenue by licensing it to you. See also Items 7 and 11.

Purchases from Designated or Approved Sources

Your Instructor must complete our Instructor Certificate Program before he or she may instruct students at your School. See Items 11 and 15 for more information about our Instructor Certificate Program. We are the only approved provider of the Instructor Certificate Program.

Our Affiliate, GB Wear, is the only approved source of martial arts uniforms, belts, apparels and products in general, including the official training uniforms approved by us. You must require your students and employees to wear the official training uniform at all times when receiving or providing instruction at your School and other locations where your School is represented, such as martial arts tournaments. Mr. Gracie and Mr. Feitosa, whose biographies are disclosed in Item 2, together own a majority interest in GB Wear. As of the date of this Disclosure Document, none of our officers owns an interest in any approved suppliers other than us and our affiliates.

You must purchase training mats for the floor of your School from our designated supplier.

We and our affiliates reserve the right to sell and license other furniture, equipment, supplies and services to franchisees and to derive revenue from such sales and licenses. We estimate that the costs of your required purchases from designated or approved sources or according to our standards and specifications, may range from 72% to 86% of the total cost of establishing a GRACIE BARRA School and approximately 10% to 20% of the total cost of operating a GRACIE BARRA School after that time. During the fiscal year ended December 31, 2018, our affiliate GB Wear derived \$3,090,908.29 in gross revenues from purchases by franchisees, representing 62% of its total revenues of \$4,957,570.96.

You will purchase or lease the rest of the furniture, equipment, supplies, and services used or sold through your GRACIE BARRA School from suppliers approved by us in advance. We reserve the right to designate a single approved supplier for all products, hardware, furniture, software, equipment, supplies and services. If there is no designated or approved supplier for a particular item, you may purchase, lease, sell or use furniture, software, equipment, supplies and services that meet our standards and specifications from any source approved by us. When you begin our initial training program, we will provide you with a list of our approved suppliers, the standards and specifications for items to be used, sold or leased by you through your GRACIE BARRA School, as well as our criteria for approving a supplier.

If you want to purchase, offer or use any furniture, equipment, supplies, or services through your School that we have not approved, or purchase, offer or use items from a supplier we have not approved, you will need to notify us and obtain our approval in advance. The notification should include sufficient specifications, photographs, drawings and other information and samples to determine whether those items or those suppliers meet our specifications. We will not unreasonably withhold our approval of a supplier of your choosing, if the supplier meets our published standards and specifications. Our criteria for supplier approval are available on request. We base our approval on quality, vendor reputation, pricing, and our opinion about the compatibility of the product or supplier with our brand image and product line. We will advise you within 30 days whether the product or supplier meets our standards. We may revoke our approval if we determine the product or supplier no longer meet our standards. We reserve the right to change the published standards regarding any approved supplier or any products, equipment, supplies, or services used, offered for sale or purchased by franchisees upon 30 days written notice to all franchisees and all approved suppliers.

We do not provide material benefits, such as renewals or granting additional franchises, based on your use of designated or approved sources or suppliers.

Advertising and Marketing

All marketing and promotion of your GRACIE BARRA School must conform to our standards and specifications. You must submit to us samples of all advertising, marketing and promotional materials that have not been prepared or previously approved by us. Your School must participate in promotions we may institute from time to time for all GRACIE BARRA Schools, or all Schools within a particular market area. All electronic advertising must comply with our policies and procedures regarding development, maintenance, use and content. We retain the right to develop and control all advertising using our Marks on the Internet and television. You must participate in electronic advertising by using a webpage provided by us and designed by us. You must also participate in customer service, community service programs, complimentary product or service promotions, customer loyalty, and other promotional programs, that we may reasonably determine are needed in your School. We retain the right to develop and control all Internet advertising and messages of any kind, including social media, using our Marks. We reserve the right, upon 30 days prior written notice to you, to require that you participate in electronic advertising. All GRACIE BARRA Schools, including any owned by our affiliates, must participate in these programs or other promotions that we may adopt in the future.

Insurance

You must procure and maintain certain types and amounts of insurance described in the Operations Manual, Franchise Agreement, including: (i) automobile liability insurance covering all employees of the GRACIE BARRA School with authority to operate a motor vehicle, including owned, hired, and non-owned vehicle liability; (ii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage; (iii) commercial general liability insurance covering the School; (iv) all risk personal property insurance; (v) Sexual Harassment, Abuse and Molestation; and (vi) any additional insurance required by law or by our standards, covering the School and all employees of the School who provide martial arts instruction-related services and other products and services in an amount that is equal to or exceeds any statutorily imposed minimum in the amount we require. If you fail to purchase this insurance, we may demand that you cease operations or obtain insurance for you and you must reimburse us for the cost of the insurance. All insurance policies must name us as an additional insured and give us at least 30 days prior written notice of termination, amendment or cancellation. You also must provide us with certificates of insurance evidencing your insurance coverage before attending our initial training program. You must furnish us with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums as we request them. We reserve the right to require you, upon 60 days prior written notice, to change the type of insurance you are required to maintain and to increase the required coverage limits.

Purchase Arrangements

We have no purchasing or distribution cooperatives or any purchasing arrangements with third parties except for uniforms and flooring, as of the date of this Disclosure Document. Periodically, we may negotiate purchase arrangements, including price terms, with suppliers for the benefit of our franchisees. We can require that you participate in these arrangements and programs. However, you should not rely on the continued availability of any particular pricing, rebate or distribution arrangement, or the availability of any particular product or brand, in deciding whether to purchase the franchise. We and our affiliates retain the right to receive payments from other suppliers on account of their dealings with you and other franchisees, including reasonable mark-ups on any wholesale pricing that we obtain for you. During our most recent fiscal year ended December 31, 2017, we did not receive any payments from third-party suppliers as a result of franchisee purchases. We estimate that any purchases by you for which we collect a fee will constitute 0 to 5% of the total cost of establishing your School and 10% or less of the total cost of operating your School. We may, in our discretion, retain a credit or rebate received as

a result of your purchases or contribute the funds to the Advertising Fund. Except as described above, we do not negotiate purchase arrangements with suppliers for the benefit of franchisees, although we reserve the right to do so. We do not give you any material benefits based on your use of designated or approved sources or suppliers.

Regional Collaborator Agreement

You must establish and operate your Regional Collaborator Business in compliance with your Regional Collaborator Agreement and the standards and specifications contained in our Regional Collaborator Manual which we provide to you in the form of one or more manuals, technical bulletins, electronic handbooks, or other written materials, which we may modify.

You may not offer or sell any services through your Business which we have not authorized. If you want to offer or sell any services other than those previously approved by us, you must first notify us in writing of the proposed services. You must submit sufficient information to us so that we can determine whether the proposed services meet our specifications. We will notify you in writing within a reasonable time whether such services meet our specifications. We may withhold our approval of any new services for any reason.

You must use only written materials, franchise agreements, franchise disclosure documents and sales materials, advertising, training manuals and supplies which comply with our standards and specifications and which you obtain through suppliers approved by us. We are an approved supplier of all of these items. Currently, we are the only approved supplier of franchise agreements and franchise disclosure documents. We are the only approved supplier for franchise sales brochures, advertising and training manuals. We reserve the right to change vendors without notice. We charge you for printed materials that we provide to you at our reasonable costs. The purchase or lease of supplies, computer hardware and software, Internet connection, insurance, and a facsimile/copier/scanner machine in accordance with our standards and specifications represents approximately 25% of your total purchases in connection with the establishment of your Business and approximately 10% of your overall purchases in operating your Business. You must stop using and distributing franchise agreements, franchise disclosure documents, franchise sales brochures, advertising and training manuals immediately on notice from us if we determine that these items do not comply with applicable laws or our most current standards and specifications. We may modify our standards and specifications with 30 days notice to you. We do maintain a list of approved suppliers and we do maintain criteria for approving suppliers for Businesses. Any supplier who can provide materials or supplies meeting our requirements are, in effect, approved suppliers. We have no purchasing or distribution cooperatives for Businesses. We are not paid by third parties from whom you buy items, although we reserve the right to receive payment in the future. You do not receive a material benefit from us based on your use of any particular designated or approved supplier.

All marketing and promotion of franchises through your Business must conform to our standards and specifications. You must submit to us, by electronic transmission, for our prior approval, samples of all advertising and promotional materials that you want to use which have not been prepared or previously approved by us.

Errors and Omissions Insurance. Regional Collaborators are required to purchase errors and omissions insurance in amounts prescribed by us from an approved insurance company. You must name us as an additional insured. You must purchase errors and omissions insurance before you begin the initial Regional Director training program. See Items 7 and 11.

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	- Sections 3.1 and 5.1 of Franchise Agreement ("FA") - Sections 3.3 and 3.5 of Development Agreement ("DA")	Items 7 and 11
(b) Pre-opening purchases/leases	Sections 5.2, 5.3, 5.4, 5.5, 5.6 and 5.7 of FA	Items 5, 6, 7 and 8
(c) Site development and other pre-opening requirements	Article 5 of FA	Items 7, 8 and 11
(d) Initial and ongoing training	- Article 6 of FA - Article 6 of Regional Collaborator Agreement ("RCA")	Item 11
(e) Opening	- Section 5.8 of FA - Section 5 of CA	Item 11
(f) Fees	- Articles 4, 11 and 12 and Sections 5.3, 6.3, 9.1, 9.2, 10.1, 13.4, 13.6, 15.5, 16.2.g., 17.3.e., 19.3, 20.3, 21.2, 23.7 of FA - Section 3 of CA - Article 2 of DA - Article 5 of RCA	Items 5, 6 and 7
(g) Compliance with standards and policies/Operations Manual	- Articles 8 and 13 of FA - Articles 7, 8 and 12 of RCA	Items 8, 11 and 14
(h) Trademarks and proprietary information	- Article 14 and Sections 20.2 and 20.5 of FA - Article 9 and 10 of RCA	Items 13 and 14
(i) Restrictions on products/services offered	- Sections 10.1.d., 13.4 and 13.5 of FA - Articles 4 and 8 of RCA	Items 8, 11 and 16
(j) Warranty and customer service requirements	Section 10.1 of FA	Item 8
(k) Territorial development and sales quotas	- Section 10.2, Article 3 of FA - Sections 1.1, 1.2, and 3.1 of DA - Section 4.1 of RCA	Item 12
(l) On-going product/service purchases	Sections 10.1, 13.4 and 13.5 of FA	Item 8

Obligation	Section in Agreement	Disclosure Document Item
(m) Maintenance, appearance and remodeling requirements	Sections 10.1, 13.1 and 17.3.c. of FA	Item 11
(n) Insurance	- Article 21 of FA - Sections 12.7 and 12.8 of RCA	Items 7 and 8
(o) Advertising	- Article 12 of FA - Section 12.9 of RCA	Items 6, 7 and 11
(p) Indemnification	- Section 19.3 of FA - Section 17.4 of RCA	Item 6
(q) Owner's participation/management/staffing	- Sections 6.1, 10.1.c., 10.1.g., 10.1.i. and 10.1.j. of FA - Sections 8.1 and 12.5 of RCA	Item 11 and 15
(r) Records and reports	- Article 15 of FA - Sections 8.4, 8.5 and 8.7 of RCA	Item 6
(s) Inspections and audits	- Sections 13.3, 13.4 and 15.5 of FA - Article 13 of RCA	Item 6
(t) Transfer	- Article 16 of FA - Article 5 of DA - Article 14 of RCA	Item 17
(u) Renewal	- Sections 17.3, 17.4 and 17.5 of FA - Sections 15.3, 15.4 and 15.5 of RCA	Item 17
(v) Post-termination obligations	- Section 18.5 of FA - Section 5.4 of DA - Section 16.3 of RCA	Item 17
(w) Non-competition covenants	- Article 20 of FA - Article 6 of DA - Section 11.1 of RCA	Item 17
(x) Dispute resolution	- Article 22 of FA - Sections 8.1 and 8.3 of DA - Article 18 of RCA	Item 17
(y) Personal Guaranty	- Section 10.1 of FA and Exhibit II of FA - Section 12.5 of RCA and Exhibit II of RCA	Item 15

ITEM 10

FINANCING

We may offer to finance your \$8,000 initial fee for a School depending on your creditworthiness and other factors. If we agree to finance your initial fee, you must sign a promissory note ("Note") in the form attached as Exhibit K. We do not offer financing for any other payments related to a School. You must make payments due under the Note on a monthly basis in up to 5 equal monthly installments, in our sole discretion. You may prepay the Note without penalty. A Conditional Assignment of Franchise Agreement secures the Note. If the Franchisee is an entity, the owners of the Franchisee must also guaranty the Note. The form of Note, Guaranty Agreement, Conditional Assignment of Franchise Agreement and Addendum to Franchise Agreement are Exhibit K to this Disclosure Document.

If you or any guarantor do not pay on time, we can demand immediate payment of the entire remaining balance, plus default interest of 10%, and obtain all costs and expenses of collection, including reasonable attorneys' fees. See Paragraphs 6 and 7 of Note. The Note and Guaranty Agreement contain a waiver of presentment for payment, protest and notice of protest. See Note at Paragraph 5. In addition, the Conditional Assignment provides that if you default on the Note, we will obtain, without notice, except as required by state law, or the bringing of a court action, your interest in the Franchise Agreement. If you fail to make payments under the Note, or otherwise default on the terms of the Conditional Assignment, you will also be in breach of the Franchise Agreement. See Note at Paragraph 6. The entire amount of the Note is due immediately if you transfer all or a portion of the assets of the School. See Note at Paragraph 9. A guarantee is independent, absolute and we may bring an action against any guarantor without first pursuing you. Guarantors waive: (i) notice of changes to the terms of the Note; (ii) any right to first require pursuit, exhaustion of or participation in any security; (iii) benefits under any anti-deficiency or single action statute; (iv) defenses that you may have; (v) any right to plead or assert election of remedies; and (vi) demand, notice of dishonor and non-payment, notice of acceptance and diligence in collection.

The franchisor's practice or intent is not to sell, assign, or discount to a third party all or part of the financing arrangement. The franchisor or an affiliate does not receive any consideration for placing financing with any specific lender.

Except as disclosed above, 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, we are not required to provide you with any assistance.

Assistance Before Opening

- A. Before you open your GRACIE BARRA School, we or our designee will:
 - 1. Designate your Territory. (Sections 3.2 and 7.1.a of the Franchise Agreement.)
 - 2. Assist you in locating the site for your GRACIE BARRA School by providing you with written criteria for an acceptable site. You must locate and obtain our approval of the School

Location within 90 days of signing the Franchise Agreement. No contractual limit exists on the time it takes us to approve or disapprove your proposed location; however, we typically take no more than 15 business days after we receive a complete site information package in accordance with our specifications to approve or disapprove your proposed location. We will extend the deadlines when circumstances beyond your reasonable control delay the site selection and approval process. If we cannot agree on a site, we have the right to terminate the Franchise Agreement. (Sections 5.1, 5.2 and 7.1.c. of the Franchise Agreement.)

3. Provide you with our standards and specifications for the leasehold improvements and fixtures, the interior and exterior design of the GRACIE BARRA School, including the exercise/instruction area of your School, signs, color, décor, supplies, equipment, computer hardware, software and other technology systems, materials, forms, insurance, trademark graphics and marketing material and techniques. We must approve the lease, if applicable, before you enter into it and your construction plans and specifications before construction begins. You are responsible for the cost of any architectural designs and drawings that you obtain and for the cost of construction. (Sections 5.2, 5.3, 5.4, 5.5, 5.6 and 7.1.d. of the Franchise Agreement.)

4. Provide our initial training program for two persons in a web-based format. One of the two people who must successfully complete the initial training program is your Head Instructor, who will oversee all martial arts instruction at your School. The Head Instructor and any other instructor at the school must also successfully complete our Instructor Certificate Program. (Sections 6.1 and 7.1.b. of the Franchise Agreement.)

5. Provide you with advice regarding the selection of suppliers of items, supplies and services used in connection with your GRACIE BARRA School. We will provide you with a list of approved suppliers, if any, of such items, supplies and services, and if available, a description of any national or central purchase and supply agreements offered by approved suppliers for the benefit of GRACIE BARRA School franchisees. (Section 7.1.e. of the Franchise Agreement.)

6. Provide you with a copy of our confidential and proprietary Operations Manual, covering the specifications, standards and operating techniques of the GRACIE BARRA School and all updates and revisions thereto. (Sections 7.1.f. and 8.1 of the Franchise Agreement.)

7. Provide the set up of a wordpress website tailored to your school and based on the Gracie Barra school website template and branding guidelines.

8. Provide you with monthly video conference consultations designed to provide guidance on real estate, construction, sale, marketing and HR before the school opens.

B. Before you begin operating your Regional Collaborator Business, we or our designee will;

1. Train you by giving you access to our initial training program and Instructor Certification Program which are web-based training programs for School franchisees and additional web-based training which may include instruction regarding marketing franchise sales, franchise location selection, School operations and franchise law compliance. (Section 6.1, RC Agreement.)

2. Provide you with electronic access to our Online Manual covering the operating and support procedures for your Business and all updates and revisions (Section 7.1, RC Agreement.)

Ongoing Assistance

A. During the operation of your GRACIE BARRA School, we or our designee will:

1. At your reasonable request, consult with you by electronic mail regarding the continued operation and management of your GRACIE BARRA School and advise you regarding services, sales techniques, student relations and similar topics, including standards for employee hiring, pricing, bookkeeping and accounting procedures (collectively, "**Consultation**"). See Item 6. (Section 9.1.e. of the Franchise Agreement.)

2. Provide you with on-going updates, through the vHQ, of information and programs regarding the GRACIE BARRA School and related Licensed Methods, including, without limitation, information about special or new services which may be developed and made available to franchisees, subject to compliance with the then applicable requirements. (Section 9.1.b. of the Franchise Agreement.)

3. Train or certify replacement or additional Program Directors and Instructors during the term of the Franchise Agreement by providing them access to our web-based training platform. (Section 9.1.c. of the Franchise Agreement.)

4. Provide you access to advertising and promotional materials that we may, but are not required to, develop. We may, at our option, pass the cost of the advertising and promotional materials on to you or charge the Advertising Fund. (Section 9.1.d. of the Franchise Agreement.)

B. During the operation of your Regional Collaborator Business, we or our designee will:

1. Give you electronic access to the Online Manual, which is within the GB Library, covering the operating and marketing standards and procedures for your Business and all updates and revisions (Section 7.1, RC Agreement).

2. If you request, consult with you by electronic mail regarding franchise sales, franchisee support and assistance (Section 7.2(a), RC Agreement).

3. Give you access to franchise sales, advertising and promotional materials, franchise agreement and disclosure documents we may develop, the cost of which we may pass on to you at our option (Section 7.2(b), RC Agreement).

4. Prepare and use reasonable efforts to register all requisite disclosure documents and other documents to enable you to solicit prospective franchisees in your Region (Section 4.2, RC Agreement).

5. Approve or disapprove applicants to become GRACIE BARRA Franchisees, by delivery of notice to you (Section 4.4, RC Agreement).

6. Pay you a commission for performing Sales-Related Services, equal to 10% of the initial franchise fees paid to us by franchisees who purchase a new GRACIE BARRA School franchise within your Region, payable 45 days after the Franchise Sales Conditions have been fulfilled (Section 5.1, RC Agreement).

7. We also pay you, within 45 days after the end of each month, 20% of the Royalty Fees, actually received by us from each franchisee located in your Region. (Section 5.3, RC Agreement)

You will not be eligible to receive any commission payments until you complete the RD Initial Training program. In addition, you will not be eligible to receive commission payments on Royalty Fees unless you have completed your on-going support obligations to the Schools in your Region as set forth in Article 8 of the Regional Collaborator Agreement.

Advertising and Promotion of Schools

Local Advertising. We do not intend to create a local advertising program in the market area where you are located.

You may create your own advertising and promotional materials; however, all local advertising and promotion by you must be in media, type and format as we may approve, must be conducted in a dignified manner and must conform to the standards and requirements we specify. You may not produce or use any advertising or promotional plans or materials unless and until you have first received written approval from us for each plan or item.

Advertising Contribution. Three months after you sign the Franchise Agreement, you must remit to us an advertising contribution ("Advertising Contribution") of \$100 per month. In our discretion, we may increase the Advertising Contribution up to a maximum of 1% of Gross Sales on 30 days notice. The Advertising Contribution is due to us along with your Royalty payment, payable monthly. We deposit the Advertising Contributions collected from all GRACIE BARRA Schools in a bank account separate from our operating account ("Advertising Fund"). Company and affiliate-owned GRACIE BARRA Schools located in the United States pay into the Advertising Fund on an equal basis with all franchised GRACIE BARRA Schools. If you request it in writing, we will send you an annual, unaudited financial statement for the Advertising Fund which indicates how the Advertising Fund has been spent during the previous calendar year. Because we do not have the Fund audited, audited financial statements are not available to franchisees.

We administer the Advertising Fund in our sole discretion. The Advertising Fund proceeds may be used for the creation, production and placement of commercial advertising, agency costs and commissions, creation and production of video, audio, and written advertisements, including direct mail, telephone solicitation and call centers and other direct advertising, brochures, billboards, collateral advertising material, television, radio, print and other media advertising and employing advertising agencies and in-house staff assistance, supporting public relations, market research and surveys of advertising effectiveness, creation and maintenance of a website, social media and other electronic advertising, brand recognition, and other advertising and marketing activities. We do not spend any of the Advertising Fund on soliciting franchisees.

We may reimburse ourselves and our affiliates from the Advertising Fund for administrative costs, salaries and overhead expenses related to the implementation and administration of the Advertising Fund and its marketing programs, including conducting market research, student activities, preparing material and collecting and accounting for Advertising Fund contributions, and other costs and expenses. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all GRACIE BARRA Schools to the Advertising Fund in that year. The Advertising Fund may borrow from us or other lenders to cover deficits or cause the Advertising Fund to invest any surplus for future use. Any amounts remaining in the Advertising Fund at the end of each year accrue and we apply them toward the next year's expenses. We do not guarantee that advertising expenditures from the Advertising Fund will

benefit you or any other franchisee directly or on a pro rata basis. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account. We reserve the right to terminate the Advertising Fund on 30 days prior written notice to all franchisees and any remaining monies will be distributed pro rata based on all GRACIE BARRA Schools' contributions within the preceding 12 months.

We may use outside advertising agencies and personnel and in-house personnel to create local and regional advertising, including ad slicks, radio spots, direct mail, flyers, mail inserts, Internet ads, newspaper ads, yellow page ads, billboards and other marketing pieces and programs. We may, in our sole discretion, elicit input on advertising from all or a group of franchisees. You must purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is primarily your responsibility.

We do not currently have a franchise advisory council ("FAC") that advises us on advertising policies or other issues, but we reserve the right to create a FAC in the future.

Regional Advertising Association. We do not intend to create a regional advertising association ("Co-op") in the market area where you are located.

Regional Collaborator Businesses

You are not required to advertise in your Region, but you may only use marketing or advertising materials approved by us in advance if you choose to use marketing or advertising materials.

Operations Manual

Attached to this Disclosure Document as Exhibit I, is the current Table of Contents of the Operations Manual. The entire Operations Manual is made available to School franchisees and to Regional Collaborators online through hard copy or the vHQ. We may update, add to or release new versions of the Operations Manual periodically. As of the date of this Disclosure Document, the Online Manual for Regional Collaborator is the same as the Operations Manual for franchisees. You will find them within the vHQ.

Attached to this Disclosure Document as Exhibit I, is the current Table of Contents of the Operations Manual. The entire Operations Manual is made available to School franchisees through hard copy or the vHQ. We may update, add to or release new versions of the Operations Manual periodically. You will find them within the vHQ.

Computer System

You must purchase computer hardware that meets our standards and specifications. You must license software (the software and hardware is referred to collectively as the "Computer System") that meets our standards and specifications. The Computer System and other technology systems must be installed, configured and integrated in accordance with our standards and specifications. The Computer System will provide you with information related to martial arts instruction, data regarding students and student accounts, and student invoices. We may require you to purchase additional hardware and software to increase the size and capability of your Computer System according to our standards and specifications. The initial cost to purchase and license the Computer System ranges from \$2,000 to \$4,000.

Each Gracie Barra School and Regional Collaborator must have a PC or MAC computer available to support the day to day operations of the school/business. It is required to have an updated system with the most current version of the pertinent operating system and access to high speed internet. The computer system must also include a well functioning ink-jet or laser color printer and scanner.

We have the right to receive information contained in the databases of your Computer System through on-line communication contact with your Computer System. We have no contractual limitation on our right to receive information through your Computer System and through the software that you remotely access on our servers. You must join and pay for a high speed electronic network connection service that meets our standards and specifications to facilitate communication between you and GRACIE BARRA and among our franchisees.

Site Selection Assistance

You will select and acquire the location for your GRACIE BARRA School. When you have selected a location for your School, you must submit information to us regarding the location so that we may accept or reject the proposed location. Our assistance with the selection and approval of a location consists of providing you with criteria for a satisfactory GRACIE BARRA School location and, later, a determination as to whether the location fulfills the requisite criteria. The following factors are considered by us when we review a proposed location: location character and desirability; neighborhood characteristics; physical characteristics of the proposed location and building; demographics; traffic patterns; size of the property and building; lease terms and rates or purchase terms; visibility and parking access. Our acceptance of a location does not infer or guarantee the success or profitability of an approved location. See Pre-Opening Assistance above.

Regional Collaborators must live within or not more than 50 miles away from the boundary of their Region and may work from an office in their home.

Schedule For Opening

We estimate that the typical length of time between the date you sign the Franchise Agreement or the Agreement and the date your School opens will be approximately two to six months. The factors which may affect this time period are your ability to locate a site, secure financing, and obtain a lease, as well as the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment, inventory and supplies, hiring qualified personnel, and completing your training. You must open your GRACIE BARRA School within six months after you sign the Franchise Agreement. We may extend this time if factors beyond your reasonable control cause a delay beyond this period in spite of your reasonable, continuing efforts to meet this opening schedule. You must apply for an extension before the development deadline passes. If you enter into a Development Agreement, the development schedule for multiple GRACIE BARRA School locations will be agreed upon when we sign the Development Agreement and attach a schedule to the Development Agreement.

Training Programs

We will provide an initial training program for GRACIE BARRA School franchisees which will be conducted by means of remote communication, such as over the Internet, or other electronic means. We offer you online on-demand access to the initial training program within a reasonable amount of time after you sign the Franchise Agreement. The initial training program will consist of approximately 30 hours of training by remote communication. We provide you with written materials in connection with

the training program. We may waive all or a portion of the training program, if you or your Program Director or Head Instructor have sufficient prior experience or training, in our sole determination.

Two persons are eligible to participate in our initial training program without charge of a tuition or fee; however, your Program Director and Head Instructor are required to complete the online and practical parts of the training program to our satisfaction before the opening of your School. We will make the initial training program available to replacement or additional Program Directors and Head Instructors. We charge a tuition or fee, commensurate with our then current prices, for training all employees after the first two. The availability of the initial training program will be subject to prior commitments to new GRACIE BARRA School franchisees and is scheduled on a space available basis.

Additionally, your designated Head Instructor must complete to our satisfaction our Instructor Certificate Program. The length of our Instructor Certificate Program is 10 hours. This Program will be conducted online.

We may occasionally present seminars, conventions, continuing development programs, technical training programs webinars or conduct meetings, through the internet or through other remote communications means (i.e., videoconference) for your benefit. We will give you at least 7 days written notice.

In addition, we may also host or establish national conventions on a semi-annual basis at which you, your Program Director, your Head Instructor or employees are welcomed to attend. We will give you at least 30 days written notice before any seminar, convention, program or meeting at which we will hold at our headquarters. We will not require your in-person attendance at any convention, seminar or conference at our headquarters. We reserve the right to charge a fee to attend any national convention and if you request more than two registrations to any training program. You will be responsible for expenses which are associated with attendance at these programs such as internet connection and computer hardware.

Our initial training and our instructor certification programs currently consists of the following:

INITIAL TRAINING PROGRAM AND INSTRUCTOR CERTIFICATION PROGRAM FOR SCHOOL FRANCHISEES AND INSTRUCTORS

Initial Training Program Subject¹	Hours of Classroom or Online Training	Hours of On- The-Job Training	Location²
Welcome to Gracie Barra	1	0	Online
GB North America Rules and Regulations	2	0	Online
GB School Onboarding	2	0	Online
GB Strong School Management Framework	1	0	Online
Entrepreneurship	2	0	Online
Instruction	1	0	Online
Finances	2	0	Online
Location	2	0	Online
Sales	2	0	Online

Initial Training Program Subject¹	Hours of Classroom or Online Training	Hours of On-The-Job Training	Location²
Marketing	2	0	Online
Management	2	0	Online
People	1	0	Online
The Role of the Program Director	1	0	Online
The Four Stages of the Student Enrollment Cycle	2	0	Online
Stage one: from Intro to Lead	1	0	Online
Stage two: Intro Appointment to Intro Class	1	0	Online
Stage three: the intro class	1	0	Online
Stage Four: The Enrollment Conference	1	0	Online
Tuition and Discount Policy	1	0	Online
The membership Agreement	1	0	Online
Time Management for Program Directors	1	0	Online
TOTAL	30	0	

Instructor Certification Program Subject¹	Hours of Classroom or Online Training	Hours of On-The-Job Training	Location²
Jiu-Jitsu for Everyone	1	0	Online
Organized Like a Team	1	0	Online
Engineer of Groups	1	0	Online
The Gracie Barra Method	1	0	Online
GBK Program	1	0	Online
GB 1 Program	1	0	Online
GB2 and GB3 Programs	1	0	Online
Social Media: an essential tool to promote the Jiu-Jitsu Lifestyle	1	0	Online
Students Safety and Injury Prevention	1	0	Online
Teaching Jiu-Jitsu for Life	1	0	Online
TOTAL	10	0	

¹ The instructors for the initial training program are Carlos Gracie, Jr., Flavio Almeida, and Marcio Feitosa Souza. Their experience and backgrounds are described in Item 2. We may use other employees occasionally.

2. Training is offered through webinars, teleconferences, or other forms of electronic communication.

3. **BUSINESS EXPERIENCE:**

President and Founder: Carlos Gracie, Jr.

Mr. Gracie has served as President and Chairman of the Board of Directors of Gracie Barra Franchise Systems, Inc., located in Irvine, California, since our inception in March 2009. Mr. Gracie is the son of Carlos Gracie Sr., who, along with his brother Helio, invented Brazilian Jiu-Jitsu in the early 1900s. He has served as President of two Brazilian Jiu-Jitsu organizations located in Rio de Janeiro, Brazil, the Brazilian Jiu-Jitsu Confederation, since 1994, and the International Brazilian Jiu-Jitsu Federation since 1996. He founded the Gracie Barra Organization in Rio de Janeiro, Brazil, in 1986, and continues to serve as its Chief Executive Officer. Mr. Gracie has also served as President of GB Wear since its inception in 2006 and as President of GB America California since its inception in 2005, both of which are located in Irvine, California.

Chief Executive Officer: Flavio Almeida

Mr. Almeida has served as Chief Executive Officer of Gracie Barra Franchise Systems, Inc. located in Irvine, California, since our inception in March 2009. He has also owned and served as Head Instructor at Gracie Barra San Clemente, a Gracie Barra school located in San Clemente, California, since 2008. He has served as Executive Director of Gracie Barra America California from February 2008 to the present.

Vice President: Marcio Feitosa Souza

Mr. Souza has served as Vice President of Gracie Barra Franchise Systems, Inc. located in Irvine, California, since our inception in March 2009. Since August 2007, he has served as Head Instructor at GB Academy, a Gracie Barra school located in Irvine, California, and he has also served as Head Instructor at Gracie Barra Brazil, a Gracie Barra school located in Rio de Janeiro, Brazil, since 1997. Since 2005, he has also been Vice President of Gracie Barra America and since 2006 Vice President of Gracie Barra Wear, both of which are located in Irvine, California.

We will also provide an initial training program for GRACIE BARRA Regional Collaborator which will be conducted by means of remote communication, such as over the Internet, or other electronic means, without charge of a tuition or fee. We offer you access to the initial training program within a reasonable amount of time after you sign the Regional Collaborator Agreement. The initial training program will consist of approximately 40 hours of online training. We may waive all or a portion of the training program, if you have sufficient prior experience or training, in our sole determination. The instructors for the initial training program are Carlos Gracie, Jr., Flavio Almeida, and Marcio Feitosa Souza. Their experience and backgrounds are described above. We may occasionally present seminars, conventions, continuing development programs, technical training programs or conduct meetings, through the internet or through other remote communications means (i.e. videoconference) for your benefit. If we conduct training through remote means, such as over the Internet or via teleconference, we will give you at least 7 days written notice.

We will provide Instructional Material for our Training Programs. Instructional materials bring out content that defines the standards of operation of a Gracie Barra School. It conveys the essential

knowledge and skills of a subject in the Gracie Barra School Curriculum or Training Program through a medium or a combination of media for conveying information to a Franchisee, Instructor or Regional Collaborator. These Instructional Materials are available on the Internet at no cost to a Franchisee, Instructor or Regional Collaborator and without requiring the purchase of an unlock code, membership or other access or use charge

ITEM 12

TERRITORY

Franchise Agreements

You must operate your School and use the Marks and Licensed Methods only at a specific location that has been approved by us, which is referred to as the "School Location" in the Franchise Agreement. We base our approval of your proposed School Location on a variety of factors including the visibility and demographics (including number of households, household income, number of children and number of elementary schools) of the area surrounding the proposed School Location. See Item 11. You may not operate another GRACIE BARRA School or conduct business at any site other than the School Location. If you execute your Franchise Agreement before you select and we approve a location for your School, then you must choose and acquire a location for your School within a "**Designated Area**," listed in Exhibit I to the Franchise Agreement. The designation of the Designated Area does not in any manner grant to you any continuing territorial rights in or to such Designated Area.

You will be granted a designated geographic area around your School Location, within which we will not establish and operate, or franchise anyone else to establish and operate, other GRACIE BARRA Schools. The designated geographic area ("**Territory**") for your School will typically be defined as a radius around your School Location. Depending on various market factors such as population density, median income level, and surrounding public infrastructure, we typically grant a Territory ranging in size from one-half mile radius in urban areas with dense population to twenty miles radius in less densely populated areas. Instead of a radius, the Territory may also be designated by using street boundaries, zip codes or other boundaries or designations or as described on a map.

The placement of a GRACIE BARRA School and the designation of a Territory by us depends on various market conditions around a proposed School Location, including density of population and character of the neighborhood. You may not change your School Location or the boundaries of your Territory without our written consent before making the change. The continuation of your rights in your Territory for Schools depends on achieving and maintaining, beginning 24 months after the commencement of the operation of your GRACIE BARRA School, monthly Gross Sales in excess of \$8,000 ("**Sales Requirement**"). The failure to meet the Sales Requirement will be deemed to be a breach of the Franchise Agreement and we will have the right, in our discretion, to terminate your rights in the Territory and through designees, affiliates or other franchisees, place a GRACIE BARRA School in your Territory.

You have no option, right of first refusal or similar contractual right of first refusal to acquire additional franchise rights, unless you are a GRACIE BARRA franchisee who has also signed a Development Agreement. Under the terms of the Development Agreement, we grant you the right to establish, according to a schedule, a minimum number of School Locations within a larger geographical territory ("**Development Area**"). A Development Area is usually defined by boundaries such as street boundaries, city, county or state limits, zip codes, or by other reasonable boundaries. The number of School Locations to be developed may be adjusted depending on demographics and other characteristics of a Development Area, including population density, income and other characteristics of the surrounding

area, natural boundaries, extent of competition and whether the proposed Development Area is urban, suburban, or rural in nature. Apart from our reservation of rights described below, we may not establish or franchise any other person or entity to establish School Locations in your Development Area so long as the Development Agreement is in effect. The continuation of your right to your Development Area during the term of the Development Agreement is dependent on meeting the development schedule set forth in the Development Agreement.

You will not receive an exclusive territory. The designation of your School Location and Territory does not grant you the exclusive right to any particular market or students. You may serve all students who enter your School. Other GRACIE BARRA Schools also have the same right to provide services and products to all persons who enter their Schools. You may advertise your School within your Territory, but you do not have the right to use the Internet to solicit orders for GRACIE BARRA products and services, except in accordance with our policies and procedures regarding electronic advertising or through an approved website. You may face competition from other franchisees, from Schools that our affiliates own, or from other channels of distribution or competitive brands that we control. As of the date of this Disclosure Document, we sell uniforms and equipment using the Marks on the Internet through our affiliate, GB Wear; otherwise, we do not sell products or services in alternative channels or control any competitive brands.

Under the Franchise Agreement, we, our affiliates, successors and assigns retain the rights, among others, without any compensation to you: (1) to use and to license others to use, the Marks and Licensed Methods in connection with the operation of a GRACIE BARRA School at any location other than within your Territory; (2) to use the Marks to identify promotional and marketing efforts or related items, and to identify products and services, distributed or otherwise made available through alternative channels of distribution (other than a GRACIE BARRA School), at any location, including within your Territory, and, without limitation, sales through channels of distribution such as the Internet, wholesale distribution, retail store display, direct mail or other direct marketing methods; (3) to use and license the use of different proprietary marks or methods (for example, if we acquire or are acquired by another business that provides products and services similar to or the same as a GRACIE BARRA School) in connection with the sale of products and services the same as, similar to, or dissimilar from, those which you sell, whether in alternative channels of distribution, including sales through such channels of distribution as the Internet, wholesale distribution, retail store display, direct mail or other direct marketing methods, or through businesses which are the same as, or similar to, or dissimilar from GRACIE BARRA Schools, at any location, including within your Territory, and on any terms and conditions as we determine; (4) to engage in any other activities not expressly prohibited in the Franchise Agreement. We have no present plans to establish other related franchises or company-owned businesses selling similar products or services under a different name or trademark, although, as just stated, we reserve the right to do so.

Regional Collaborator Agreement

If you are highly accomplished in Brazilian Jiu-Jitsu according to our standards, you may qualify as a Regional Collaborator. Under the Regional Collaborator Agreement, we give you the non-exclusive right to solicit and identify prospective franchisees for GRACIE BARRA Schools and provide operational support to franchised Schools located in your Region as described in your Regional Collaborator Agreement. A Region is usually defined by geographic boundaries such as counties or by other reasonable boundaries. Subject to our reserved rights described below, you will receive an exclusive territory. The continuation of your rights to your Region requires you to solicit franchisees to develop a certain number of Schools by specific dates. The number of sales is determined according to a formula that requires you to meet Sales Quotas that increase each year. If you fail to meet the Sales Quotas stated in Exhibit 1 of the Regional Collaborator Agreement, we may terminate the RC Agreement. On

termination, you will lose the right to solicit prospective franchisees, provide on-going services to franchisees in your Region and your commissions, described in Item 11, will permanently cease.

We and our affiliates, successors, and assigns, retain the rights under the RC Agreement, without compensating you: (a) to use, and to license others to use, the Marks and Licensed Methods for the operation of other RC Businesses and to perform any or all of the duties of a Regional Collaborator at any location outside of your Region; (b) to solicit prospective franchisees and to grant other persons franchises to operate GRACIE BARRA Schools at any location and on terms we deem appropriate; (c) to own and operate GRACIE BARRA Schools of our own or through our affiliates or designees within your Region (subject to our obligation to compensate Regional Collaborator, as stated in the RC Agreement); (d) to use and license the use of alternative proprietary marks or methods in connection with the sale of products and services the same as or similar to those offered by Schools, whether in alternative channels of distribution or in connection with the operation of martial arts schools, which may be the same as, or similar to, or different from GRACIE BARRA Schools at any location, within and outside of the Region on any terms we deem advisable; and (e) to use the Marks and Licensed Methods in connection with the sale of products and services other than those offered by GRACIE BARRA Schools, to identify promotional and marketing efforts or related items and to identify services and products similar to those offered by Schools, made available in alternative channels of distribution, including but not limited to, wholesale distribution and catalog and Internet sales, at any location. We and our affiliates and designees reserve the right to engage in any other activities not expressly prohibited in the Regional Collaborator Agreement.

ITEM 13

TRADEMARKS

We license to you the non-exclusive right to use the Marks GRACIE BARRA, G BARRA and Design, G GRACIE BARRA CARLOS GRACIE JR., G GRACIE BARRA and Design, BARRA, BARRA FIT, JIU JITSU FOR EVERYONE and ORGANIZED LIKE A TEAM, FIGHTING LIKE A FAMILY! (the "Principal Marks") and other trademarks, service marks and commercial symbols that we may authorize.

We do not have a federal registration for the marks GRACIE BARRA, or G GRACIE BARRA CARLOS GRACIE JR. Therefore, these marks do not have as many legal benefits and rights as a federally registered trademark. If our right to use a trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

On April 18, 2007, our Vice President, Marcio Feitosa Souza, applied to register the mark G BARRA and Design on the Principal Register of the United States Patent and Trademark Office ("USPTO") for "educational services in the nature of Brazilian Jiu Jitsu schools; Martial arts instruction; and Operation of martial arts schools" in International Class 41. The G BARRA and Design application matured into Registration No. 3,361,989 on the Principal Register on January 1, 2008.

On January 21, 2008, Mr. Souza filed a trademark application for the mark G BARRA and Design on the Principal Register of the USPTO for clothing, including martial arts uniforms, in International Class 25. The G BARRA and Design application matured into Registration No. 3,706,032 on the Principal Register on November 3, 2009. On May 13, 2009, Mr. Souza filed two service mark applications on the Principal Register of the USPTO for the mark BARRA and the mark ORGANIZED LIKE A TEAM, FIGHTING LIKE A FAMILY! for "Martial arts instruction; Operating of martial arts schools" in International Class 41. The ORGANIZED LIKE A TEAM, FIGHTING LIKE A FAMILY!

mark matured into Registration No. 3,722,067 on December 8, 2009 and the BARRA mark matured into Registration No. 3,994,400 on July 12, 2011. All required affidavits have been filed.

On October 14, 2009, Mr. Souza filed an application for the G GRACIE BARRA and Design on the Principal Register of the USPTO for "martial arts instruction; operating of martial arts schools" in International Class 41. The G GRACIE BARRA and Design application matured into Registration No. 4,753,659 on the Principal Register on June 16, 2015.

On August 16, 2013, Mr. Souza filed an application for the JIU JITSU FOR EVERYONE and Design on the Principal Register of the USPTO for "martial arts instruction; operating of martial arts schools" in International Class 41. The JIU JITSU FOR EVERYONE and Design application matured into Registration No. 4,766,077 on the Principal Register on June 30, 2015.

On August 16, 2013, Mr. Souza filed an application for the BARRA FIT and Design on the Principal Register of the USPTO for "martial arts instruction; operating of martial arts schools" in International Class 41. The BARRA FIT and Design application matured into Registration No. 4,823,983 on the Principal Register on September 25, 2015.

On May 25, 2017, Mr. Souza filed an application for the G GRACIE BARRA and Design on the Principal Register of the USPTO for clothing, including martial arts uniforms, in International Class 25. The G GRACIE BARRA and Design application matured into Registration No. 5,598,445 on the Principal Register on November 06, 2018.

Carlos Gracie, Jr. and Mr. Souza claim joint common law ownership of the word mark GRACIE BARRA, and the G GRACIE BARRA CARLOS GRACIE JR. and Design mark, however, as indicated above they do not have federal registrations for these marks. On September 11, 2009, Mr. Souza and Mr. Gracie transferred their trademark rights to us.

You must use the mark GRACIE BARRA as the principal identification of your School, and use the other Principal Marks in the manner we require. You must also identify yourself as the independent owner of the School in the manner we require. You may not use any of the Principal Marks as part of any corporate or trade name, as part of an electronic mail address or on any sites on the Internet or World Wide Web, or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you), or in any modified form, nor may you use any Mark to identify unauthorized services or products or in any other manner not expressly authorized in writing by us. We are the sole owner of the domain name www.graciebarra.com. Your School will have a website that we will design and use a domain name that we own. You may not use or register any of the Marks owned by us now or in the future or use or register any abbreviation, acronym, or variation of the Marks, or any other name that could be confusingly similar, unless expressly authorized in writing by us. We retain the sole right to advertise the Licensed Methods on the Internet and to create, operate, maintain and modify, or discontinue using a website using the Marks. You will be required to modify or discontinue your use of a Mark if we require modification or discontinuance of it and we will pay a portion of your expenses associated with discontinuing or substituting Marks.

Except as disclosed in this Item, there are no presently effective final determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or material litigation involving the Principal Marks.

In addition to the federally registered marks GRACIE JIU-JITSU and GRACIE JIU-JITSU ACADEMY, we are also aware that other third parties, including other members of the Gracie family and their affiliates, operate martial arts schools under trade names and trademarks that include the term "GRACIE." Some of these third parties may operate martial arts schools or offer martial arts services within your State or within your Territory, as defined in the Franchise Agreement. As of the date of this Disclosure Document, we are aware that there are multiple third parties who own registered marks or use marks incorporating the term "GRACIE." Following are some examples of these registered marks:

<u>Trademark</u>	<u>Registration No.</u>	<u>Goods and Services</u>	<u>Date of Registration</u>	<u>Owner/Registrant</u>
GRACIE JIU-JITSU ACADEMY	1,929,719	School for instruction in the art of Jiu-Jitsu (Class 41).	Oct. 24, 1995	Rorion Gracie dba Gracie Jiu-Jitsu
GRACIE JIU-JITSU	1,570,322	Martial arts instruction services (Class 41).	Dec. 5, 1989	Rorion Gracie
GRACIE JIU-JITSU	1,972,360	Clothing, namely T-shirts, jackets, boxing shorts (Class 25). Video tapes for instruction in the art of jiu-jitsu (Class 9).	May 7, 1996	Rorion Gracie dba Gracie Jiu-Jitsu
CARLSON GRACIE	3,652,368	Martial arts instruction training and competition, namely, instruction of Brazilian Jiu-Jitsu (Class 41).	July 7, 2009	Carlson Gracie Jr.

Except as set forth above in this Item, we do not know of any superior or prior rights or infringing uses that could materially affect your use of the Marks. Except as set forth above in this Item, there are no currently effective agreements that significantly limit our right to use or license the use of the Principal Marks in a manner material to the franchise.

We are not obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition with respect to your use of the Marks, but we will pay a portion of your costs associated with substituting a new Mark for one of the prominent Marks if we require you to substitute or discontinue use of a prominent Mark in the future. If a claim is brought against you for infringement or unfair competition with respect to your use of the Marks, we may, but are not obligated to, pay all costs, including attorneys' fees and court costs, associated with any litigation required to defend or protect your authorized use of the Marks. We may control the defense of any claims and you must cooperate with us and our affiliates in any such litigation. Any apparent infringement of or challenge to your use of any Mark should be brought to our attention immediately and you may not communicate with any person other than us or our counsel regarding any such matter. You may not settle any claim without our written consent. We and our affiliates have sole discretion to take any appropriate action. We and our affiliates have the right to control exclusively any litigation, USPTO proceeding or any other administrative proceeding arising out of any infringement, challenge or claim relating to any Mark.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own rights in or licenses to any patents, patent applications or copyrights material to the franchise, but we claim common law copyright and trade secret protection for aspects of our franchise system including our Operations Manual, training materials, advertising and promotional materials, and other works. We consider our Operations Manual, our training materials, our Licensed Methods and any and all other related materials as our proprietary and confidential property. GRACIE BARRA Schools may use the Operations Manual only as described in the Franchise Agreement. We require that you maintain the confidentiality of our proprietary information and adopt reasonable procedures to prevent unauthorized disclosure of our trade secrets and proprietary information. Although we have not obtained copyright registrations, we and our affiliates own the copyright in our Operations Manual, training materials, advertising and promotional materials and other works.

We are not contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition with respect to your use of the copyright and trade secret material, but it is our policy to do so when, in the opinion of our legal counsel, your right to use the copyright and trade secret material requires protection. In such a case, we will pay all costs, including attorneys' fees and court costs, associated with any litigation required to defend or protect your authorized use of the copyright and trade secret material. You must cooperate with us and our affiliates in any such litigation. Any apparent infringement of or challenge to your use of any copyright or trade secret material should be brought to our attention immediately and you may not communicate with any person other than us or our counsel regarding any such matter. You may not settle any claim without our written consent. We and our affiliates have sole discretion to take any appropriate action. We and our affiliates have the right to control exclusively any litigation or any other administrative proceeding arising out of any infringement, challenge or claim relating to any copyright and trade secret material.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not required to participate personally in the direct operation of your GRACIE BARRA School, but we strongly recommend that you participate personally. If you sign the Franchise Agreement, and you (or your managing partner or shareholder) do not participate in the day-to-day operation of the GRACIE BARRA School, you will need to designate a manager ("**Program Director**") to be responsible for the direct on-premises supervision of the GRACIE BARRA School at all times during its hours of operation. In addition, if you (or your managing partner or shareholder) have not completed our Instructor Certificate Program before signing the Franchise Agreement, you must also designate a Head Instructor who has completed our Instructor Certificate Program to participate in the operation of your School and be responsible for the direct on-premises supervision of all martial arts instruction and other martial arts-related services provided to students at all times during its hours of operation. Your Program Director and Head Instructor must successfully complete our mandatory initial training program.

Under the Regional Collaborator Agreement, you (or your managing owner who has been approved by us and has satisfactorily completed our Regional Collaborator training program) must participate personally in the direct operation of the Business. You must be actively involved in the daily operation of your Business and must be available to assist the franchisees in your Region during normal business hours.

If you are a corporation, limited liability company or partnership, we do not require that your Program Director and Head Instructor own an equity interest in the entity. Your Program Director, Head Instructor and each of your officers, directors, partners, shareholders, members and employees as we may designate (and, if you are an individual, your spouse) must agree to be bound by the nondisclosure

provisions of the Franchise Agreement and must sign a separate nondisclosure and noncompetition agreement with us (Exhibit E to this Disclosure Document). We make no recommendations and have no other requirements regarding employment or other written agreements between you and your employees.

If you are a corporation, limited liability company or partnership, each of your shareholders, partners, members and other owners must sign an agreement (Exhibit II to the Franchise Agreement and Exhibit II to the Regional Collaborator Agreement) personally guaranteeing and agreeing to perform all obligations of the franchisee under the Franchise Agreement. Each Regional Collaborator's Principal Owner must personally guaranty and agree to perform all obligations of the Regional Collaborator under the Regional Collaborator Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell through the School only those products and services approved by us and may not use the School Location for any purposes other than the operation of a GRACIE BARRA School. You may not sell products or services off-premises, or through the Internet. You must sell all of the products and services approved by us. You must comply with our standards and specifications for products and services sold through any GRACIE BARRA School. We have the right to change or supplement the types of authorized products and services, and there are no limits on our right to do so.

You do not have the right to use the Internet to solicit students or make sales to students and other customers, except in accordance with our policies and procedures regarding electronic advertising or through an approved website.

Other than the above, there are no restrictions on services or products you may offer or on the persons to whom you may sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

These tables list certain important provisions of the Franchise Agreement, Development Agreement and the Regional Collaborator Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 17.1	5 years
b. Renewal or extension of the term	Sections 17.3, 17.4 and 17.5	Term in then current Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	Sections 17.3 and 17.4	Sign new agreement and release; provide us notice of your intention to renew 210 days to one year before end of term. You may be asked to sign a contract with materially different terms and conditions than your original contract if you chose to renew.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 18.1, 18.2, 18.3 and 18.4	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined – curable defaults which you can cure	Sections 18.2 and 18.3.	30 days for operational defaults, 10 days for monetary defaults.
h. "Cause" defined – non-curable defaults	Section 18.1	Unauthorized disclosure, conviction of a crime, abandonment, unapproved transfers, bankruptcy (this provision may not be enforceable under federal bankruptcy law), assignment for benefit of creditors, unsatisfied judgments, levy, foreclosure, repeated violations, misuse of Marks, health and safety violations.
i. Franchisee's obligations on termination/nonrenewal	Section 18.5	Pay outstanding amounts, de-identification of School, return of confidential information, covenant not to compete (see also r. below).
j. Assignment of contract by franchisor	Section 16.6	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 16.1	Includes transfer of Franchise Agreement or School or any change in ownership of franchisee entity.
l. Franchisor approval of transfer by franchisee	Section 16.3	We have the right to approve all transfers, we may not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	Section 16.2	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then current contract signed, franchisee signs general release and noncompetition covenant.

Provision	Section in Franchise Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 16.4	We may match any offer.
o. Franchisor's option to purchase franchisee's business	Section 18.6	We may buy your School or a portion of the assets of the School upon termination or non-renewal.
p. Death or disability of franchisee	Section 16.7	Franchise must be assigned to approved buyer within 180 days.
q. Non-competition covenants during the term of the franchise	Section 20.1	No involvement in competing business and no diversion.
r. Non-competition covenants after the franchise is terminated or expires	None	Not applicable.
s. Modification of the agreement	Section 23.1	No modifications generally but Operations Manual subject to change.
t. Integration/merger clause	Section 23.2	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 22	Except for certain claims, arbitration in Orange County, California (subject to state law).
v. Choice of forum	Sections 22.1 and 22.2	Arbitration in Orange County, California and, for certain claims, litigation in Orange County, California (subject to state law).
w. Choice of law	Section 22.3	California law, as applicable, applies (subject to state law).

THE DEVELOPER RELATIONSHIP

Provision	Section in Development Agreement	Summary
a. Length of the franchise term (Development Agreement)	Section 4.1	Varies based on development schedule.
b. Renewal or extension of the term	Not Applicable.	Not Applicable.
c. Requirements for franchisee to renew or extend	Not Applicable.	Not Applicable.
d. Termination by franchisee	Section 4.2.	You may terminate for any reason on 60 days notice.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 4.3	We can terminate if you default on the Development Agreement or any of your Franchise Agreements
g. "Cause" defined – curable defaults which you can cure	Section 4.3	30 days notice of breach of Development Agreement or Franchise Agreement
h. "Cause" defined – non-curable defaults	Section 4.3	See h. of Franchise Agreement chart above.
i. Franchisee's obligations on termination/nonrenewal	Section 4.4	You remain bound to all Franchise Agreements
j. Assignment of contract by franchisor	Section 5.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 5.2	Includes transfer of interest in Developer Agreement, or in the franchisee entity.
l. Franchisor approval of transfer by franchisee	Section 5.2	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Sections 5.2 and 5.3	Notice, transferee qualifies, payment of transfer fee, see m. of Franchise Agreement chart.

Provision	Section in Development Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 5.4	We may match any offer.
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Section 6.1	You are bound to same restrictive covenants as those in Franchise Agreement
r. Non-competition covenants after the franchise is terminated or expires	None	Not applicable.
s. Modification of the agreement	Section 8.6	No modification except on execution of a written agreement
t. Integration/merger clause	Section 8.7	Only the terms of the Franchise Agreement and Development Agreement are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document, Franchise Agreement and Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable.	Not Applicable.
v. Choice of forum	Section 8.1	Arbitration in Orange County, California and, for certain claims, litigation in Orange County, California (subject to state law).
w. Choice of law	Section 8.2	California law, as applicable, applies (subject to state law).

THE REGIONAL COLLABORATOR RELATIONSHIP

<u>Provision</u>	<u>Section in Development Agreement</u>	<u>Summary</u>
a. Length of the term	Section 15.1	Three years.
b. Renewal or extension of the term	Sections 15.3 and 15.4	Unless notice of termination is given, the term of the then current Regional Collaborator Agreement.
c. Requirements for franchisee to renew or extend	Section 15.3	Pay fee, agree with us on new Sales Goals, comply with obligations, sign release, and provide us notice of your intention to renew by signing then current RC Agreement 60 days before end of term. You may be asked to sign a contract with materially different terms and conditions than your original contract if you choose to renew.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable

<u>Provision</u>	<u>Section in Development Agreement</u>	<u>Summary</u>
f. Termination by franchisor with cause	Article 16	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined – curable defaults which you can cure	Section 16.2	30 days for operational defaults, 10 days for monetary defaults
h. "Cause" defined – non-curable defaults	Section 16.2	Unauthorized disclosure, conviction of a crime, abandonment, unapproved transfers, bankruptcy (this provision may not be enforceable under federal bankruptcy law), assignment for benefit of creditors, unsatisfied judgments, levy, foreclosure, repeated violations, misuse of Marks, defaults or termination of other agreements, immigration violations, misrepresentations in application, failure to complete initial training program.
i. Franchisee's obligations on termination/nonrenewal	Section 16.3	Pay outstanding amounts, de-identification of Business, return of confidential information, covenant not to compete and others (see also r. below).
j. Assignment of contract by franchisor	Section 14.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 14.2	Includes transfer of Regional Collaborator Agreement or Business or any change in ownership of Collaborator entity.
l. Franchisor approval of transfer by franchisee	Section 14.3 and 14.4	Rights under Regional Collaborator Agreement may not be transferred without our approval and without fulfilling conditions.
m. Conditions for franchisor approval of transfer	Sections 14.3	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then current contract signed, Director signs general release and noncompetition covenant.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	No Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable

<u>Provision</u>	<u>Section in Development Agreement</u>	<u>Summary</u>
p. Death or disability of franchisee	Section 14.5	Transfer within six months to an approved party.
q. Non-competition covenants during the term of the franchise	Section 11.1	No involvement in competing business and no diversion.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not applicable.
s. Modification of the agreement	Section 19.2	No modifications generally but specifications and standards and quality control measures are subject to change.
t. Integration/merger clause	Section 19.10	Only terms of Regional Collaborator Agreement and representations in the most recent Disclosure Document provided by us in connection with the execution of the Regional Collaborator Agreement are binding (subject to state law).
u. Dispute resolution by arbitration or mediation	Article 18.	Except for certain claims, arbitration in Orange County, California (subject to state law).
v. Choice of forum	Section 18.2 and 18.3	Arbitration in Orange County, California and, for certain claims, litigation in Orange County, California (subject to state law).
w. Choice of law	Section 18.3	California law, as applicable, applies (subject to state law).

ITEM 18

PUBLIC FIGURES

We allow our Schools to train Public Figures that are not part of Gracie Barra. They can also teach seminars at our Schools and wear their uniform and bring in their martial art style.

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 this 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, however, 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 our Chief Executive Officer, Flavio Almeida, at 300 Spectrum Center Drive, Suite 400, Irvine, California 92618, (949) 485-5214, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2016 TO 2018 ⁽¹⁾

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	104	125	+21
	2017	125	148	+23
	2018	148	181	+33
Company and Affiliate-Owned ⁽²⁾	2016	4	6	+2
	2017	6	9	+3
	2018	9	9	0
Total Outlets ⁽³⁾	2016	108	131	+23
	2017	131	157	+26
	2018	157	190	+33

(1) All numbers are as of December 31 for each year.

(2) As stated in Item 1, our affiliates own and operate these schools.

(3) These numbers do not include 0 schools operated under licenses granted by an affiliate before we began selling franchises. See Item 1.

Table 2

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR)
FOR YEARS 2016 TO 2018⁽¹⁾**

State	Year	Number of Transfers
British Columbia, Canada	2016	0
	2017	1
	2018	1
California	2016	2
	2017	2
	2018	4
Florida	2016	3
	2017	0
	2018	1
Georgia	2016	0
	2017	0
	2018	0
Illinois	2016	0
	2017	0
	2018	1
Massachusetts	2016	0
	2017	0
	2018	1
Oregon	2016	0
	2017	0
	2018	1
Tennessee	2016	1
	2017	0
	2018	0
Texas	2016	1
	2017	0
	2018	1
Washington	2016	0
	2017	0
	2018	1

Totals	2016	7
	2017	1
	2018	11

(1) All numbers are as of December 31 for each year.

Table 3

**STATUS OF FRANCHISED OUTLETS
FOR YEARS 2016 TO 2018 ⁽¹⁾**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Outlets Sold to Franchisee	Ceased Operations -Other Reasons	Outlets at End of Year
Alabama	2016	1	0	0	0	0	0	0	1
	2017	1	0	0	0	0	0	0	1
	2018	1	1	0	0	0	0	0	2
Alberta, Canada	2016	1	0	0	0	0	0	0	1
	2017	1	0	0	0	0	0	0	1
	2018	1	0	0	0	0	0	0	1
Arizona	2016	1	1	0	0	0	0	0	2
	2017	2	1	0	0	0	0	0	3
	2018	3	0	0	0	0	0	0	3
British Columbia, Canada	2016	4	2	0	0	0	0	0	6
	2017	6	0	2	0	0	0	0	4
	2018	4	6	0	0	0	0	0	10
California	2016	30	2	2	0	0	2	0	32
	2017	32	5	0	0	0	0	0	37
	2018	37	5	0	0	0	1	0	43
Colorado	2016	1	0	0	0	0	0	0	1
	2017	1	1	0	0	0	0	0	2
	2018	2	0	0	0	0	0	0	2
Florida	2016	8	7	0	0	0	0	0	15
	2017	15	1	0	0	0	0	0	16
	2018	16	6	1	0	0	0	0	21
Georgia	2016	6	1	1	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Outlets Sold to Franchisee	Ceased Operations -Other Reasons	Outlets at End of Year
	2017	6	1	0	0	0	0	0	7
	2018	6	2	2	0	0	0	0	6
Hawaii	2016	1	0	0	0	0	0	0	1
	2017	1	1	0	0	0	0	0	2
	2018	2	0	0	0	0	0	0	2
Idaho	2016	0	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	0	1
Illinois	2016	5	0	0	0	0	0	0	5
	2017	5	2	0	0	0	0	0	7
	2018	7	2	0	0	0	0	0	9
Louisiana	2016	1	0	0	0	0	0	0	1
	2017	1	1	0	0	0	0	0	2
	2018	2	0	0	0	0	0	0	2
Massachusetts	2016	0	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	0	1
Michigan	2016	1	0	0	0	0	0	0	1
	2017	1	0	0	0	0	0	0	1
	2018	1	1	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Outlets Sold to Franchisee	Ceased Operations -Other Reasons	Outlets at End of Year
Missouri	2016	3	0	0	0	0	0	0	3
	2017	3	1	0	0	0	0	0	4
	2018	4	1	0	0	0	0	0	5
Nevada	2016	0	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	0	2
New Mexico	2016	5	2	0	0	0	0	0	7
	2017	7	0	0	0	0	0	0	7
	2018	7	2	0	0	0	0	0	9
New Jersey	2016	0	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	0	1
New York	2016	0	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	0	2
	2018	2	0	0	0	0	0	0	2
North Carolina	2016	2	0	0	0	0	0	0	2
	2017	2	0	0	0	0	0	0	2
	2018	2	1	1	0	0	0	0	2
Oregon	2016	1	0	0	0	0	0	0	1
	2017	1	0	0	0	0	0	0	1
	2018	1	0	0	0	0	0	0	1
Pennsylvania	2016	0	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	0	1
Quebec, Canada	2016	3	0	0	0	0	0	0	3
	2017	3	3	0	0	0	0	0	6
	2018	6	2	0	0	0	0	0	8
South Carolina	2016	0	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0	0
Tennessee	2016	4	1	2	0	0	0	0	3
	2017	3	1	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Outlets Sold to Franchisee	Ceased Operations - Other Reasons	Outlets at End of Year
	2018	4	1	1	0	0	0	0	4
Texas	2016	20	4	1	0	0	0	0	23
	2017	23	1	1	0	0	0	0	23
	2018	23	4	1	0	0	0	0	26
Toronto, Canada	2016	0	1	0	0	0	0	0	1
	2017	1	1	0	0	0	0	0	2
	2018	2	0	0	0	0	0	0	2
Utah	2016	0	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	0	1
	2018	1	0	0	0	0	0	0	1
Virginia	2016	0	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	0	1
Washington	2016	7	1	0	0	0	0	0	8
	2017	8	3	0	0	0	0	0	11
	2018	11	2	2	0	0	0	0	11
Totals	2016	104	25	6	0	0	2	0	125
	2017	125	26	3	0	0	0	0	148
	2018	148	40	8	0	0	1	0	181

(1) All numbers are as of December 31 for each year.

Table 4

**STATUS OF COMPANY AND AFFILIATE-OWNED OUTLETS
FOR YEARS 2016 TO 2018 ^{(1) (2)}**

State/Province	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired by Franchisor	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Arizona	2016	1	2	0	0	0	3
	2017	3	3	0	0	0	6
	2018	6	1	0	0	0	7
California	2016	3	1	0	0	2	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	1	1
New Jersey	2016	0	1	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Totals	2016	4	4	0	0	2	6
	2017	6	3	0	0	0	9
	2018	9	1	0	0	1	9

(1) All numbers are as of December 31 for each year.

(2) As stated in Item 1, our affiliates own and operate these schools.

Table 5

**PROJECTED NEW FRANCHISED OUTLETS
AS OF DECEMBER 31, 2018**

STATE	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
Alabama	0	0	0
Alberta, Canada	0	0	0
Arizona	1	2	2
British Columbia, Canada	1	0	0
California	5	5	0
Colorado	0	0	0
Florida	4	5	0
Georgia	1	2	0
Hawaii	0	1	0
Illinois	0	2	0
Louisiana	1	0	0
Michigan	0	0	0
Missouri	0	0	0
New Mexico	0	2	0
Nevada	0	1	0
North Carolina	0	0	0
Oregon	0	0	0
Quebec, Canada	0	0	0
South Carolina	0	0	0
Tennessee	0	1	0
Texas	0	3	0
Washington	2	0	0
TOTALS	15	24	2

A list of the names of all Franchisees as of the effective date of this disclosure document, which is the date on which we began offering franchises, and the addresses and telephone numbers of their GRACIE BARRA Schools are listed as Exhibit F to this Disclosure Document. A list of the name, current business address and telephone number (or, if unknown, the last known home telephone number) of every Franchisee who has had a School terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during fiscal year 2018 or who has not communicated with us within 10 weeks of the date of this Disclosure Document is listed on Exhibit G to

this Disclosure Document. 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 signed confidentiality clauses with current or former franchisees restricting their ability to speak openly about their experience with us or the GRACIE BARRA franchise program.

In some instances in the future, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with us or the GRACIE BARRA franchise program. You may wish to speak with current and former franchisees, but be aware that not all such franchisees may be able to communicate with you.

No independent franchisee organizations have asked to be included in this Disclosure Document. As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the franchise system that have been created, sponsored or endorsed by us.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit H are our audited balance sheets as of December 31, 2018, 2017 and 2016, and the related statements of operations, stockholders equity and cash flow for the years ended December 31, 2018, 2017 and 2016. Attached to this Disclosure Document as Exhibit H are also our unaudited balance sheet that is current within 120 days and an income statement for the period between January 1, 2019 and the date of the balance sheet. These financial statements are prepared without an audit. Prospective franchisees should be advised that no public certified accountant had audited this figures or expressed his/her opinion with regard to the content or form.

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following contracts:

Exhibit B	Franchise Agreement
Exhibit C	Development Agreement
Exhibit D	Regional Collaborator Agreement
Exhibit E	Nondisclosure and Non-Competition Agreement
Exhibit J	State Addenda and Riders to Disclosure Document, Franchise Agreements and Other Exhibits
Exhibit K	Conditional Assignment, Promissory Note, Guaranty Agreement and Addendum to Franchise Agreement
Exhibit L	Supplier Contracts
Exhibit M	Closing Acknowledgement
Exhibit N	General Release

ITEM 23

RECEIPTS

The last page of the Disclosure Document (following the exhibits) is a document acknowledging receipt of this Disclosure Document by you (one copy for you and one copy to be signed and returned to us).

**EXHIBIT A
(TO DISCLOSURE DOCUMENT)**

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES

California

Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7505
(866) 275-2677

1515 K Street, Suite 200
Sacramento, CA 95814-4052
(916) 445-7205
(866) 275-2677

1350 Front Street
San Diego, CA 92101
(619) 525-4044
(866) 275-2677

One Sansome Street, Suite 600S
San Francisco, CA 94104
(415) 972-8559
(866) 275-2677

Florida

Department of Agriculture and
Consumer Services
Division of Consumer Services
Terry Lee Rhodes Building
2005 Apalachee Parkway
Tallahassee, FL 32399-6500
(850) 488-2221

Hawaii

Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch 335
Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Office of Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204
(317) 232-6681

Maryland

Office of Attorney General
Maryland Division of Securities
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

Minnesota

Minnesota Department of Commerce
Registration and Licensing
Division
857th Place East, Suite 500
St. Paul, MN 55101
(612) 296-6328

Nebraska

Department of Banking and Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York

New York State Department of Law Bureau of
Investor Protection and Securities
120 Broadway, 23rd Floor New
York, NY 10271
(212) 416-8211

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Rhode Island

Department of Business Regulation
Division of Securities
151.1 Pontiac Avenue
John O. Pastore Complex—Building 69-1
Cranston, Rhode Island 02920
(401) 462-9527

South Dakota

South Dakota Department of
Labor and Regulation
Division of Securities
445 E. Capitol Avenue
Pierre, SD 57501
(605) 773-4013

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Securities Administrator Department
of Financial Institutions Securities Division
150 Israel Road S.W. Tuk
Washwater, WA 98501
(360) 902-8760

Wisconsin

Department of Financial Institutions
Division of Securities

345 W. Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

LIST OF AGENTS FOR SERVICE OF PROCESS

California

California Commissioner of
Business Oversight
Dept. of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7505
(866) 275-2677

Hawaii

Commissioner of Securities
Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-1090

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan

Michigan Department of
Commerce,
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48910
(517) 334-6212

Minnesota

Minnesota Commissioner of
Commerce
Department of Commerce
857th Place East, Suite 500
St. Paul, Minnesota 55101
(612) 296-4026

New York

Secretary of State of the State of
New York
41 State Street
Albany, New York 12231
(518) 473-2492

North Dakota

North Dakota Securities
Commissioner
600 E. Boulevard Avenue
State Capitol, 5th Floor
Bismarck, North Dakota 58505-0510
(701) 328-2910

Oregon

Director of Oregon Department of
Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, Oregon 97310
(503) 378-4387

Rhode Island

Director of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex—Building 69-1
Cranston, Rhode Island 02920
(401) 462-9527

South Dakota

Director of South Dakota Division of
Securities
445 East Capitol Avenue
Pierre, South Dakota 57501
(605) 773-4823

Virginia

Clerk of the State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

Washington

Securities Administrator
Washington State Department of
Financial Institutions
150 Israel Road S.W.
Tumwater, Washington 98501
(360) 902-8760

Wisconsin

Wisconsin Commissioner of
Securities
345 W. Washington Ave., 4th Floor
Box 1768
Madison, Wisconsin 53703
(608) 261-9555

**EXHIBIT B
(TO DISCLOSURE DOCUMENT)**

GRACIE BARRA FRANCHISE SYSTEMS, INC.

FRANCHISE AGREEMENT

Franchisee: _____

Date: _____

Territory: _____

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EXHIBITS

- I. Addendum to Franchise Agreement
- II. Personal Guaranty and Assumption
- III. Statement of Ownership
- IV. Electronic Funds Transfer Authorization
- V. Instructor Confidentiality Agreement

**GRACIE BARRA FRANCHISE SYSTEMS, INC.
FRANCHISE AGREEMENT**

THIS AGREEMENT (the "**Agreement**") by and between **GRACIE BARRA FRANCHISE SYSTEMS, INC.**, a California corporation, located at 300 Spectrum Center Drive, Suite 400, Irvine CA, 92618 (the "**Franchisor**") and _____, located at _____ (the "**Franchisee**"), is made effective as of the date set forth below.

1. PURPOSE

The Franchisor has developed methods for establishing and operating businesses which provide martial arts instruction services, primarily Brazilian Jiu-Jitsu, and other approved services and products to individuals ("**GRACIE BARRA Schools**" or "**Schools**") and which include the use and license of the service marks "**GRACIE BARRA**," "**G BARRA**," and certain other valuable trade names, service marks and trademarks owned or licensed by the Franchisor (the "**Marks**"), and the Franchisor's distinctive plans for the establishment, operation and promotion of **GRACIE BARRA Schools** and related licensed methods of doing business (the "**Licensed Methods**").

The Franchisor grants the right to others to develop and operate a **GRACIE BARRA School**, under the Marks and pursuant to the Licensed Methods.

The Franchisee desires to establish a **GRACIE BARRA School** and the Franchisor desires to grant the Franchisee the right to operate a **GRACIE BARRA School** under the terms and conditions which are contained in this Agreement.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise. The Franchisor grants to the Franchisee, and the Franchisee accepts from the Franchisor, the non-exclusive right to use the Marks and Licensed Methods in connection with the establishment and operation of one **GRACIE BARRA School**. The Franchisee agrees to use the Marks and Licensed Methods, as they may be changed, improved, and further developed by the Franchisor from time to time, only in accordance with the terms and conditions of this Agreement.

2.2 Scope of Franchise Operations. The Franchisee agrees at all times to faithfully, honestly and diligently perform the Franchisee's obligations hereunder, and to continuously exert best efforts to promote the **GRACIE BARRA School**. The Franchisee agrees to utilize the Marks and Licensed Methods to operate all aspects of the **GRACIE BARRA School** franchised hereunder in accordance with the methods and systems developed and prescribed from time to time by the Franchisor, all of which are a part of the Licensed Methods.

3. BUSINESS LOCATION AND TERRITORY

3.1 School Location. The Franchisee is granted the right to own and operate a **GRACIE BARRA School** from and through the school location as set forth in Exhibit I, attached hereto and incorporated herein by reference ("**School Location**"), provided that the School Location is located within the Territory, as defined below in Section 3.2. If this Agreement is executed before a School Location is selected and approved, the Franchisee shall choose and acquire a location for the **GRACIE BARRA School** within a designated area set forth in Exhibit I, attached hereto ("**Designated Area**"). The designation of the Designated Area shall not in any manner grant the Franchisee any continuing territorial rights in or to the Designated Area aside from the grant of the instant franchise.

3.2 Territory. Subject to the Franchisor's reservation of rights described in Section 3.5 below, and compliance with the Sales Requirement in Section 10.2 below, the Franchisor shall not establish and operate, or franchise another person or entity to establish and operate, a GRACIE BARRA School within the geographic area described in Exhibit I, attached hereto ("Territory").

3.3 Limitation on Franchise Rights. The Franchisee shall limit the provision of the GRACIE BARRA School services and products to the School Location within the Territory. The Franchisee shall not operate the GRACIE BARRA School at any location outside the Territory. Subject to the limitations set forth in this Section 3.3 and in this Agreement and the policies and procedures set forth in the Operations Manual, as that term is defined in Section 8.1, the Franchisee may provide the GRACIE BARRA School services and products to students ("Students") who reside outside the Territory, just as other GRACIE BARRA School franchisees, the Franchisor, and its affiliates may provide the GRACIE BARRA School services and products to Students who reside in the Franchisee's Territory. The Franchisee shall not advertise or solicit Students located outside the Territory through conventional marketing channels or alternative channels such as the Internet, telemarketing or other direct marketing, except in accordance with the standards and specifications of the Franchisor and Section 12.5 (Electronic Advertising) below.

3.4 No Relocation. The Franchisee may not change the boundaries of the Territory without the prior written approval of the Franchisor. The Franchisee shall not be permitted to relocate the School Location without the Franchisor's prior written consent which shall not be unreasonably withheld. It shall be deemed reasonable for the Franchisor to withhold its consent if the Franchisee wishes to locate the School Location outside of the Territory.

3.5 Franchisor's Reservation of Rights. The Franchisee expressly acknowledges that the franchise granted hereunder is non-exclusive and that the Franchisor and its affiliates, successors and assigns retain the rights, among others, without any compensation to the Franchisee: (1) to use, and to license others to use, the Marks and Licensed Methods for the operation of GRACIE BARRA Schools at any location, other than in Franchisee's Territory; (2) to use the Marks to identify promotional and marketing efforts or related items, and to identify services and products distributed or otherwise made available through alternative channels of distribution (other than GRACIE BARRA Schools), at any location, including within Franchisee's Territory and, without limitation, sales through channels of distribution such as the Internet, wholesale distribution, retail store display, direct mail or other direct marketing methods; (3) to use and license the use of alternative proprietary marks or methods in connection with the sale of services and products the same as, similar to, or dissimilar from, those which the Franchisee will sell, whether in alternative channels of distribution including, without limitation, the Internet, wholesale distribution, retail store display, direct mail, telemarketing, or other direct marketing, or in connection with the operation of businesses which are the same as, or similar to, or dissimilar from GRACIE BARRA Schools, at any location, including within Franchisee's Territory, and on any terms and conditions as the Franchisor deems advisable, and without granting the Franchisee any rights to them; and (4) to engage in any other activities not specifically prohibited in this Agreement.

4. INITIAL FRANCHISE FEE

4.1 Initial Franchise Fee. In consideration for the right to develop and operate one GRACIE BARRA School, the Franchisee agrees to pay to the Franchisor an initial franchise fee in the amount listed on and in accordance with the terms of the Addendum to this Agreement, attached hereto as Exhibit I.

The Franchisee acknowledges and agrees that the initial franchise fee represents payment for the initial grant of the rights to use the Marks and Licensed Methods, that the Franchisor has earned the initial

franchise fee upon receipt thereof and that the fee is under no circumstances refundable to the Franchisee after it is paid.

5. DEVELOPMENT OBLIGATIONS

5.1 Approval of School Location. The Franchisee shall follow the Franchisor's site selection procedures in finding a School Location for the GRACIE BARRA School. The Franchisee shall seek the Franchisor's approval of any site proposed as a School Location, by submitting a complete site submittal package, including demographics and other materials requested by the Franchisor, containing all information reasonably required by the Franchisor to assess a proposed Franchised Location. The Franchisor shall have the right, but not the obligation, in its sole discretion, to send a representative to the proposed School Location prior to granting approval of a proposed site. The Franchisor will not unreasonably withhold approval of a proposed site that meets all of the Franchisor's site selection criteria. The Franchisee shall obtain the Franchisor's approval of a Franchised Location within 90 days of the date of execution of this Agreement. If the Franchisor disapproves of a site proposed by the Franchisee, the Franchisor will grant the Franchisee an additional, reasonable period of time to obtain approval of a different proposed School Location, as may be determined in the Franchisor's reasonable business judgment.

5.2 Approval of Lease. The Franchisee shall obtain the Franchisor's prior written approval before executing any lease or purchase agreement for the School Location. The Franchisee will use the Franchisor's designated or approved suppliers, if any, to assist the Franchisee with site selection and negotiating lease terms for the benefit of the Franchisor. The lease for the Franchised Location shall contain provisions which:

- a. Provide that the initial term of the lease, or the initial term together with any renewal terms (for which rent must be specified in the lease) must be for at least 5 years;
- b. Express the landlord's consent to the Franchisee's use of the Marks and signage which the Franchisor initially prescribes for the School;
- c. Require the landlord to provide the Franchisor with a notice of default and an opportunity to cure any default; and
- d. Restrict the use of the premises in a manner approved by the Franchisor.

The Franchisor's review and approval of the lease or purchase agreement shall be for the Franchisor's benefit only and the Franchisee should not rely on the review or approval for any purpose whatsoever. The Franchisee shall deliver a copy of the proposed lease for the School Location to the Franchisor within 15 days before its execution. The Franchisee acknowledges that the Franchisor's approval of a lease for the Franchised Location does not constitute a recommendation, endorsement or guarantee by the Franchisor of the suitability or profitability of the location or the lease and the Franchisee should take all steps necessary to ascertain whether the location and lease are acceptable to the Franchisee.

5.3 Conversion and Design. The Franchisee acknowledges that the fixtures, improvements, design, decoration and color scheme of the School, including the flooring, walls, ceiling, décor, reception area and instruction area, are an integral part of the Franchisor's proprietary Licensed Methods and accordingly, the Franchisee shall construct, convert, design and decorate the School Location in accordance with the Franchisor's plans and specifications and with the assistance of architects, contractors and suppliers designated by or otherwise approved by the Franchisor. The Franchisee shall obtain the Franchisor's written consent to any conversion, design or decoration of the premises before

construction, remodeling or decorating begins, recognizing that any related costs are the Franchisee's sole responsibility. The Franchisee shall be responsible for the cost and expense to have plans prepared by the Franchisor's designated architect or such other architect who is otherwise approved by Franchisor and, at the option and cost of the Franchisee, to have the Franchisor's architect review all required construction plans and specifications, to suit the shape and dimensions of the School Location and to ensure compliance with the Franchisor's standards and specifications. In addition, the Franchisee shall ensure compliance with any lease and applicable laws, including, without limitation, the Americans with Disabilities Act and other laws and regulations applicable to a business providing services to the public.

5.4 Signs. The Franchisee shall purchase signs for use at the School in accordance with the standards and specifications of the Franchisor as set forth in the Operations Manual. Failure to obtain the Franchisor's prior approval of signs may require the Franchisee to replace signs at the Franchisee's expense. It is the Franchisee's sole responsibility to insure that all signs comply with applicable local ordinances, mall regulations, building codes and zoning regulations. Any modifications to the Franchisor's standards and specifications for signs which must be made due to local ordinances, codes or regulations shall be submitted to the Franchisor for prior written approval. The Franchisee acknowledges the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with the Franchisor's standards and specifications and only with the prior written approval of the Franchisor.

5.5 Equipment, Furniture and Supplies. The Franchisee shall purchase or otherwise obtain for use at the School, equipment, furniture and supplies of a type and in an amount which complies with the standards and specifications of the Franchisor. The Franchisee acknowledges that the standards and specifications for the equipment, furniture and supplies and related operating procedures for martial arts instruction services and other approved services and products offered through the School, are all standards and specifications which are a part of the Licensed Methods and therefore, all of the equipment, furniture and supplies and other items must be purchased, leased, licensed or otherwise obtained either from the Franchisor or its affiliates as the Franchisor may designate from time to time, or if the Franchisor or its affiliates are not designated as the supplier, in accordance with the Franchisor's standards and specifications and only from suppliers or other sources approved by the Franchisor.

5.6 Computer Hardware, Software and Technology Systems. The Franchisee shall acquire for the School one or more office computers and such other computer equipment and technology systems that the Franchisor may designate from time to time which meet the Franchisor's standards and specifications. The Franchisee shall purchase, license and use operations, accounting, scheduling and other software which is consistent with the standards and specifications of the Franchisor and that is obtained from the Franchisor or its affiliates as the Franchisor may designate from time to time, or if the Franchisor or its affiliates are not designated as the supplier, in accordance with the Franchisor's standards and specifications and from suppliers designated or approved by the Franchisor. The Franchisee shall install, configure and integrate the computer hardware and software and other technology systems in accordance with the standards and specifications of the Franchisor. The Franchisee shall be responsible for all maintenance and update costs associated with the computer hardware and software and other technology systems. The Franchisor reserves the right to require on 30 days notice that the Franchisee purchase, install, and implement updates and upgrades to the computer hardware, software and other technology systems to meet the Franchisor's then current standards and specifications and to address technological developments. The Franchisor shall be given access to all financial reports regarding the GRACIE BARRA School by high speed internet connection or other means designated by the Franchisor and maintained by the Franchisee at its cost.

5.7 Permits, Licenses and Certifications. The Franchisee shall obtain and maintain all appropriate permits and business licenses, and, if applicable, a license, registration or certification, as may be required

for the lawful operation of the GRACIE BARRA School. In addition, the Franchisee shall obtain and maintain all required licenses, registrations and certifications for each employee requiring licensure, registration or certification, including, but not limited to, licenses, registrations and certifications to provide the martial arts instruction services and other approved services and products as may be required for lawful operation of the GRACIE BARRA School.

5.8 Commencement of Operations. The Franchisee shall commence operation of the School within six months after the date of this Agreement. The Franchisee shall operate the School without interruption following the date the Franchisee commences School operations. The Franchisor may, in its sole discretion, extend this deadline if factors beyond the Franchisee's reasonable control cause a delay in spite of the Franchisee's reasonable, continuing efforts to commence School operations. The Franchisee shall, if necessary, apply for an extension before the six month deadline passes.

6. TRAINING

6.1 Initial Training Program and Instructor Certification. The Franchisee or, if the Franchisee is not an individual, the person designated by the Franchisee to assume primary responsibility for the management of the GRACIE BARRA School ("**Program Director**") and the person designated by the Franchisee to assume primary responsibility for the martial arts instruction provided through the School ("**Head Instructor**"), provided they are not the same person, are required to attend and successfully complete an initial training program which is offered by the Franchisor. The Franchisor will offer the initial training program using Internet-based methods, including, but not limited to, webinars, conference calls, video conferences and other on-line training methods. Two persons are eligible to participate in the Franchisor's initial training program without charge of a tuition or fee. An Internet-based method is used for the initial training program, therefore the Franchisee will be responsible for any and all costs related to accessing the Internet, transmitting voice, data, and other communications means necessary to participate in the training program. The Franchisee's designated Head Instructor must successfully complete the initial training program and the Franchisor's Instructor Certificate Program.

6.2 Length of Training. The initial training program will consist of approximately 30 hours of web-based training. Your Head Instructor must become certified to teach and supervise other instructors at the School by attending and successfully completing the initial training program and the Instructor Certification Program which consists of approximately 10 hours of web based training. At the conclusion of the initial training program, the Franchisor reserves the right, in its sole discretion, to require the Franchisee's Program Director and Head Instructor to pass a test administered by Franchisor to determine competency in subject areas including, but not limited to, the proper instruction of jiu-jitsu, enrolling and retaining Students, and marketing and promoting the Franchisee's School. The Franchisor reserves the right to waive a portion of the training program or alter the training schedule if, in the Franchisor's sole discretion, the Program Director or Head Instructor have sufficient prior experience or training.

6.3 Additional Training. From time to time, the Franchisor may suggest attendance at seminars, conventions or continuing development programs, such as technical training programs, or conduct meetings for the benefit of the Franchisee. The Franchisee's Program Director, Head Instructor, and other employees and independent contractors of the Franchisee will be invited to attend on-going webinars, seminars, conventions, programs or meetings as may be offered or sponsored by the Franchisor or provided by third parties. The Franchisor may invite designated employees of Franchisee to attend Internet-based training courses such as webinars, conference calls, CDs, video conferences and other on-line training courses (the "**Remote Training**") upon at least seven (7) days prior written notice. The Franchisor will not require the Franchisee's Program Director, Head Instructor, or other employees or independent contractors to attend more than 12 Remote Training Sessions during any three-month period. The Franchisor will not require that the Franchisee's Program Director, Head Instructor, or other

employees or independent contractors attend any ongoing training seminar, convention or continuing development program in person. The Franchisor reserves the right to charge the Franchisee a tuition or fee for all on-going training programs, martial arts tournaments and national conventions, and to require the Franchisee to pay tuition or a fee to a third party to attend any training program, martial arts tournaments, or national convention. In addition, the Franchisee will be responsible for all expenses and all costs related to Internet-based communications which are associated with attending on-going training programs..

7. DEVELOPMENT ASSISTANCE

7.1 Franchisor's Development Assistance. The Franchisor will provide the Franchisee with the following assistance in the initial establishment of the Franchisee's first GRACIE BARRA School:

- a. Designate the Territory;
- b. Provide the initial training program to be conducted as described in Article 6 above;
- c. Provision of written specifications for the School Location which shall include, without limitation, specifications for space requirements, build out and the demographics and character of the surrounding market area. The Franchisee acknowledges that the Franchisor shall have no other obligation to provide assistance in the selection and approval of the School Location other than the provision of such written specifications and approval or disapproval of a proposed School Location, which approval or disapproval shall be based on information submitted to the Franchisor in a form sufficient to assess the proposed location as may be reasonably required by the Franchisor;
- d. Directives regarding the required conversion, design and decoration of the School premises, plus specifications concerning interior and exterior design of the space layout, interior and exterior signs, color, decor, equipment, furniture and lease review. The Franchisor or its designated supplier must approve of the Franchisee's lease before the Franchisee enters into it and also must approve of the Franchisee's construction plans and specifications before construction begins. The Franchisee is responsible for the costs associated with hiring a real estate consultant, hiring architects to produce architectural drawings, hiring a construction manager and all other costs of construction.
- e. Advice regarding the selection of suppliers of items, services, and supplies used in connection with the GRACIE BARRA School. After execution of this Agreement, the Franchisor will provide the Franchisee with a list of approved suppliers, if any, of items, services, and supplies and, if available, a description of any national or central purchase and supply agreements offered by approved suppliers for the benefit of GRACIE BARRA franchisees; and
- f. An Operations Manual in accordance with Article 8 below.

8. OPERATIONS MANUAL

8.1 Operations Manual. The Franchisor agrees to provide the Franchisee with access to the web-based manuals, other written materials, and all Gracie Barra Licensed Methods (collectively referred to as "Operations Manual"), in electronic form or in hard copy, all of which together shall be deemed to be the "Operations Manual," covering certain standards and specifications and operating techniques and procedures that the Franchisor requires the Franchisee to utilize in operating the GRACIE BARRA

School. The Franchisor shall provide updates to its standards and specifications to the Franchisee in written or electronic form as and when updates are available. The Operations Manual is incorporated into this Agreement by reference. The Franchisee agrees that it will comply with the Operations Manual as an essential aspect of its obligations under this Agreement and failure by the Franchisee to substantially comply with the Operations Manual may be considered by the Franchisor to be a breach of this Agreement.

8.2 Confidentiality of Operations Manual Contents. The Franchisee shall use the Marks and Licensed Methods only as specified in the Operations Manual. The Operations Manual is the sole property of the Franchisor and shall be used by the Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof. The Franchisee shall not duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who have signed a confidentiality and noncompetition agreement in a form approved by the Franchisor. The Franchisee shall return the Operations Manual to the Franchisor upon the expiration, termination or assignment of this Agreement.

8.3 Changes to Operations Manual. The Franchisor reserves the right to revise the Operations Manual from time to time as it deems necessary to update operating techniques or standards and specifications. The Franchisee, within 30 days of receiving any updated information, shall in turn update its copy of the Operations Manual as instructed by the Franchisor and shall conform its operations with the updated provisions within a reasonable time thereafter. The Franchisee acknowledges that a master copy of the Operations Manual maintained by the Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

9. OPERATING ASSISTANCE

9.1 Franchisor's Services. The Franchisor shall, during the Franchisee's operation of the GRACIE BARRA School, make available the following services to the Franchisee:

a. Provide access to the Gracie Barra Operations Manual which organizes all policies, standards, systems and methods that must be used by the Franchisee.

b. Provide two registrations per year for the Gracie Barra Instructors Certifications Program ("ICP"). The ICP is an online based platform designed to teach instructors and school staff the Gracie Barra Philosophy and state of the art methodology on Brazilian Jiu Jitsu Instruction. The cost for extra registration is \$199.00 (One Hundred and Ninety Nine Dollars).

c. Provide access to advertising and promotional materials the Franchisor may, but is not required to develop. The Franchisor, at its option, may pass the cost of the promotional materials on to the Franchisee or charge the Advertising Fund (defined below in Section 12.3.a.).

d. Develop a custom website for the franchisee. The custom website will be developed and controlled by the Franchisor and updates on the site technology will be made at Franchisor's discretion

e. At the Franchisee's reasonable request, consult with the Franchisor by, electronic mail, or by other methods of communication determined appropriate by Franchisor (i.e., webinars, conference calls, online seminars) regarding the continued operation and management of the GRACIE BARRA School and advise the Franchisee regarding sales techniques, Student relations and similar topics (collectively, "Consultation").

f. Provide on-going updates of information and programs regarding the GRACIE BARRA School and related Licensed Methods, including, without limitations, information about special or new services which may be developed and made available to GRACIE BARRA Franchisees, subject to compliance with then applicable requirements.

9.2 Additional Franchisor Services. Although not obligated to do so, the Franchisor may make its employees or designated agents available to the Franchisee for on-site advice and assistance in connection with the on-going operation of the GRACIE BARRA School governed by this Agreement. In the event that the Franchisee requests such additional assistance and the Franchisor agrees to provide the same, the Franchisor reserves the right to charge the Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of the Franchisee, which fee will be charged in accordance with the then current hourly rates being charged by the Franchisor for assistance.

10. FRANCHISEE'S OPERATIONAL COVENANTS

10.1 School Operations. The Franchisee acknowledges that it is solely responsible for the successful operation of its GRACIE BARRA School and that the continued successful operation thereof is, in part, dependent upon the Franchisee's compliance with this Agreement and the Operations Manual. In addition to all other obligations contained herein and in the Operations Manual, the Franchisee covenants that:

a. **Quality of Operations.** The Franchisee shall maintain consistently prompt, courteous, efficient and high quality GRACIE BARRA School operations and will operate the School in accordance with the Operations Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of the Franchisor and the goodwill associated with the "GRACIE BARRA" name and Marks.

b. **Compliance with Laws and Good Business Practices.** The Franchisee shall conduct itself and operate its GRACIE BARRA School in compliance with all applicable local, state and federal laws and regulations including, without limitation, any licensing requirements, tax laws, health club regulations and codes and other ordinances, regulations and codes and in such a manner so as to legally comply therewith and to promote a good public image in the business community. In connection therewith, the Franchisee shall be solely and fully responsible for obtaining any and all licenses and certifications to carry on the GRACIE BARRA School and other regulatory, proficiency, financial responsibility or insurance requirements, including the Franchisor's requirements as set forth in this Agreement and in the Operations Manual. The Franchisee shall conduct background checks on each employee and independent contractor (together, "Employee") before hiring and annually thereafter, and obtain bonding for each Employee who works in the Franchisee's School in any capacity or provides services to Students in any manner through Franchisee's School. In addition, Franchisee shall conduct itself in such a manner so as to promote a good image to the public and to the business community. The Franchisee shall promptly forward to the Franchisor copies of all health, environmental, building department, regulatory authority reports, or other reports of inspections or notices as and when they become available. The Franchisee shall also immediately forward to the Franchisor copies of violations or warnings of possible violations of any health, environmental, building department, state or local regulations related to the School, upon receipt thereof. The Franchisee shall be solely responsible for any penalties or fines assessed for failure to abide by any laws and regulations.

c. Management. The Franchisee acknowledges that proper management of the GRACIE BARRA School is important and shall insure that the Franchisee or a designated Program Director who has completed the Franchisor's initial training program be responsible for the management of the GRACIE BARRA School. The Franchisee also acknowledges that a designated Head Instructor who has successfully attended and completed the Franchisor's Instructor Certificate Program, is required by the Franchisor to be employed by the Franchisee and to supervise all aspects of the martial arts instruction at the School.

d. Approved Services and Products. The Franchisee acknowledges that the franchise granted hereunder authorizes the Franchisee to offer only authorized martial arts instruction services and other designated services and products which meet or exceed the minimum standards and specifications established by the Franchisor, as are more fully described in the Operations Manual. The Franchisee shall offer all types of services and products as from time to time may be prescribed by the Franchisor. Unless expressly approved by the Franchisor in writing, the Franchisee shall not: (1) offer any other types of products or services; and (2) operate or engage in any other type of business or profession, from or through the Franchisee entity or the School Location used to operate the GRACIE BARRA School.

e. Payment of Obligations. The Franchisee shall promptly pay when due all taxes and other obligations owed to the Franchisor, its affiliates and to third parties relating to the operation of the GRACIE BARRA School, including without limitation, unemployment and sales taxes, and any and all accounts or other indebtedness of every kind incurred by the Franchisee in the conduct of the GRACIE BARRA School. If a Franchisee has a bona fide dispute as to the liability for taxes assessed or other indebtedness, the Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will the Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor to occur against the GRACIE BARRA School.

f. Other Agreements. The Franchisee shall comply with all agreements with third parties related to the GRACIE BARRA School including, in particular, all provisions of any supplier agreement, equipment lease, or similar agreement, Student contracts for martial arts instruction services and related services and products, and other agreements.

g. Ownership of School. The Franchisee shall at all times during the term of this Agreement own and control the GRACIE BARRA School authorized hereunder. Upon request of the Franchisor, the Franchisee will promptly provide satisfactory proof of such ownership to the Franchisor. The Franchisee represents that the Statement of Ownership, attached hereto as Exhibit III and by this reference incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the GRACIE BARRA School is held by the Franchisee. The Franchisee will promptly provide the Franchisor with a written notice if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and will comply with the applicable transfer provisions contained in Article 16 herein. In addition, if the Franchisee is an entity, all of the equity owners of the Franchisee shall sign the Guaranty and Assumption of Franchisee's Obligations attached hereto as Exhibit II.

h. Hours of Operation. The Franchisee shall at all times during the term of this Agreement operate its GRACIE BARRA School during the business hours and provide services and products according to the schedules as may be designated by the Franchisor from time to time. The Franchisee shall maintain sufficient equipment and supplies, and employ adequate

personnel at all times so as to operate the School at its maximum capacity and efficiency. The Franchisee shall ensure that the telephone for the School is answered during regular business hours.

i. **Employees.** All Employees of the Franchisee shall present a professional appearance as described in the Operations Manual, and shall render competent and courteous service to Students of the School.

j. **Training of Employees.** The Franchisee shall be responsible for training all of its Employees who work in any capacity in the School and shall be fully responsible for all Employees' compliance with the operational standards which are part of the Licensed Methods. The Franchisee must conduct its Employee training in the manner and according to the standards as may be prescribed by the Franchisor. The Franchisor reserves the right to require that the Franchisee's Employees attend online Instructors Certification Programs and other online training programs to obtain designated technical certifications provided by the Franchisor or third parties.

k. **Certified Instructor.** The Franchisee's designated Instructor must have attended and successfully completed the Franchisor's Instructor Certificate Program and shall be responsible for onsite supervision of all martial arts instruction provided at or through the School ("**Instructor Requirement**"). The Franchisee's failure to meet the Instructor Requirement will be deemed a material breach of this Agreement, and the Franchisor shall have the right, in its sole discretion, to either terminate the Franchisee's rights to the Territory or terminate this Agreement, in accordance with Article 18 of this Agreement. The designated Instructor shall execute the Instructor Confidentiality Agreement in the form attached to this Agreement as Exhibit V.

10.2 Minimum Sales Requirement. The Franchisee's rights in the Territory during the term of this Agreement are dependent upon the Franchisee's School maintaining, beginning in the 24th full month after the commencement of operation of the School, monthly Gross Sales in excess of \$8,000 per month ("**Sales Requirement**"). The Franchisee's failure to meet the Sales Requirement will be deemed a breach of this Agreement, and the Franchisor shall have the right, in its sole discretion, to terminate the Franchisee's rights to the Territory.

11. ROYALTIES

11.1 Monthly Royalty. The Franchisee shall pay to the Franchisor a monthly royalty ("**Royalty**") according to the following graduated schedule:

- i. \$300, beginning on the 3rd month after you sign the Franchise Agreement; or
- ii. \$600, beginning on the 6th month after you sign the Franchise Agreement.

The Franchisee will begin paying Royalties on the 3rd month after the date this Agreement is executed. The Franchisor shall have the right, in its sole discretion, to adjust the amount of the applicable graduated schedule set forth above each year during the term of this Agreement based on the percentage increase in the Consumer Price Index ("CPI") for the then current year as compared to the preceding year's CPI, on thirty (30) days written notice. The amount of the graduated Royalty may be adjusted annually on each January 1st during the term of this Agreement and any renewals thereof. "Consumer Price Index" means the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items, and Major Group Figures for all Urban Consumers (CPI-U 1982 - 84 = 100). The Royalty shall not be increased by more than 8% over the previous year in any successive

year, nor shall the Royalty, in any successive year decrease below the adjusted Royalty for the previous year.

11.2 Gross Sales. "Gross Sales" shall only include the aggregate amount of all revenue and other consideration derived from the tuition of enrolled Students, including tuition paid for services at or away from the School, whether for cash or credit, but excluding all federal, state or municipal sales or service taxes collected from Students and paid to the appropriate taxing authority. The Franchisor shall determine, in its sole discretion, what payments, revenues, and other consideration are considered to be "tuition" for purposes of determining Gross Sales.

11.3 Royalty and Other Payments. The Franchisee agrees that Royalty payments shall be paid monthly and received by the Franchisor by electronic funds transfer no later than the 13th day of each month ("Due Date"). Upon the request of the Franchisor, the Franchisee shall execute an Electronic Funds Transfer Authorization for preauthorized payments due to the Franchisor by electronic transfer of funds from the Franchisee's bank account to the Franchisor's bank account, in the form attached to this Agreement as Exhibit IV. The Franchisor may require the Franchisee to pay Royalties and other amounts due under this Agreement by means other than automatic debit whenever the Franchisor deems appropriate, and the Franchisee agrees to comply with the Franchisor's payment instructions. In the event that the Franchisee fails to have sufficient funds in its account or otherwise fails to pay any Royalties due as of the Due Date, the Franchisee shall owe, in addition to such Royalties, a \$50 penalty fee to be automatically assessed and debited or paid along with the late debit or payment of Royalties. In addition, the Franchisor shall have the right to charge interest on any payments made after the Due Date at the highest applicable legal rate for open account business credit, not to exceed 1½% per month. The Franchisee acknowledges that this Section 11.3 shall not constitute the Franchisor's or its affiliates' agreement to accept such payments after they are due or a commitment to extend credit to or otherwise finance operation of the School. In no event shall the Franchisee be required to pay a late payment and/or interest at a rate greater than the maximum interest rate permitted by applicable law.

11.4 Interest. If the Franchisor or its affiliates sell or license products, supplies, services, software or equipment to the Franchisee, the Franchisee shall pay the Franchisor or its affiliates in a timely manner for products, supplies, services or equipment purchased or licensed by such manner of payment as may be established from time to time by the Franchisor or its affiliates. If the Franchisee fails to pay for any product, supply, service, software or equipment purchase or license, or any Royalties due hereunder within five days after payment is due, the Franchisee will pay interest at the rate of 18% per annum on any amount past due until such amount is paid in full; provided, however, in no event will the Franchisee be required to pay interest at a rate greater than the maximum interest rate permitted by applicable law.

11.5 Application of Payments. Notwithstanding any designation by the Franchisee, the Franchisor shall have sole discretion to apply any payments made to the Franchisor or its affiliates by the Franchisee, and any credits received by the Franchisor on the Franchisee's behalf from third party vendors or others, to any of the Franchisee's past due indebtedness to the Franchisor or its affiliates for purchases or licenses from the Franchisor or its affiliates, interest or any other indebtedness. The Franchisee acknowledges that the Franchisor has the right to set-off any amounts the Franchisee may owe to the Franchisor against any amounts the Franchisor might owe to the Franchisee.

11.6 Electronic Funds Transfer. The Franchisee authorizes the Franchisor and its affiliates to initiate debit entries and credit correction entries to the Franchisee's checking, savings or other account for the payment of Royalties and Advertising Contributions, interest, late charges, the purchase of equipment, supplies and any other amounts due from the Franchisee under this Agreement or otherwise by signing and completing all information on the Electronic Funds Transfer Authorization attached hereto as Exhibit IV. Within five days of receipt of a written request from the Franchisor, the Franchisee shall execute and

return to the Franchisor an additional authorization agreement for prearranged payments form with new account and other information to ensure the authorization form is current and valid. The Franchisor may require the Franchisee to pay Royalties, Advertising Contributions and other amounts due under this Agreement or otherwise by means in addition to or other than electronic funds transfer and the Franchisee agrees to comply with the Franchisor's payment instructions.

12. ADVERTISING

12.1 Approval and Use of Advertising. The Franchisee shall obtain the Franchisor's prior written approval of all written advertising or other marketing or promotional programs not previously approved by the Franchisor regarding the School, including, without limitation, "Yellow Pages" advertising, newspaper ads, flyers, brochures, coupons, direct mail pieces and other direct marketing, trade show booths and marketing items, specialty and novelty items, radio and television advertising, Electronic Advertising (defined in Section 12.5 below), including social networking sites (Twitter, Facebook, YouTube, etc.), and Internet "web" pages and other home pages or domain names on any common carrier electronic delivery system. Any proposed written advertising or a description of a marketing or promotional program not previously approved by the Franchisor shall be submitted to the Franchisor at least 10 days prior to publication, broadcast or use. The Franchisee acknowledges that advertising and promoting the School in accordance with the Franchisor's standards and specifications is an essential aspect of the Licensed Methods, and the Franchisee agrees to comply with all advertising standards and specifications. The Franchisee, at its cost, also agrees to participate in any promotional campaigns and marketing and advertising and other programs that the Franchisor periodically establishes and participate annually in trade shows and competitions designated by the Franchisor from time to time. Further, the Franchisee agrees to purchase advertising and marketing materials, including but not limited to, brochures, posters, flyers and handouts, from the Franchisor, its affiliates or designated suppliers.

12.2 Advertising Contribution. The Franchisee shall contribute \$100 per month to a national advertising and marketing fund established by the Franchisor ("**Advertising Contribution**"), and Franchisee agrees that the Advertising Contribution shall be payable no later than the 10th business day of each month. The Franchisor reserves the right, upon 30 days prior written notice to the Franchisee, to increase the amount of the Advertising Contribution up to 1% of Gross Sales. The Advertising Contribution shall be paid to the Franchisor in addition to Royalties and in addition to any amounts spent on local or regional advertising, and the following terms and conditions shall apply:

a. The Advertising Contribution shall be payable monthly, concurrently with and in the same manner as the payment of the Royalties. Any Advertising Contribution collected by the Franchisor will be deposited by the Franchisor in one or more separate accounts (referred to collectively as the "**Advertising Fund**"). The Advertising Contributions will be subject to the same late charges as the Royalties. Upon written request by the Franchisee, the Franchisor will make available to the Franchisee, no later than 120 days after the end of each calendar year, an annual unaudited financial statement for the Advertising Fund which indicates how deposits to the Advertising Fund have been spent. The Franchisor has the right to deposit into the Advertising Fund any advertising, marketing, or similar allowances paid by suppliers who deal with GRACIE BARRA Schools, in the Franchisor's sole discretion. Any GRACIE BARRA School that the Franchisor or its affiliates own will contribute to the Advertising Fund on the same basis as the Franchisees.

b. The Advertising Fund will be administered by the Franchisor and may be used for creation, production and placement of media advertising, agency costs and commissions, direct response literature, direct mailings and other direct advertising, brochures, collateral advertising material, market research and surveys of advertising effectiveness, or other

advertising or public relations expenditures relating to advertising and marketing GRACIE BARRA School services and products, providing professional services, materials, and personnel to support the marketing function, and creating, producing, implementing and maintaining websites and other Electronic Advertising (defined below) for the Franchisor and its franchisees. The Franchisor may reimburse itself and its affiliates for administrative costs, salaries and overhead expenses related to the implementation and administration of the Advertising Fund and its marketing programs, including, but not limited to, conducting market research, preparing material and collecting and accounting for Advertising Fund contributions, attending conferences, trade shows, and other costs and expenses including those related to generating Student referrals. The Franchisor will not be liable for any act or omission that is consistent with this Agreement and is done in good faith. The Franchisor may spend in any fiscal year an amount greater or less than the aggregate contribution of all Schools to the Advertising Fund in that year, and the Advertising Fund may borrow from the Franchisor or others to cover deficits or to invest in any surplus for future use. All interest earned on monies contributed to the Advertising Fund will be used to pay advertising costs before other assets of the Advertising Fund are expended. The Franchisor may cause the Advertising Fund to be incorporated or operated through a separate entity, at such time as the Franchisor deems appropriate, and such successor entity, if established, will have all rights and duties of the Franchisor with respect to the Advertising Fund as specified in this Section. The Franchisor undertakes no obligation to ensure that the Advertising Fund benefits each School in proportion to its respective contribution. The Advertising Fund's primary purpose is to promote sales by the entire GRACIE BARRA system and to build brand identity. The Franchisee agrees to participate in any promotional campaigns and advertising and other programs that the Advertising Fund periodically establishes. The Franchisee agrees to participate, at the cost of the Franchisee, in trade shows that the Franchisor designates.

12.3 Local Advertising. You may create your own advertising and promotional materials; however, all local advertising and promotion by you must be in media, type and format as we may approve, must be conducted in a dignified manner and must conform to the standards and requirements we specify. You may not produce or use any advertising or promotional plans or materials unless and until you have first received written approval from us for each plan or item.

12.4 Regional Advertising Programs. We do not intend to create a regional advertising association ("Co-op") in the market area where you are located.

12.5 Electronic Advertising. The Franchisee shall not develop, create, distribute, disseminate or use any Internet advertising or website, social media or networking account or site, or any multimedia, telecommunication, mass electronic mail or audio/visual advertising, promotional or marketing materials directly or indirectly related to the GRACIE BARRA School, the Marks or the Licensed Methods ("Electronic Advertising"), without the Franchisor's prior written consent, which consent may be withheld in the Franchisor's sole discretion. The Franchisor shall retain the exclusive right to develop and control the content of all Electronic Advertising for the GRACIE BARRA Schools, including any use of a domain name for the business conducted by or through the Franchisee's School. The Franchisee acknowledges that the Franchisor shall own all Electronic Advertising related to, containing, or associated with, the Marks and Licensed Methods including, without limitation, databases of Student contact information, without regard to the party who originated the Electronic Advertising. The Franchisor reserves the right, upon 30 days' prior written notice, to require the Franchisee to create, customize or provide access to any Electronic Advertising originated by the Franchisee or on the Franchisee's behalf. If the Franchisor permits or requires the Franchisee to develop any Electronic Advertising, the Franchisee shall do so in compliance with the Franchisor's policies and rules regarding the creation, maintenance, use and content of Electronic Advertising as set forth in this Agreement, the Operations Manual or Electronic Advertising code of conduct that the Franchisor may develop, disseminate and modify from

time to time. Any amounts that the Franchisee spends to participate in Electronic Advertising shall be credited toward the Franchisee's local advertising obligations.

13. QUALITY CONTROL

13.1 Compliance with Operations Manual. The Franchisee shall maintain and operate the GRACIE BARRA School in compliance with this Agreement and the standards and specifications contained in the Operations Manual, as the same may be modified from time to time by the Franchisor.

13.2 Standards and Specifications. The Franchisor will make available to the Franchisee standards and specifications for services and products offered at or through the GRACIE BARRA School including, without limitation, martial arts instruction services and other approved services and products, equipment, supplies, tools, advertising material and techniques, Student reports, office equipment, trademark graphics, billing forms and invoices, customer service and Student training standards, insurance, materials, forms and items used in connection with the GRACIE BARRA School. The Franchisor reserves the right to change standards and specifications for services and products offered at or through the GRACIE BARRA School including the martial arts instruction services and related services and products, equipment, supplies, tools, advertising material and techniques, Student reports, office equipment, trademark graphics, billing forms and invoices, customer service standards, insurance, materials, forms and items used in connection with the operation of the School upon 30 days prior written notice to the Franchisee. The Franchisor may also require the Franchisee's Instructors to participate in martial arts tournaments or demonstrations, which may be sponsored by Franchisor or its affiliates, from time to time on 30 days prior written notice, at Franchisee's expense.

13.3 Inspections. The Franchisor will have the right to examine the School Location, including the equipment, technology systems, supplies, products and materials and to contact Students of the School to ensure compliance with all standards and specifications set by the Franchisor. Except for contact with Students of the School, the Franchisor will conduct such inspections during regular business hours and the Franchisee may be present at such inspections. The Franchisor, however, reserves the right to conduct the inspections without prior notice to the Franchisee.

13.4 Restrictions on Services and Products. The Franchisee is prohibited from offering or selling any products or services and from utilizing means of operation not authorized by Franchisor. However, if the Franchisee proposes to offer, conduct or utilize any previously unauthorized products, services, materials, items or supplies for use in connection with or sale through the GRACIE BARRA School, the Franchisee will first notify the Franchisor in writing requesting approval. The Franchisor shall not unreasonably withhold such approval. The Franchisor may continue from time to time to inspect any manufacturer's, supplier's, or distributor's facilities and products to assure proper production, processing, storing and transportation of products, services, materials, items or supplies to be purchased from the manufacturer, supplier or distributor by the Franchisee. Permission to conduct such inspections will be a condition of the continued approval of such manufacturer, supplier or distributor. The Franchisor reserves the right to revoke its approval of an item or supplier, manufacturer or distributor that was previously approved on 30 days notice.

13.5 Approved Suppliers. The Franchisee will purchase or license all products, services, materials, items and supplies required for the operation of the GRACIE BARRA School licensed herein, only from manufacturers, suppliers or distributors designated by the Franchisor or from such other suppliers who meet all of the Franchisor's specifications and standards as to quality, composition, finish, appearance and service, and who will adequately demonstrate their capacity and facilities to supply the Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation. The Franchisor reserves the right to designate from time to time, a single supplier for any products, services,

materials, items and supplies and to require the Franchisee to use such a designated supplier exclusively, which exclusive designated supplier may be the Franchisor or its affiliates. The Franchisor and its affiliates may receive payments from suppliers on account of such suppliers' dealings with the Franchisee and other franchisees and may use all such amounts without restriction and for any purpose Franchisor and its affiliates deem appropriate (unless the Franchisor and its affiliates agree otherwise with the supplier).

13.6 Request to Approve Supplier. In the event the Franchisee desires to purchase or use products, services, equipment, materials, forms, items or supplies from suppliers other than those previously approved by the Franchisor, the Franchisee shall, prior to purchasing from or otherwise utilizing any supplier give the Franchisor a written request to approve the supplier. In the event the Franchisor rejects the Franchisee's requested new supplier, the Franchisor must, within 30 days of the receipt of the Franchisee's request to approve the supplier notify the Franchisee in writing of its rejection. The Franchisor may continue from time to time to inspect any suppliers' facilities and products to assure compliance with the Franchisor's standards and specifications. Permission for such inspection shall be a condition of the continued approval of such supplier. The Franchisor may at its sole discretion, for any reason whatsoever, elect to withhold approval of the supplier; however, in order to make such determination, the Franchisor may require that samples from a proposed new supplier be delivered to the Franchisor for testing prior to approval and use.

14. MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

14.1 Marks. The Franchisee hereby acknowledges that the Franchisor and its affiliates have the sole right to license and control the Franchisee's use of the GRACIE BARRA and G BARRA service marks and other of the Marks, and that the Marks will remain under the sole and exclusive control of the Franchisor and its affiliates. The Franchisee acknowledges that it has not acquired any right, title or interest in the Marks except for the right to use the Marks in the operation of its GRACIE BARRA School as it is governed by this Agreement. The Franchisee shall obtain the Franchisor's prior written approval of all written materials which include any of the Marks, including but not limited to, advertising, marketing and promotional materials, signs, and all items regarding the GRACIE BARRA School. The Franchisee agrees not to produce or distribute any advertising, marketing or promotional materials without first obtaining the Franchisor's written consent. The Franchisee agrees not to use any of the Marks as part of an electronic mail address, or on any sites on the Internet or the World Wide Web and the Franchisee agrees not to use or register any of such Marks as a domain name on the Internet.

14.2 No Use of Other Marks. The Franchisee further agrees that no Marks other than "G BARRA," "GRACIE BARRA" or such other Marks as may be specified by the Franchisor will be used in the promotion or operation of the GRACIE BARRA School.

14.3 Licensed Methods. The Franchisee hereby acknowledges that the Franchisor owns and controls the distinctive plan for the establishment, operation and promotion of the GRACIE BARRA School, and all related licensed methods of doing business, previously defined as the "Licensed Methods," which include, but are not limited to, standards, specifications and techniques for the martial arts instruction services and other services and products offered through the GRACIE BARRA School, standards and specifications for the School Location, uniforms, Student relations and sales presentation techniques, and marketing and promotional techniques, all of which constitute trade secrets of the Franchisor, and the Franchisee acknowledges that the Franchisor has valuable rights in and to such trade secrets. The Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods except for the right to use the Licensed Methods in the operation of the GRACIE BARRA School as it is governed by this Agreement.

14.4 Effect of Termination. In the event this Agreement is terminated for any reason, the Franchisee will immediately cease using any of the Licensed Methods, Marks, trade names, trade dress, trade secrets, copyrights or any other symbols used to identify the GRACIE BARRA School, and all rights the Franchisee had to the same will automatically terminate. The Franchisee agrees to execute any documents of assignment as may be necessary to transfer any rights the Franchisee may possess in or to the Marks to the Franchisor.

14.5 Trademark Infringement. The Franchisee agrees to notify the Franchisor in writing of any possible infringement or illegal use by others of a trademark the same as or confusingly similar to the Marks which may come to its attention. The Franchisee acknowledges that the Franchisor and its affiliates will have the right, in their sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. The Franchisor and its affiliates may commence or prosecute such action in the Franchisor's and its affiliates' own name and may join the Franchisee as a party thereto if the Franchisor determines it to be reasonably necessary for the continued protection and quality control of the Marks and Licensed Methods. The Franchisor will bear the reasonable cost of any such action, including attorneys' fees. The Franchisee agrees to fully cooperate with the Franchisor and its affiliates in any such litigation.

14.6 Franchisee's School Name. The Franchisee acknowledges that the Franchisor has a prior and superior claim to the GRACIE BARRA and G BARRA trade names. The Franchisee will not use the words "GRACIE BARRA" or "G BARRA" or any confusingly similar designation in the legal name of its corporation, partnership, Limited Liability Company or any other business entity used in conducting operations at its School as provided for in this Agreement. The Franchisee also agrees not to register or attempt to register a trade name using the words "GRACIE BARRA" or "G BARRA" or any confusingly similar designation in the Franchisee's name or that of any other person or business entity, without the prior written consent of the Franchisor. When this Agreement is terminated, the Franchisee will execute any assignment or other document the Franchisor requires to transfer to itself any rights the Franchisee may possess in a trade name utilizing the words "GRACIE BARRA" or "G BARRA" or any other Mark owned by the Franchisor. The Franchisee shall not identify itself as being "Gracie Barra Franchise Systems, Inc." or as being associated with the Franchisor in any manner other than as a franchisee or licensee. The Franchisee shall, in all signage and promotional materials, display its business name only in obvious conjunction with the phrase "GRACIE BARRA Licensee" or "GRACIE BARRA Franchisee" or with such other words and in such other phrases to identify itself as an independent owner of the School, as may from time to time be prescribed in the Operations Manual.

14.7 Change of Marks. In the event that the Franchisor, in its sole discretion, determines it necessary to modify or discontinue use of any proprietary Marks, or to develop additional or substitute marks, the Franchisee will, within a reasonable time after receipt of written notice of such a modification or discontinuation from the Franchisor, take such action, at the Franchisee's sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution; provided, however, that if Franchisee is required to discontinue using a prominent Mark or substitute a different Mark for a prominent Mark, the Franchisor will pay a portion of Franchisee's costs and expenses associated with discontinuing or substituting Marks, pursuant to the Franchisor's then current standards and specifications.

14.8 Creative Ownership. All copyrightable works or trademarks created by the Franchisee or any of its owners, officers or employees in connection with the GRACIE BARRA School, that incorporate, relate to or are derived from the Licensed Methods, or the Operations Manual ("**Derivative Works**") shall be the sole property of the Franchisor. The Franchisee assigns all proprietary rights, including copyrights, in these works to the Franchisor without additional consideration. The Franchisee hereby assigns and will execute such additional assignments or documentation to effectuate the assignment of all

intellectual property, inventions, copyrights and trade secrets developed in part or in whole in relation to the School, during the term of this Agreement, as the Franchisor may deem necessary in order to enable it, or its suppliers at their expense, to apply for, prosecute and obtain copyrights, patents or other proprietary rights in the United States and in foreign countries or in order to transfer to the Franchisor or its suppliers all right, title, and interest in said property. The Franchisee shall promptly disclose to the Franchisor all inventions, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information relating to the School which it or any of its owners, officers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same. In addition to the foregoing, the Franchisee acknowledges and agrees that any improvements or modifications, whether or not copyrightable, directly or indirectly related to the School, shall be deemed to be a part of the Licensed Methods and shall inure to the benefit of the Franchisor. The Franchisee shall promptly disclose to the Franchisor all inventions, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information which he already owns before signing the Franchise Agreement so they do not become part of the Creative Ownership.

15. REPORTS, RECORDS AND FINANCIAL STATEMENTS

15.1 Franchisee Reports. The Franchisee will maintain, at its own expense, bookkeeping, accounting, data processing and other administrative and technology systems which conform to the specifications which the Franchisor may prescribe from time to time. Each transaction of the School shall be processed in the manner prescribed by the Franchisor. The Franchisor shall have the right to access all data, information and transactions with respect to the School. The Franchisee will provide the Franchisor with electronic access to the data in its computer system related to the School at any time by purchasing and maintaining computer hardware, software and a modem and joining a high speed electronic network connection service or other means which meets the Franchisor's standards and specifications. The Franchisee shall supply the Franchisor with such types of reports in a manner and form as the Franchisor may from time to time reasonably require, including:

a. Monthly service and sales reports, profit and loss statement and balance sheets, and reports showing the number of enrolled Students in a form as may be prescribed by the Franchisor and sent by mail, facsimile or electronically, as designated by the Franchisor from time to time, no later than the 5th business day of each month and containing information relative to the previous month's sales and operations;

b. The Franchisee will, within 90 days after the end of its fiscal year, provide to the Franchisor annual unaudited financial statements prepared in accordance with GAAP, and state and federal income tax returns and sales tax returns within 15 days of filing; and

c. The Franchisee shall also provide copies of all other reports, financial statements and records reasonably requested by the Franchisor.

15.2 Financial Records Use and Access. The Franchisor reserves the right to disclose data derived from all financial and accounting reports received from Franchisee to other franchisees and affiliates in the GRACIE BARRA system with information identifying Franchisee. The Franchisor also reserves the right to disclose data derived from Franchisee's financial and accounting reports to parties outside of the GRACIE BARRA system, without identifying Franchisee, except to the extent identification of Franchisee is required by law. The Franchisee consents to Franchisor obtaining financial and Student information regarding the School and its operations from third parties with whom Franchisee does business, as and when deemed necessary by Franchisor. The Franchisee consents to the Franchisor obtaining financial and account information and other information regarding the School and its operations.

from third parties with whom the Franchisee does business, as and when deemed necessary by the Franchisor.

15.3 Verification. Each report and financial statement to be submitted to the Franchisor hereunder will be signed and verified by the Franchisee.

15.4 Books and Records. The Franchisee will maintain all books and records for its GRACIE BARRA School in a manner as reasonably prescribed by the Franchisor and in accordance with GAAP, consistently applied, and preserve these records for at least five years after the end of the fiscal year to which they relate.

15.5 Audit of Books and Records. The Franchisee shall permit the Franchisor to inspect and audit the books and records of the GRACIE BARRA School at any reasonable time, at the Franchisor's expense. If any audit discloses a deficiency in amounts for payments owed to the Franchisor pursuant to this Agreement, then such amounts shall become immediately payable to the Franchisor by the Franchisee, with interest from the date such payments were due at the lesser of 1½% per month or the maximum rate allowed by law. In the event such inspection or audit is made necessary by the Franchisee's failure to furnish required reports or supporting records on a timely basis for two or more consecutive reporting periods or the Franchisor's inability to collect Royalties or Advertising Contributions for two consecutive months, the Franchisee fails to have the books and records available for an audit after receiving reasonable, advance notice from the Franchisor, the results of the audit establish that the Franchisee understated its Gross Sales by 2% or more, or the Franchisee otherwise fails to cooperate with the Franchisor's requested audit, then Franchisee shall reimburse the Franchisor for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of the Franchisor's employees. If an inspection or an audit of the books and records of the GRACIE BARRA School finds that the Franchisee has 100 or more enrolled Students according to Franchisor's standards and Franchisee had claimed it had fewer than 100 Students prior to the inspection or audit, then, in addition to paying all Royalties owed with the applicable interest set forth above, the Franchisee shall also reimburse the Franchisor for the cost of such audit or inspection as set forth above.

16. TRANSFER

16.1 Transfer by Franchisee. The franchise granted herein is personal to the Franchisee and, except as stated below, the Franchisor shall not allow or permit any transfer, assignment, subfranchise or conveyance of this Agreement or any interest hereunder. The Franchisee acknowledges that prior to approving any transfer, the Franchisor may impose reasonable conditions on the Franchisee and its purported transferee including but not limited to those conditions listed in Section 16.2. As used in this Agreement, the term "transfer" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition by the Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of the Franchisee; or (3) the School or any assets of the School. The term "transfer" shall include an assignment, sale, gift or other disposition, including those transfers described in Sections 16.5 and 16.7 and those resulting from a divorce, insolvency, corporate or partnership dissolution proceeding, merger, change of control, operation of law or, in the event of the death of the Franchisee, or an owner of the Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession. For the purposes of this Article 16, "change of control" of a Franchisee that is an entity shall mean a transfer, new issuance or assignment of 51% or more of the Franchisee's beneficial equity ownership interests.

16.2 Pre-Conditions to Franchisee's Transfer. The Franchisee shall not transfer its rights under this Agreement or any interest in it, or any part or portion of any entity that owns it or any portion of the

assets of the GRACIE BARRA School, unless the Franchisee obtains the Franchisor's written consent and complies with the following requirements:

- a. Payment or assumption of all amounts due and owing pursuant to this Agreement by the Franchisee to the Franchisor, the Franchisor's affiliates and to third parties holding a security interest in any asset of the School;
- b. Written approval by the Franchisor of Transferee as Franchisee before the execution of the Franchise Agreement.
- c. Agreement by the proposed transferee to satisfactorily complete the initial training program and obtain required certifications described in this Agreement, which training and certifications may be completed by the transferee either prior to or immediately after the transfer, at the directive of the Franchisor;
- d. Execution of a Franchise Agreement in a form then currently offered by the Franchisor, which shall supersede this Agreement in all respects. If a new Franchise Agreement is signed, the terms thereof may differ from the terms of this Agreement; provided, however, the transferee will not be required to pay any additional initial franchise fee;
- e. Provision by the Franchisee of written notice to the Franchisor 30 days' prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable the Franchisor to evaluate the terms and conditions of the proposed transfer;
- f. The proposed transferee shall have provided information to the Franchisor sufficient for the Franchisor to assess the proposed transferee's business experience, aptitude and financial qualification, and the Franchisor shall have ascertained that the proposed transferee meets such qualifications;
- g. Execution by Franchisee of a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor, its affiliates and their respective officers, directors, employees and agents; and
- h. Payment by the Franchisee or the proposed transferee of \$1,000 which shall include initial training expenses incurred by the Franchisor to train the transferee.

16.3 Franchisor's Approval of Transfer. Provided the Franchisee provides the Franchisor with all information reasonably required for the Franchisor to evaluate the proposed transfer together with the Franchisee's written notice, the Franchisor has 30 days from the date of receipt of the written notice of the proposed transfer to approve or disapprove, in writing, the Franchisee's proposed transfer. The Franchisee acknowledges that the proposed transferee shall be evaluated for approval by the Franchisor based on the same criteria as is currently being used to assess new franchisees of the Franchisor and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. The Franchisor shall have the right to approve the material terms and conditions of the transfer, including, without limitation, the right to confirm that the price and terms of payment are not so burdensome as to affect adversely the transferee's operation of the School. If the Franchisee (and/or the transferring owners) finances any part of the sale price of the transferred interest, unless waived in writing by the Franchisor, the Franchisee and/or its owners must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by the Franchisee or its owners in the assets of the School or the School Location shall be subordinate to the transferee's obligations to pay Royalties and other amounts due to the Franchisor and its affiliates and to

otherwise comply with this Agreement. Additionally, the Franchisor shall have the right to interview the proposed transferee as part of the Franchisor's approval process and the Franchisee agrees that the Franchisor shall have the right to discuss matters related to the performance of the School Location with such proposed transferee. If the Franchisee and the proposed transferee comply with all conditions for transfer set forth herein and the Franchisor has not given the Franchisee notice of its approval or disapproval within the 30 day period, approval is deemed granted. Franchisor's approval of one transfer does not constitute approval of any subsequent transfer.

16.4 Right of First Refusal. If the Franchisee wishes to transfer its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it, or all or a substantial portion of the assets of the GRACIE BARRA School, the Franchisee agrees to grant to the Franchisor a 30 day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer to purchase submitted to the Franchisee by the proposed transferee; provided, however, the following additional terms and conditions shall apply:

a. The Franchisee shall notify the Franchisor of such offer by sending a written notice to the Franchisor (which notice may be the same notice as required by Section 16.2.d above), enclosing a copy of the written offer from the proposed transferee;

b. The 30 day right of first refusal period will run concurrently with the period in which the Franchisor has to approve or disapprove the proposed transferee;

c. Such right of first refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which a new 30 day right of first refusal shall be given to the Franchisor;

d. If the consideration or manner of payment offered by a third party is such that the Franchisor may not reasonably be required to furnish the same, then the Franchisor may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, Franchisor and Franchisee shall each select one appraiser, and the two so selected shall select a third appraiser, all three to determine the cash consideration. The cash consideration shall be the arithmetic mean of the values determined by the three appraisers and such determination will be binding upon the parties. All expenses of the appraisers shall be paid for equally between the Franchisor and the Franchisee; and

e. If the Franchisor chooses not to exercise its right of first refusal, the Franchisee shall be free to complete the transfer, subject to compliance with Sections 16.2 and 16.3 above. Absence of a reply to the Franchisee's notice of a proposed sale within the 30 day period is deemed a waiver of such right of first refusal.

16.5 Specific Types of Transfers. The Franchisee acknowledges that the Franchisor's right to approve or disapprove of a proposed transfer, and all other requirements and rights related to such proposed transfer, as provided for above, shall apply (1) if the Franchisee is a partnership or other business association, to the addition or deletion of a partner or members of the association or the transfer of any partnership or membership among existing partners or members; (2) if the Franchisee is a corporation or limited liability company, to any proposed transfer or assignment of 51% or more of the stock, membership interests or entity ownership of the corporate or limited liability company Franchisee, whether such transfer occurs in a single transaction or several transactions; (3) if the Franchisee is an individual, to the transfer from such individual or individuals to an entity controlled by them, in which case the Franchisor's approval will be conditioned upon: (i) the continuing personal guarantee of the

individual (or individuals) for the performance of obligations under this Agreement; (ii) a limitation on the entity's business activity to that of operating the GRACIE BARRA School and related activities; and (iii) other reasonable conditions; and (4) if the proposed transfer is to an immediate family member of Franchisee or if Franchisee is an entity, to an immediate family member of the owner(s) of the Franchisee entity. With respect to a proposed transfer as described in subsection (1), (3) or (4) of this Section, the Franchisor's right of first refusal to purchase, as set forth above, shall not apply and the Franchisor will waive any transfer fee chargeable to the Franchisee for a transfer under these circumstances.

16.6 Assignment by the Franchisor. This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same.

16.7 Franchisee's Death or Disability. Upon the death or permanent disability of the Franchisee (or the individual controlling the Franchisee entity), the executor, administrator, conservator, guardian or other personal representative of such person shall transfer the Franchisee's interest in this Agreement or interest in the Franchisee entity to a third party approved by the Franchisor. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 180 days from the date of death or permanent disability, and shall be subject to all terms and conditions applicable to transfers contained in this Article 16; provided, however, that for purposes of this Section 16.7, there shall be no transfer fee charged by the Franchisor. Failure to transfer the interest in this Agreement or interest in the Franchisee entity within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent the Franchisee or the owner of a controlling interest in the Franchisee entity from supervising the management and operation of the GRACIE BARRA School for a period of 120 days from the onset of such disability, impairment or condition.

17. TERM AND EXPIRATION

17.1 Term. The term of this Agreement is for a period of 5 years from the date of this Agreement, unless sooner terminated as provided herein. .

17.2 Rights Upon Expiration. At the end of the initial term hereof the Franchisee will have the option to renew its franchise rights for the term in the then current franchise agreement, by acquiring successor franchise rights, if the Franchisor does not exercise its right not to offer a successor franchise in accordance with Section 17.4 below and if the Franchisee:

a. At least 90 days prior to expiration of the term, executes the form of Franchise Agreement then in use by the Franchisor. The Franchisee will not have to pay another initial fee;

b. Has complied with all provisions of this Agreement during the current term, including the payment on a timely basis of all Royalties and other fees due hereunder. "Compliance" will mean, at a minimum, that the Franchisee has not received any written notification from the Franchisor of breach hereunder more than three times during the term hereof; and

c. To the extent permitted by applicable law, executes a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates, and their respective officers, directors, employees and agents arising out of or relating to this Agreement.

17.3 Exercise of Option for Renewal Franchise. The Franchisee may exercise its option for a renewal franchise by giving written notice of such exercise to the Franchisor not fewer than 180 days nor more than one year prior to the scheduled expiration of this Agreement. The Franchisee's renewal franchise rights will become effective by signing the Franchise Agreement then currently being offered to new franchisees of the Franchisor; however, an additional initial franchise fee will not be charged.

17.4 Conditions of Refusal. The Franchisor shall not be obligated to offer the Franchisee a successor franchise upon the expiration of this Agreement if the Franchisee fails to comply with any of the above conditions of renewal. If the Franchisor does not offer a successor franchise to the Franchisee, the Franchisor shall give notice of expiration at least 180 days prior to the expiration of the term (unless such refusal is due to the Franchisee's failure to comply with Section 17.3.), and such notice shall set forth the reasons for such refusal to offer successor franchise rights. Upon the expiration of this Agreement, the Franchisee shall comply with the provisions of Section 18.4 below.

18. DEFAULT AND TERMINATION

18.1 Termination by Franchisor - Effective Upon Notice. The Franchisor will have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder, without affording the Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law will prevail), effective upon notice to the Franchisee, addressed as provided in Section 23.12, upon the occurrence of any of the following events:

a. Unauthorized Disclosure. If the Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual or any other trade secrets or confidential information of the Franchisor;

b. Abandonment. If the Franchisee ceases to operate the School or otherwise abandons the School for a period of 7 consecutive days, or any shorter period that indicates an intent by the Franchisee to discontinue operation of the School. The Franchisee's suspension or termination of the School's operation due to fire, flood, earthquake or force majeure shall not be deemed abandonment;

c. Insolvency; Assignments. If the Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by the Franchisee, or by others against the Franchisee under any insolvency, bankruptcy or reorganization act, (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.), or if the Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed by the Franchisee;

d. Unsatisfied Judgments; Levy; Foreclosure. If any material judgment (or several judgments which in the aggregate are material) is obtained against the Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedes or other appeal bond has been filed); or if execution is levied against the Franchisee's School or any of the property used in the operation of the GRACIE BARRA School and is not discharged within 5 days; or if the real or personal property of the Franchisee's School will be sold after levy thereupon by any sheriff, marshal or constable;

e. Criminal Conviction. If the Franchisee or any of its principals or its Program Director or Instructor is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof;

f. Failure to Make Payments. If the Franchisee fails to pay any amounts due the Franchisor or its affiliates within 10 days after notice that such fees or amounts are overdue;

g. Misuse of Marks. If the Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Franchisor's Marks and fails to correct the misuse or failure within 10 days after notification from the Franchisor;

h. Repeated Noncompliance. If the Franchisee has received more than 2 notices of default from the Franchisor within any 12 month period, regardless of whether the defaults were cured by the Franchisee;

i. Unauthorized Transfer. If the Franchisee transfers or otherwise assigns the Franchise, an interest in the franchise or the Franchisee entity, this Agreement, the GRACIE BARRA School or a substantial portion of the assets of the GRACIE BARRA School owned by the Franchisee without complying with the provisions of Article 16 above; or

j. Violation of Restrictive Covenants. If the Franchisee, any related entity or any individual subject to the restrictive covenants described in Article 20 intentionally or negligently violates one or more of those covenants.

k. Willful Misconduct. If Franchisee intentionally and knowingly commits, and intends to commit a breach of duty, or is reckless in the sense of not caring whether or not he commits a breach of duty according to the Gracie Barra Code of Conduct which is found in our Operations Manual.

18.2 Termination by Franchisor - Thirty Days Notice. The Franchisor will have the right to terminate this Agreement (subject to any state laws to the contrary, where state law will prevail), effective upon 30 days written notice to the Franchisee, if the Franchisee breaches any provision of this Agreement except those listed in Section 18.1, and fails to cure the default during such 30 day period. In that event, this Agreement will terminate without further notice to the Franchisee, effective upon expiration of the 30 day period. Defaults will include, but not be limited to, the following:

a. Failure to Maintain Standards. The Franchisee fails to maintain the then-current operating procedures and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to the Franchisee; or

b. Deceptive Practices. The Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under the Franchisor's Marks or under a name or mark which is confusingly similar to the Franchisor's Marks; or

c. Failure to Obtain Consent. The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement; or

d. Failure to Comply with Manual. The Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual; or

e. Underreporting of Enrolled Students. The Franchisee fails to accurately report the number of enrolled Students; or

f. Breach of Related Agreement. The Franchisee defaults under any term of any lease for the School Location or equipment used in the School, any supply agreements, any other

Franchise Agreement or other agreement with the Franchisor or the Franchisor's affiliate, or any term of any other agreement material to the GRACIE BARRA School and such default is not cured within the time specified in such agreement.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot reasonably be cured within such 30 day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30 day period, the Franchisee will be given an additional reasonable period of time to cure the same, not to exceed 90 days, and this Agreement will not terminate absent written notice from the Franchisor.

18.3 Instructor Requirement. If the Franchisee fails to meet to Instructor Requirement (defined above in Section 10.1.k.), and fails to cure the default within 90 days after notice, the Franchisor shall have the right, in its sole discretion, to (a) terminate the Franchisee's right to operate a GRACIE BARRA School in the Territory, and itself or through designees, affiliates or other franchisees, offer GRACIE BARRA School services and products to Students in the Territory, or (b) terminate this Agreement upon written notice to the Franchisee.

18.4 Minimum Sales Requirement. If the Franchisee fails to meet the Sales Requirement (defined in Section 10.2 above) and fails to cure the default within 90 days after notice, the Franchisor shall have the right, in its sole discretion, to terminate the Franchisee's right to operate a GRACIE BARRA School in the Territory, and itself or through designees, affiliates or other franchisees or place a GRACIE BARRA School in the Territory.

18.5 Obligations of Franchisee Upon Termination or Expiration. The Franchisee is obligated immediately upon termination or expiration of this Agreement to:

- a. Pay to the Franchisor and its affiliates all Royalties, Advertising Contributions, other fees, and any and all amounts or accounts payable then owed the Franchisor or its affiliates pursuant to this Agreement, or pursuant to any other agreement, whether written or verbal;
- b. Cease to identify itself as a GRACIE BARRA Franchisee or publicly identify itself as a former Franchisee or use any of the Franchisor's or its affiliate's trade secrets, signs, symbols, devices, trade names, trademarks, or other materials;
- c. Cease to identify the School Location as being, or having been, associated with the Franchisor, and immediately cease using any proprietary mark of the Franchisor or any mark in any way associated with GRACIE BARRA Marks and Licensed Methods;
- d. Deliver to the Franchisor all marketing materials, forms, samples, pamphlets and other materials bearing any of the Marks or otherwise identified with the Franchisor and obtained by and in connection with this Agreement;
- e. Deliver to the Franchisor the Operations Manual and all other information, documents and copies thereof which are proprietary to the Franchisor;
- f. Take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Marks which are under the exclusive control of the Franchisor or, at the option of the Franchisor, assign the same to the Franchisor;
- g. Notify, within 10 days of the effective date of termination or expiration, the telephone company and all telephone directory publishers of the termination or expiration of the

Franchisee's right to use any Mark in any classified or other telephone directory listings, and change any listing for the Franchisee's School so that it no longer incorporates any name or Mark associated with Franchisor. The Franchisee authorizes the Franchisor and any of its officers to contact any telephone company and all telephone directory publishers and e-mail and domain administrators to inform them that Franchisee is no longer authorized to use any name or Mark owned by or associated with Franchisor, and may provide evidence of this provision of the Agreement to enforce Franchisor's rights in these names and Marks;

h. Within 10 days of the effective date of termination or expiration, deliver to the Franchisor vendor lists, supplier lists, customer lists, and other information sufficient to verify that the Franchisee has notified all vendors, suppliers, and Student that the Franchisee is no longer associated with the Franchisor or the GRACIE BARRA School;

i. Abide by all restrictive covenants set forth in Article 20 of this Agreement; and

j. If applicable, take such action as may be required to remove from the Internet all sites referring to the Franchisee's former GRACIE BARRA School or any of the Marks and to cancel or assign to the Franchisor, in the Franchisor's sole discretion, all rights to any domain names for any sites on the internet that refer to the Franchisee's former GRACIE BARRA School or any of the Marks.

18.6 Right to Purchase the School. In the event of termination or expiration of this Agreement for any reason, and if this Agreement is not being transferred as set forth in Article 16 above, the Franchisor will have the right, but not the obligation, to purchase the School, or all or a portion of the assets of the School, which may include, at the Franchisor's option, all of the Franchisee's leasehold interest in the premises of the School, equipment, or supplies, at fair market value, less any amount apportioned to the goodwill of the School which is attributable to the Franchisor's Marks and Licensed Methods, and less any amounts owed to the Franchisor by the Franchisee.

a. In the event the Franchisor exercises its option to purchase, the following additional terms and conditions shall apply:

i. Franchisor's option hereunder will be exercisable by providing Franchisee with written notice of its intention to exercise the option no later than the effective date of termination, in the case of termination, or at least 90 days prior to the expiration of the term of this Agreement, in the case of non-renewal.

ii. If Franchisor and Franchisee cannot agree on a fair market value of the GRACIE BARRA School assets being purchased by Franchisor, then the fair market value will be determined by an independent third party appraisal. Franchisor and Franchisee will each select one independent, qualified appraiser, and the two so selected will select a third appraiser, all three to determine the cash consideration to be paid by Franchisor for the GRACIE BARRA School assets. The cash consideration will be the average of the values as determined by the three appraisers and the determination shall be binding upon the parties. All expenses of the appraisers shall be paid for equally between Franchisor and Franchisee.

iii. Franchisor and Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by Franchisor, in real or personal property records; and Franchisor and Franchisee further agree to execute

such additional documentation as may be necessary and appropriate to effectuate such recording.

iv. The closing for the purchase of the GRACIE BARRA School (if applicable) will take place within 60 days after the termination or non-renewal date. Franchisor will pay the purchase price in full at the closing, or, at its option, in 12 equal consecutive monthly installments with interest at a rate of 10 percent per annum. Franchisee must sign all documents of assignment and transfer as are reasonably necessary for purchase of the GRACIE BARRA School by Franchisor.

b. If the Franchisor does not exercise its right to purchase the Franchisee's GRACIE BARRA School or its assets as set forth above, the Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of its GRACIE BARRA School; provided, however, that all appearances of the Marks and the Franchisor's color scheme and trade dress are first removed in a manner approved in writing by the Franchisor.

18.7 State and Federal Law. THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW WILL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

19. BUSINESS RELATIONSHIP

19.1 Independent Businesspersons. The parties agree that each of them are independent businesspersons, their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor will either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. The Franchisor and the Franchisee agree that neither of them will hold themselves out to be the agent, employer or partner of the other and that neither of them has the authority to bind or incur liability on behalf of the other. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's Employees. Franchisee expressly agrees and will never contend otherwise, that Franchisor's authority under this Agreement to certify certain of Franchisee's Employees for qualification to perform certain functions for the School does not directly or indirectly vest in Franchisor the power to hire, fire or control any such Employees. Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations, activities and elements of the School and under no circumstances shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures which Franchisee is required to comply with under this Agreement, whether set forth in the Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of Franchisee's School.

19.2 Payment of Third Party Obligations. The Franchisor will have no liability for the Franchisee's obligations to pay any third parties, including without limitation, any equipment or supply vendors, or any sales, use, service, occupation, excise, gross sales, income, property or other tax levied upon the Franchisee, the Franchisee's property, the GRACIE BARRA School or upon the Franchisor in connection with the sales made or business conducted by the Franchisee (except any taxes the Franchisor is required by law to collect from the Franchisee with respect to purchases from the Franchisor).

19.3 Indemnification. The Franchisee agrees to indemnify, defend and hold harmless the Franchisor, its subsidiaries and affiliates, and their respective shareholders, directors, officers, members, managers, Employees, agents, successors and assignees, (the "**Indemnified Parties**") against, and to reimburse them for all claims, obligations and damages described in this Section, any and all third party obligations described in Section 19.2 and any and all claims and liabilities directly or indirectly arising out of the operation of the GRACIE BARRA School, including but not limited to, claims alleging negligence or other wrongful conduct by Employees working for Franchisee or instructing Students at the School or at an event sponsored by the School, or arising out of Franchisee's use of the Marks and Licensed Methods in any manner not in accordance with this Agreement. For purposes of this indemnification, "claims" will mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, which costs include, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor will have the right to defend any claim against it. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

20. RESTRICTIVE COVENANTS

20.1 Non-Competition During Term. The Franchisee acknowledges that, in addition to the license of the Marks hereunder, the Franchisor has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, proprietary processes, operations, marketing and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all the franchisees of the Franchisor using the Marks and Licensed Methods. The Franchisee therefore agrees that other than the GRACIE BARRA School licensed herein, neither the Franchisee, any Program Director, any Instructor, nor any of the Franchisee's officers, directors, shareholders, partners, members or managers, nor any member of his, her or their immediate families, will during the term of this Agreement:

- a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;
- b. perform services as a director, officer, partner, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or
- c. divert or attempt to divert any business related to, or any customer or account of the GRACIE BARRA School, the Franchisor's or its affiliate's business, or any franchised GRACIE BARRA School, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Franchisor, its affiliates or another franchisee licensed by the Franchisor to use the Marks and Licensed Methods, to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement shall mean any business granting franchises or licenses to others to operate a business that provides martial arts instruction services, or any franchised business that provides martial arts instruction services or other products or services which are offered by a GRACIE BARRA School. Notwithstanding the foregoing, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent in the aggregate 5% or less of that class of securities issued and outstanding.

20.2 Confidentiality of Proprietary Information. The Franchisee will treat all information it receives which comprises or is a part of the Licensed Methods licensed hereunder, including the Operations Manual, as proprietary and confidential and will not use such information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining the Franchisor's written consent. The Franchisee acknowledges that the Marks and the Licensed Methods have valuable goodwill attached to them, that the protection and maintenance thereof is essential to the Franchisor and that any unauthorized use or disclosure of the Marks and Licensed Methods will result in irreparable harm to the Franchisor.

20.3 Remedies and Attorneys' Fees. The Franchisee shall reimburse the Franchisor for attorneys' fees and other reasonable costs incurred in the reasonable enforcement of the restrictions imposed by this Article 20. The Franchisee acknowledges that the provisions contained in this Article 20 may, in addition to all other available remedies, be enforced through an action for injunctive relief in any state or province of competent jurisdiction.

20.4 Interpretation. All parties to this Agreement acknowledge that this Article has been fully negotiated and has been entered into freely. If any provision of this Article 20 shall be held to be invalid by any tribunal, the terms of said invalid provision shall be modified to the least possible extent so as to make the provision valid. This Article shall not be interpreted against either party as drafter.

20.5 Confidentiality Agreement. The Franchisor reserves the right to require that the Franchisee cause each of its officers, directors, partners, shareholders, managers, members, Program Director(s), Instructor(s) and, if the Franchisee is an individual, immediate family members who work for the School (together, "Personnel"), to execute a Confidentiality Agreement containing the above restrictions, in a form approved by the Franchisor, no later than 10 days after this Agreement is executed by Franchisee and Franchisor and all guarantors. During the term of this Agreement, Franchisee shall require all new Personnel to sign a confidentiality agreement within 10 days of being hired. Franchisee shall provide copies of all signed confidentiality agreements to Franchisor within 10 days after they are executed.

21. INSURANCE

21.1 Insurance Coverage. The Franchisee will procure, maintain and provide evidence of (i) automobile liability insurance coverage for all employees of the GRACIE BARRA School with authority to operate a motor vehicle, including owned, hired, and non-owned vehicle liability; (ii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage with a policy limit of not less than \$1,000,000; (iii) commercial general liability insurance covering the School in an amount not less than \$1,000,000 per occurrence, \$2,000,000 aggregate, provided that such amount shall be equal to or exceed the statutorily imposed minimum coverage; (iv) Sexual Harassment, Abuse and Molestation in an amount not less than \$1,000,000 per occurrence and (v) any additional insurance required by law, covering the School and all employees of the School who provide martial arts instruction-related services in an amount that is equal to or exceeds any statutorily imposed minimum or in the amount the Franchisor may require from time to time or otherwise describe in the Operations Manual. All of the required policies of insurance will name the Franchisor as an additional insured and will provide for a 30 day advance written notice to the Franchisor of cancellation. The Franchisor will have the right, upon 60 days prior written notice to the Franchisee, to revise the coverage limits and types of required insurance described in this Section.

21.2 Proof of Insurance Coverage. The Franchisee will provide proof of insurance to the Franchisor prior to attending the initial training program. This proof will show that the insurer has been authorized to inform the Franchisor in the event any policies lapse or are cancelled. The Franchisor has the right to change the minimum amount of insurance and type of insurance the Franchisee is required to maintain by

giving the Franchisee 60 days prior written notice, giving due consideration to what is reasonable and customary in similar businesses. Noncompliance with the insurance provisions set forth herein will be deemed a material breach of this Agreement; in the event of any lapse in insurance coverage, in addition to all other remedies, the Franchisor will have the right to demand that the Franchisee cease operating the GRACIE BARRA School until coverage is reinstated, or, in the alternative, pay any delinquencies in premium payments and charge the same back to the Franchisee.

22. ARBITRATION

22.1 Arbitration. Except for controversies, disputes or claims related to or based on the enforcement by the Franchisor of its rights in the Marks, the enforcement of covenants not to compete, or the enforcement of any lease or sublease of real estate and Section 22.4 in regard to injunctive relief, all controversies, disputes or claims between the Franchisor, its officers, directors, shareholders, members, managers, sales people, subsidiaries and affiliated companies and their shareholders, officers, directors, members, managers, agents, employees and attorneys (in their representative capacity) and the Franchisee (and its owners and guarantors, if applicable) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) any Licensed Method shall first be submitted for binding arbitration to the American Arbitration Association ("AAA") on demand of either party. Such arbitration proceedings shall be conducted in Orange County, California, and shall be in accordance with the then current Commercial Arbitration Rules of the AAA, except as otherwise provided in this Agreement.

22.2 Scope of Arbitration. In the event a dispute is submitted to arbitration, the arbitrator shall have the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys' fees and costs, in accordance with Section 23.7 of this Agreement, provided that the arbitrator shall not award exemplary or punitive damages. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The Franchisor and the Franchisee agree to be bound by the provisions of any applicable limitation on the period of time by which claims must be brought under applicable law or this Agreement, whichever is less. The parties further agree that, in connection with any such arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Franchisor and the Franchisee agree that arbitration shall be conducted on an individual, not a class-wide, basis, that the Franchisee and the Franchisee Affiliates shall not initiate a proceeding together with other franchisees or their officers, directors, managers, partners or owners, and that an arbitration proceeding between the Franchisor and the Franchisee shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other party.

22.3 Governing Law/Consent to Venue and Jurisdiction; Jury Trial Waiver. All disputes to be arbitrated by the Franchisor and the Franchisee shall be governed by the Federal Arbitration Act (the "FAA") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement shall be interpreted under the laws of the state of California and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of California, except that any state law regulating the sale of franchises or governing the relationship of a franchisor and a franchisee shall not apply unless its jurisdictional requirements are met independently without reference to this Section 22.3,

which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the Franchisee, its officers, directors, managers, partners or owners (collectively, "**Franchisee Affiliates**") and the Franchisor, its officers, directors, managers or sales persons (collectively, "**Franchisor Affiliates**") the parties agree that the exclusive venue for disputes between them, other than an arbitration as provided in Section 22.1, shall be in the state and federal courts of Orange County, California and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Orange County, California or arbitration in Orange County, California. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

22.4 Injunctive Relief. Notwithstanding the above arbitration provision, the Franchisor and the Franchisee will each have the right in a proper case to obtain injunctive relief and any damages incidental thereto from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds in excess of a total of \$1,000, but upon due notice, and the Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee. Any such action will be brought as provided in Section 22.3 above and the prevailing party shall be entitled to its costs and attorneys' fees.

23. MISCELLANEOUS PROVISIONS

23.1 Modification. This Agreement may be modified only upon execution of a written agreement between the parties. The Franchisee acknowledges that the Franchisor may modify its standards and specifications and operating techniques set forth in the Operations Manual unilaterally under any conditions and to the extent to which the Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the Marks and the quality of the Licensed Methods, but under no circumstances will such modifications be made arbitrarily without such determination.

23.2 Entire Agreement. This Agreement contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. The Franchisee acknowledges that it has not relied on any verbal representations or commitments made prior to the execution hereof and agrees that Franchisor will not be liable or obligated for any claims of negligent or fraudulent misrepresentation based on any such verbal representations or commitments. The Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and the most recent Franchise Disclosure Document provided by the Franchisor. The Franchisee further acknowledges and agrees that no representations have been made to it by the Franchisor regarding projected sales volumes, market potential, revenues, profits of the Franchisee's GRACIE BARRA School, or operational assistance other than as stated in this Agreement or in the most recent Franchise Disclosure Document provided by the Franchisor in connection herewith.

23.3 Delegation by the Franchisor. From time to time, the Franchisor will have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Franchisee agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder.

23.4 Effective Date. This Agreement will not be effective until accepted by the Franchisor as evidenced by dating and signing by an authorized officer of the Franchisor.

23.5 Review of Agreement. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 14 days or 10 business days, whichever is applicable, during which time the Franchisee has had the opportunity to submit same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

23.6 Franchisor's Consent. Unless otherwise stated herein, where the Franchisor's consent is required, said consent will not be unreasonably withheld, however, the Franchisor's failure to respond within any designated time period shall not be deemed consent to the Franchisee's proposed activity and it shall remain the Franchisee's responsibility to obtain written consent before proceeding with the contemplated activity.

23.7 Attorneys' Fees. In the event of any dispute between the parties to this Agreement, in addition to all other remedies, the nonprevailing party will pay the prevailing party all amounts due and all damages, costs and expenses, including costs of collection and reasonable attorneys' fees, incurred by the prevailing party in any legal action, arbitration or other proceeding as a result of such dispute.

23.8 No Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by the Franchisor or the Franchisee will be considered to imply or constitute a further waiver by the Franchisor or the Franchisee of the same or any other condition, covenant, right, or remedy.

23.9 No Right to Set Off. The Franchisee will not be allowed to set off amounts owed to the Franchisor or its affiliates for Royalties, Advertising Contributions, product or supply payments, or other amounts due hereunder, against any monies owed to Franchisee, nor shall the Franchisee in any event withhold such amounts due to any alleged nonperformance by the Franchisor or its affiliates, which right of set off is hereby expressly waived by the Franchisee.

23.10 Invalidity. If any court, arbitrator or other tribunal hearing a dispute under this Agreement shall find any provision of this Agreement to be invalid or unenforceable, such arbiter is hereby empowered and directed to modify such invalid or unenforceable provision to the least possible extent to make the provision valid and enforceable, as so modified, such provision will be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement will not be affected by such modification.

23.11 Notices. All notices required to be given under this Agreement will be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the addresses set forth in the first paragraph of this Agreement or at such other addresses as the Franchisor or the Franchisee may designate from time to time, and will be effectively given when deposited in the United States mail, postage prepaid, or when received via overnight delivery, as may be applicable.

23.12 Cumulative Rights. The rights and remedies of the Franchisor and the Franchisee hereunder are cumulative and no exercise or enforcement by the Franchisor or the Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor or the Franchisee of any other right or remedy hereunder which the Franchisor or the Franchisee is entitled by law to enforce.

23.13 Survival of Provisions. Any provisions that by their terms extend beyond termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

23.14 No Class or Consolidated Actions. ALL CLAIMS, CONTROVERSIES AND DISPUTES MAY ONLY BE BROUGHT BY FRANCHISEE ON AN INDIVIDUAL BASIS AND MAY NOT BE CONSOLIDATED WITH ANY CLAIM, CONTROVERSY OR DISPUTE FOR OR ON BEHALF OF ANY OTHER FRANCHISEE OR BE PURSUED AS PART OF A CLASS ACTION.

23.15 Acknowledgement. BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT:

A. THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

B. NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

C. NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement as set forth above.

GRACIE BARRA FRANCHISE SYSTEMS, INC.

Date: _____

By: Flavio Alves de Almeida
Its: Executive Director

FRANCHISEE:

Date: _____

Individually

(Print Name)

OR

(if a corporation, limited liability company or
partnership)

Date: _____

Company Name

By: _____
Title: _____

**EXHIBIT I
TO FRANCHISE AGREEMENT**

**ADDENDUM TO GRACIE BARRA FRANCHISE SYSTEMS, INC.
FRANCHISE AGREEMENT**

1. **School Location.** The School Location set forth in Section 3.1 of the Agreement will be _____.
2. **Designated Area.** The Designated Area described in Section 3.1 will be _____.
3. **Territory.** The Territory described in Section 3.2 will be _____.
4. **Initial Franchise Fee.** The Franchisee shall pay to the Franchisor an initial franchise fee of \$ _____ which is due and payable in immediately available funds on the date the franchisee signs the Franchise Agreement.

Fully executed this _____ day of _____, 20____.

GRACIE BARRA FRANCHISE SYSTEMS, INC.

By: Flavio Alves de Almeida
Its: Executive Director

FRANCHISEE:

Individually

(Print Name)

OR

(if a corporation, limited liability company or
partnership)

Company Name

By: _____

Title: _____

**EXHIBIT II
TO FRANCHISE AGREEMENT**

PERSONAL GUARANTY AND ASSUMPTION

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "**Agreement**") by Gracie Barra Franchise Systems, Inc. (the "**Franchisor**"), each of the undersigned hereby personally and unconditionally:

Guarantees to the Franchisor and its successors and assigns, for the term of this Agreement, including renewals thereof, that the franchisee as that term is defined in the Agreement (the "**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and all obligations related thereto.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor of the foregoing undertaking;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;
2. He or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. Such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person;
4. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof;
5. He or she shall be bound by the restrictive covenants and confidentiality provisions contained in Article 20 of the Agreement and the indemnification provision contained in Section 19.3 of the Agreement; and

6. The arbitration, injunctive relief, governing law and jurisdiction provisions contained in Article 22 and the attorneys' fee provisions contained in Section 23.7 of the Agreement shall govern this Guaranty and such provisions are incorporated into this Guaranty by this reference.

7. **HE OR SHE WAIVES HIS OR HER RIGHT TO A TRIAL BY JURY.**

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

Guarantor

Witness

Guarantor

Witness

Guarantor

Witness

**EXHIBIT III
TO FRANCHISE AGREEMENT**

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited Liability Company _____ Non Profit Corporation

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Limited Liability Company, provide name and address of each member and each manager showing percentage owned and indicate the state in which the Limited Liability Company was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Non Profit Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every membership certificate holder showing what percentage is owned by each.

Franchisee acknowledges that this Statement of Ownership applies to the GRACIE BARRA School authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

Date

Name

Print Name

**EXHIBIT IV
TO FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS TRANSFER AUTHORIZATION
(CREDIT CARD DEBITS)**

The undersigned card holder ("Franchisee") hereby (1) authorizes Gracie Barra Franchise Systems, Inc. ("Franchisor") to initiate debit entries and/or credit correction entries to the undersigned's credit card account indicated below and (2) authorizes the Franchisor to debit such account pursuant to Franchisor's instructions.

Credit Card number

Type of Card

Billing Address

City, State

Zip Code

Expiration Date

Last 3 Digits on Back - CVV

This authority is to remain in full force and effect until Franchisor has received written notification from Franchisee of termination of such authority in such time and in such manner as to afford Franchisor a reasonable opportunity to act on it. If an erroneous debit entry is initiated to Franchisee's account, Franchisee shall have the right to have the amount of such entry credited to such account by Franchisor, if (a) within 15 calendar days following the date on which Franchisor sent to Franchisee a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, Franchisee shall have sent to Franchisor a written notice identifying such entry, stating that such entry was in error and requesting Franchisor to credit the amount thereof to such account. These rights are in addition to any rights Franchisee may have under federal and state banking laws.

FRANCHISEE (Print Name)

By: _____

Its: _____

Date: _____

**EXHIBIT V
TO FRANCHISE AGREEMENT**

INSTRUCTOR CONFIDENTIALITY AGREEMENT

This Instructor Confidentiality Agreement (the "**Agreement**") is made and entered into effective the ___ day of _____, 20___ by and between **GRACIE BARRA FRANCHISE SYSTEMS, INC.**, a California corporation ("**Franchisor**"), located at 300 Spectrum Center Drive, Suite 400, Irvine, CA 92618, _____ ("**Franchisee**"), located at _____, and _____ ("**Instructor**"), who resides at _____. Terms not otherwise defined in this Agreement shall have the definitions set forth in the Franchise Agreement between Franchisor and Franchisee.

RECITALS

A. The Franchisor has developed methods for establishing and operating franchises for the operation of businesses which provide martial arts instruction, primarily Brazilian Jiu-Jitsu, to individuals ("**GRACIE BARRA School**" or "**Schools**") using the service mark "**GRACIE BARRA**" and related service marks, trade names and trademarks ("**Marks**").

B. The Franchisor has developed methods for establishing, operating and promoting Schools pursuant to the Franchisor's distinctive business format, plans, methods, data, processes, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, information and know-how of the Franchisor or its affiliates ("**Confidential Information**") and such Confidential Information as may be further developed from time to time by the Franchisor.

C. The Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and services available, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor.

D. Instructor is or will become involved with the Franchisee in the capacity of an instructor of martial arts at the GRACIE BARRA School ("**Franchised Business**") operated by the Franchisee and in such capacity will become privileged as to certain Confidential Information.

E. Instructor and the Franchisor have reached an understanding with regard to nondisclosure by Instructor of Confidential Information and with respect to noncompetition by Instructor with the Franchisor.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Instructor and the Franchisor, intending legally to be bound, agree as follows:

1. **Instructor Contact Information.** The full and complete name and contact information of the Instructor, is:

Name

Address

Telephone Number

Fax Number

E-Mail Address

2. Instructor Acknowledgements. By execution of this Agreement, Instructor acknowledges and agrees to the following:

(a) Instructor agrees to attend and complete the next scheduled initial training program of the Franchisor; and

(b) Instructor shall provide full time on-site supervision and management of the martial arts instruction services provided at the School on behalf of the Franchisee.

3. Confidential Information. Instructor acknowledges that the distinctive business format, plans, methods, data, processes, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, software and information and know-how of Franchisor or its affiliates which are developed and utilized in connection with the operation of the Franchised Business are Franchisor's or its affiliates' Confidential Information. Such Confidential Information is unique, exclusive property and a trade secret (except the Marks) of Franchisor or its affiliates. Instructor acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to Franchisor and its affiliates. Instructor further acknowledges that Franchisor and its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information, that Franchisor and its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

4. Operations Manuals as Trade Secrets. It is understood that Confidential Information, constituting "trade secrets," as used in this Agreement is deemed to include, without limitation, any and all information contained in Franchisor's Operations Manual, which may be provided as one or more separate manuals, or instructional guides, as the same are changed or supplemented from time to time, and any information of whatever nature which gives Franchisor and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such materials or information.

5. Nondisclosure of Confidential Information. Instructor shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation, association, partnership or other entity other than for the use of Franchisor or the Franchised Business, any of the Confidential Information of Franchisor or its affiliates.

6. **Noncompetition Covenant.** Instructor hereby covenants and agrees that, during the term of the Franchise Agreement governing the establishment and operation of the Franchised Business, except while associated with or operating the Franchised Business in a manner authorized by Franchisor, neither Instructor nor any member of Instructor's immediate family, shall:

- a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;
- b. perform services as a director, officer, partner, manager, employee, consultant, representative, agent, investor or otherwise for a Competitive Business; or
- c. divert or attempt to divert any business related to, or any Student or account of the Franchised Business, Franchisor's or its affiliates' business or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Franchisor, its affiliates or another franchisee licensed by Franchisor, to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement shall mean any business granting franchises or licenses to others to operate a business that provides martial arts instruction services, or any franchised business that provides martial arts instruction services or other products which are offered by a GRACIE BARRA School. Notwithstanding the foregoing, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent in the aggregate 5% or less of that class of securities issued and outstanding.

7. **Injunction.** Instructor hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Instructor agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling more than \$1,000, but upon due notice, and Instructor's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Instructor.

8. **Effect of Waiver.** The waiver by Instructor or the Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

9. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of Instructor and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

10. **Entire Agreement.** This instrument contains the entire agreement of Instructor and the Franchisor relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

11. **Governing Law.** This instrument shall be governed by and construed under the laws of the state where Instructor resides.

12. **Jurisdiction and Venue.** In the event of a breach or threatened breach by Instructor of this Agreement, Instructor hereby irrevocably submits to the jurisdiction of the state and federal courts of California, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts located in Orange County, California. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts located in Orange County, California. Notwithstanding the foregoing, in the event that the laws of the state where the Instructor resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

13. **Severability.** If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

14. **Attorneys' Fees.** In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by a court or arbitrator in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

Dated: _____

INSTRUCTOR

Print Name

Signature

FRANCHISEE

By: _____
Title: _____

GRACIE BARRA FRANCHISE SYSTEMS, INC.

By: Flavio Almeida
Title: Executive Director

EXHIBIT C
(TO DISCLOSURE DOCUMENT)

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("**Development Agreement**") is made this ____ day of _____, 20__ by and between _____ located at _____ ("**Franchisee**"), and **GRACIE BARRA FRANCHISE SYSTEMS, INC.**, a California corporation, located at 300 Spectrum Center Drive, Suite 400, Irvine, CA, 92618 (the "**Franchisor**").

RECITALS

A. The Franchisor has developed methods for establishing and operating businesses which provide martial arts instruction services, primarily Brazilian Jiu-Jitsu, and other approved services and products to individuals ("**GRACIE BARRA Schools**" or "**Schools**") and which include the use and license of the service mark "**GRACIE BARRA**" and certain other valuable trade names, service marks and trademarks owned or licensed by the Franchisor (the "**Marks**"), and the Franchisor's distinctive plans for the establishment, operation and promotion of **GRACIE BARRA Schools** and related licensed methods of doing business (the "**Licensed Methods**").

B. The Franchisee would like to use the Franchisor's Marks and Licensed Methods in connection with the development of a certain number of **GRACIE BARRA Schools** in a specific geographical area as set forth herein. The Franchisor desires to grant the Franchisee the right to establish and operate **GRACIE BARRA Schools** under the terms and conditions which are contained in this Agreement.

The parties therefore agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1 Development Area. The Franchisor grants to the Franchisee the right to develop and establish Schools using the Franchisor's Marks and Licensed Methods in the geographic area described in Exhibit A attached hereto (the "**Development Area**"). Except as set forth in Section 1.2 below, the Franchisor shall not establish, nor shall it license any other party to establish, Schools using the Marks and Licensed Methods anywhere within the Development Area for so long as this Agreement is in effect.

1.2 Reservation of Rights. The Franchisee acknowledges that the rights granted in this Agreement are non-exclusive and that the Franchisor and its affiliates, successors and assigns retain the rights, among others, without any compensation to the Franchisee: (1) to use the Marks to identify promotional and marketing efforts or related items, and to identify services and products distributed or otherwise made available through alternative channels of distribution (other than **GRACIE BARRA Schools**), at any location, including, without limitation, the Internet, wholesale distribution, retail store display, direct mail or other direct marketing methods; (2) to use and license the use of alternative proprietary marks or methods in connection with the sale of services and products the same as, similar to, or dissimilar from, those which the Franchisee will sell, whether in alternative channels of distribution including, without limitation, the Internet, telemarketing, other direct marketing, wholesale distribution, retail store display, or in connection with the operation of businesses which are the same as, or similar to, or different from **GRACIE BARRA Schools**, at any location, within or outside of the Development Area,

and on any terms and conditions as the Franchisor deems advisable, and without granting the Franchisee any rights to them; and (3) to engage in any other activities not specifically prohibited in this Agreement.

1.3 Franchise Agreement – First School Developed. The parties acknowledge that the GRACIE BARRA Franchise Agreement, attached hereto as Exhibit B and by this reference incorporated herein, governing the operation of the Franchisee's first School to be opened hereunder, is being executed concurrently with this Agreement. The Franchisee agrees to comply with the terms and conditions of the Franchise Agreement as a part of its obligations hereunder and acknowledges that failure to execute and comply with the Franchise Agreement is a breach of this Agreement.

1.4 Guaranty. The Franchisee agrees that if the Franchisee is an entity, all of the owners of the Franchisee shall sign the Guaranty and Assumption of Franchisee's Obligations ("Guaranty") attached hereto as Exhibit C and incorporated herein by this reference. Further, if Franchisee forms additional entities for the development of additional Schools, each owner, officer, member, manager and Principal Manager will sign the Guaranty attached hereto.

2. INITIAL FRANCHISE AND DEVELOPMENT FEES

2.1 Fees. Concurrently with the execution of this Agreement, the Franchisor acknowledges that in consideration of the development rights granted herein, the Franchisee has paid the sum of \$8,000, representing payment in full of the initial franchise fee for the first School to be developed hereunder, plus a \$5,000 to \$20,000 fee ("Development Fee") multiplied by the number of additional Schools to be developed. The Franchisor will credit the Development Fee attributable to the second and subsequent Schools to be developed under this Agreement to the initial franchise fee due under the Franchise Agreement for such School. The Franchisee will be required to pay a total initial franchise fee of \$8,000 for the second and each subsequent School to be developed pursuant to this Agreement. The balance of the initial franchise fees for the second and subsequent Schools to be developed will be due at the earlier of (1) the date set forth in Section 3.1 of this Agreement which is the deadline for development of that particular School; or (2) the date which the Franchisee signs the Franchise Agreement for the School to be developed. All fees hereunder are nonrefundable once paid to the Franchisor and under no circumstances will the Franchisee be entitled to a refund, return or rebate of any portion of initial franchise fees or Development Fees paid hereunder.

3. DEVELOPMENT OBLIGATIONS

3.1 Development Schedule. The Franchisee agrees to develop the following number of Schools in the Development Area, in accordance with the following schedule:

Development Deadline	Minimum Total Number of Schools Open for Business in Development Area

3.2 Subsequent Franchise Agreements. The parties agree that a separate Franchise Agreement shall be executed by the parties to this Agreement for each School to be developed under this Agreement. The Franchisee will not be permitted to sign a second or subsequent Franchise Agreement.

unless the previous School has achieved a level of minimum gross sales as specified by the Franchisor from time to time in the Operations Manual; provided, however, that if the Franchisee does not meet its development deadlines, the Franchisor may terminate this Agreement. The Franchise Agreement for the second and each subsequent School will be executed within 10 days after the Franchisor's approval of the particular School location. The Franchisee's failure to execute any additional Franchise Agreements or its default in any term of such Franchise Agreements may, at the option of the Franchisor, be deemed a default under this Agreement and shall entitle the Franchisor to terminate this Agreement as further provided in Article 4 below.

3.3 Site Selection. The Franchisee shall not, without the prior written approval of the Franchisor and without signing a Franchise Agreement, enter into any contract for the purchase or lease of any premises for use as a School. The Franchisor will assist the Franchisee in the selection and approval of locations for its Schools in accordance with the terms and conditions of the Franchise Agreements. The Franchisee acknowledges that the Franchisor has no obligation to select or acquire a location on behalf of the Franchisee.

3.4 Form of Franchise Agreement. Each Franchise Agreement to be executed by the Franchisee for each School to be developed hereunder shall be the form of Franchise Agreement then currently being offered to franchisees by the Franchisor. Notwithstanding the foregoing, the Franchisor agrees that it will not charge an initial franchise fee to the Franchisee that is greater than the amounts set forth herein and will not increase the royalty percentage to a rate greater than the maximum rate permitted to be charged in the Franchise Agreement being executed herewith. The Franchisee acknowledges that the Franchisor has the right, however, to charge then current published rates for advertising contributions and products and services offered to the Franchisee.

3.5 Training Program. The Franchisee acknowledges that the Franchisor shall have the right, in the Franchisor's sole discretion, to waive the initial training program, which is the same as or similar to the training provided under Section 6.1 of the Franchise Agreement executed concurrently herewith, for the second and each subsequent School developed under the terms of this Agreement. The Franchisee may request assistance from the Franchisor in addition to the assistance provided to the Franchisee as described in the Franchise Agreement, in connection with site selection, site feasibility studies, lease negotiations and other issues related to development of its Development Area. If the Franchisor agrees to provide such assistance, in the Franchisor's sole discretion, the Franchisor reserves the right to charge the Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses incurred in connection with such assistance.

4. TERM AND TERMINATION

4.1 Term. This Agreement shall commence as of the date of execution hereof and shall end on the last Development Deadline set forth in Section 3.1 above. After expiration of the term, or earlier termination of this Agreement as provided below, the Franchisor shall have the right to establish, or license any other party to establish, Schools anywhere within the Development Area; provided, however, that the Franchisee's Territory as defined in the Franchise Agreement(s) executed hereunder will remain in effect for the term of the Franchise Agreement(s), unless sooner terminated.

4.2 Termination by Franchisee. This Agreement may be terminated by the Franchisee for any reason upon 60 days prior written notice to all parties, provided that the Franchisee will not be entitled to a refund of any fees paid hereunder under any circumstances.

4.3 Termination by Franchisor. This Agreement may be terminated by the Franchisor on 30 days prior written notice, such notice containing a right to cure such default, if applicable, in the event of any of the following:

(a) If the Franchisee defaults on any term or condition of this Agreement; including without limitation, failure to develop in accordance with the schedule set forth in Section 3.1 above; or

(b) In the event of any occurrence which would entitle the Franchisor to terminate any Franchise Agreement executed in furtherance of this Agreement.

This Agreement shall automatically terminate at the end of the 30-day notice period, unless the Franchisee cures the default set forth in such notice within the 30-day period.

4.4 Post-Termination Obligations. In the event of termination of this Agreement for any reason, the Franchisee shall remain subject to the provisions of Article 6 of this Agreement regarding nondisclosure and covenants not to compete, in addition to the terms and conditions of any and all Franchise Agreements executed in furtherance of this Agreement that have not also been terminated.

5. ASSIGNMENT

5.1 Assignment by Franchisor. The Franchisor may transfer or assign its rights under this Agreement at any time upon notice to the Franchisee, provided that the Franchisor has fulfilled its obligations hereunder or has made adequate provisions therefor.

5.2 Assignment by Franchisee. Because the rights granted herein are personal to the Franchisee, the Franchisee shall not transfer, assign or convey this Agreement or any interest hereunder without Franchisor's consent which consent shall not be unreasonably withheld if the Franchisee complies with the transfer provisions of the Franchise Agreement most recently executed by the Franchisor and the Franchisee, which provisions shall be deemed to be incorporated herein by reference. The Franchisor reserves the right to require the transferee to sign the then-current form of Development Agreement with terms and conditions that may be negotiated between the parties depending on the circumstances of the transfer. The Franchisor will consent to the Franchisee's proposed transfer of rights to a specific School to be developed, at the time of execution of the Franchise Agreement which governs operation of that School, if the proposed transfer is to a corporation, limited liability company or other entity owned by, controlled by, or under common control with, the Franchisee and the transfer fee described in Section 5.3 below will not be charged.

5.3 Transfer Fee. In the event of any proposed sale, transfer or assignment by the Franchisee as described herein, the Franchisee and/or the proposed transferee shall pay to the Franchisor the standard transfer fee for each Franchise Agreement to be transferred, as governed by such Franchise Agreement executed pursuant to this Agreement, plus \$1,000 for every undeveloped franchise right for which no Franchise Agreement has been executed. This sum shall be payable in lump sum to the Franchisor as one of the pre-conditions to obtaining the Franchisor's written consent to any proposed transfer. In the event of transfer, the transferee shall pay the remaining portions of the initial franchise fees owed to the Franchisor, when each Franchise Agreement is signed. Transfer fees paid to the Franchisor will not be applied to the initial franchise fees due, but the transferee will receive credit for the Franchisee's earlier payment of the Development Fees.

5.4 Franchisor's Right of First Refusal. In the event of any proposed sale, transfer or assignment of its rights under this Agreement or any interest in it or all or any part of the franchise development rights, or assets directly or indirectly related to the franchise development rights, the

Franchisee agrees to grant the Franchisor a 30-day right of first refusal to purchase such rights or assets on the same terms and conditions as are contained in the most recently executed Franchise Agreement.

6. RESTRICTIVE COVENANTS

6.1 Restrictive Covenants. During the term of this Agreement and after the termination of this Agreement or any Franchise Agreement signed in furtherance of this Agreement, the Franchisee and its officers, partners, directors, agents or employees who have completed the Franchisor's training programs or had access to the Operations Manual, as described in the Franchise Agreement, and/or the beneficial owners of a five percent or greater interest in the Franchisee and their respective immediate families, shall be subject to all restrictive covenants as set forth in the Franchise Agreement executed concurrently herewith, and in any Nondisclosure and Noncompetition Agreements executed in conjunction with any Franchise Agreement, which covenants by this reference are incorporated herein.

7. BUSINESS RELATIONSHIPS

7.1 Independent Contractor. During the term of this Agreement, the Franchisee shall be an independent contractor and shall in no way be considered as an agent, partner or employee of the Franchisor. It is understood and agreed that no agency or partnership is created by this Agreement. As such, the Franchisee has no authority of any nature whatsoever to bind the Franchisor or incur any liability for or on behalf of the Franchisor or to represent itself as anything other than an independent contractor.

7.2 Indemnification. The Franchisee shall indemnify and hold harmless the Franchisor and its affiliates, and their respective officers, directors, members, managers, agents and representatives ("Indemnified Parties") from all fines, suits, proceedings, claims, demands or actions of any kind or nature, including reasonable attorneys' fees, from anyone whomsoever, arising or growing out of, or otherwise connected with the Franchisee's activities, actions, or failure to act, under this Agreement, or the Franchisee's operation of School(s) developed under this Agreement. For purposes of this indemnification, "claims" shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

8. MISCELLANEOUS

8.1 Disputes. The parties agree that any dispute between the parties arising out of or related to the terms of this Agreement shall be governed by the applicable provisions of the Franchise Agreement executed concurrently herewith, which terms and conditions are by this reference incorporated herein.

8.2 Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties' respective heirs, successors, assigns and personal representatives.

8.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

8.4 Review. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not fewer than 14 days or 10 business days, whichever is applicable,

during which time the Franchisee has had the opportunity to submit the same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

8.5 No Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by any party hereto shall be considered to imply or constitute a further waiver of the same or any other condition, covenant, right or remedy.

8.6 Modification. This Agreement may be modified only upon execution of a written agreement between the parties.

8.7 Entire Agreement. This Agreement, together with its exhibits, contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written, concerning the subject matter hereof, provided that any Franchise Agreement executed by the parties hereto shall remain binding, except to the extent that this Agreement specifically supersedes any term thereof. The Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement, the Franchise Agreement and in the most recent franchise disclosure document provided by the Franchisor or its representatives. Nothing in this Agreement is intended to disclaim the representations made in the Franchise Agreement, this Agreement or in the most recent franchise disclosure document provided by the Franchisor or its representatives.

8.8 Severability. If any provision of this Agreement is held invalid by any court of competent jurisdiction in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

8.9 Notices. All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the addresses first set forth above, or at such other address as either party may designate from time to time by written notice as set forth herein. Notice shall be deemed effective when deposited in the United States mail postage prepaid or when received by overnight delivery, as may be applicable.

8.10 Controlling Terms. In the event of any conflict between the terms of this Agreement and the terms of the Franchise Agreement, the terms of this Agreement shall control.

8.11 Costs and Attorneys' Fees. In the event of any default on the part of either party to this Agreement, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

8.12 Injunctive Relief. Nothing herein shall prevent the Franchisor or the Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the date first above written.

**GRACIE BARRA
FRANCHISE SYSTEMS, INC.**

Date: _____

By: Flavio Almeida
Its: Executive Director

FRANCHISEE:

Date: _____

Individually

Print Name

Date: _____

Individually

Print Name

OR (if corporation or partnership)

(Print Name)

Date: _____

By: _____
Its: _____

EXHIBIT A
TO DEVELOPMENT AGREEMENT
BETWEEN GRACIE BARRA FRANCHISE SYSTEMS, INC
AND

The Development Area, as referred to in Section 1.1 of the Development Agreement, is described below by geographic boundaries or by zip code and on the attached map and shall consist of the following area or areas:

EXHIBIT B.
TO DEVELOPMENT AGREEMENT
BETWEEN GRACIE BARRA FRANCHISE SYSTEMS, INC.

AND

Executed Franchise Agreement

EXHIBIT C
TO DEVELOPMENT AGREEMENT
BETWEEN GRACIE BARRA FRANCHISE SYSTEMS, INC.

AND

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Development Agreement (the "**Agreement**") by GRACIE BARRA FRANCHISE SYSTEMS, INC. (the "**Franchisor**"), each of the undersigned hereby personally and unconditionally:

Guarantees to the Franchisor and its successors and assigns, for the term of the Agreement, including renewals thereof, that the franchisee as that term is defined in the Agreement ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor of the foregoing undertaking;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;
2. He or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. Such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Franchisee or any other person; and
4. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the

compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof.

5. Agrees to be bound by the restrictive covenants and confidentiality provisions contained in Section 6.1 of the Agreement and the indemnification provision contained in Section 7.2 of the Agreement.

6. Agrees that the governing law, consent to jurisdiction, arbitration, injunctive relief and related provisions and the costs and attorneys' fees provisions contained in Sections 8.1, 8.3 and 8.11 of the Agreement shall govern this Guaranty and such provisions are incorporated into this Guaranty by this reference.

7. EACH OF THE UNDERSIGNED WAIVE THEIR RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

WITNESS

GUARANTOR(S)

Print Name

Print Name

EXHIBIT D
(TO DISCLOSURE DOCUMENT)

GRACIE BARRA FRANCHISE SYSTEMS, INC.
REGIONAL COLLABORATOR AGREEMENT

**GRACE BARRA FRANCHISE SYSTEMS, INC.
REGIONAL COLLABORATOR AGREEMENT**

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EXHIBITS

Exhibit I	Rider to Regional Collaborator Agreement
Exhibit II	Guaranty and Assumption of Regional Collaborator's Obligations
Exhibit III	Statement of Ownership

GRACIE BARRA FRANCHISE SYSTEMS, INC.

REGIONAL COLLABORATOR AGREEMENT

THIS AGREEMENT is made this ____ day of _____, 20____, between GRACIE BARRA FRANCHISE SYSTEMS, INC., a California corporation, with its principal offices at 300 Spectrum Center Drive, Suite 400, Irvine, CA 92618 ("**Franchisor**") and _____, an individual, ("**_____**") and _____, a _____, whose principal address is _____ ("**_____**"). (together, _____ and _____ shall be referred to as "**Collaborator**"), who on the basis of the following understandings and in consideration of the following promises, agree as follows:

1. BACKGROUND AND PURPOSE

1.1 The Franchisor has developed methods for establishing, operating and promoting martial arts schools offering instruction in Brazilian Jiu-Jitsu and related products and services ("**Gracie Barra Schools**" or "**Schools**"). These methods feature the use and license of the service marks "GRACIE BARRA," "G BARRA," and related service marks and trademarks (all referred to in this Agreement as the "**Marks**") and the Franchisor's distinctive plans for the establishment, operation and promotion of schools offering instruction in Brazilian Jiu-Jitsu and related licensed methods of doing business (the "**Licensed Methods**").

1.2 The Franchisor grants to qualified individuals, or to entities with which such individuals are affiliated, the right and license to develop and operate Schools using the Marks and Licensed Methods.

1.3 The Collaborator is accomplished in Brazilian Jiu-Jitsu, having achieved the rank of _____, and desires to refer prospective franchisees for GRACIE BARRA Schools within the Region, and to support and provide business and martial arts support to GRACIE BARRA Schools within the Region, under the terms and conditions which are contained in this Agreement ("**Collaborator Business**" or "**Business**").

1.4 The Franchisor is willing to grant the right to Collaborator to refer prospective franchisees for GRACIE BARRA Schools and to provide training and support services to GRACIE BARRA Schools within the Region, as defined below, under the terms and conditions which are contained in this Agreement.

2. DEFINITIONS

2.1 **Region.** "**Region**" shall mean the geographical area described in Exhibit I attached hereto and incorporated herein by reference.

2.2 **Sales Year.** "**Sales Year**" shall mean each 12 month period during the term of this Agreement, as defined in Exhibit I attached.

2.3 **Franchise Agreement.** "**Franchise Agreement**" shall mean the forms of agreements (including, without limitation, franchise agreement and any exhibits, riders, collateral assignments of lease or sublease, and personal guarantees used in connection therewith) used by the Franchisor from time to time in the granting of franchises for the ownership and operation of GRACIE BARRA Schools. The Collaborator acknowledges that the Collaborator will use the Franchisor's then current form of franchise

agreement and that the Franchisor, in its sole discretion, may from time to time modify or amend in any respect the form of franchise agreement and related agreements, including but not limited to, modifying fees customarily charged in granting GRACIE BARRA School franchises.

2.4 Franchisee. "Franchisee" shall mean any person, corporation, partnership or other entity that has entered into a Franchise Agreement with the Franchisor.

2.5 Operations Manual. "Operations Manual" means the manuals, technical bulletins or other written materials covering the proper operating and marketing techniques of a Collaborator Business and standards and specifications for implementing the Licensed Methods, including but not limited to, the Operations Manual governing the operation of a franchised School therein.

3. SCOPE OF APPOINTMENT AND INITIAL FEE

3.1 Appointment of Collaborator/Scope of Operations. The Franchisor appoints the Collaborator as a "Regional Collaborator," and the Collaborator agrees to perform its obligations in accordance with the terms and conditions of this Agreement, only within the Region, to solicit prospective Franchisees for GRACIE BARRA Schools to be located in the Region ("Sales-Related Services") as described in Section 8.3 below, to render support and other services ("Support Services") to Schools located within the Region as those services are described in Sections 8.4 and 8.5 below. The Collaborator acknowledges and agrees that it is prohibited from granting, selling or negotiating the sale of a franchise within and outside of the Region.

3.2 Rights and Limitations to Region. The Franchisor will not establish and license any other regional Collaborators to perform Sales-Related Services or Support Services to Franchisees within the Region; provided, however, that the Franchisor shall retain such rights in the Region as described in Section 3.3 below.

3.3 Franchisor's Reservation of Rights. The Collaborator acknowledges that its rights granted hereunder are non-exclusive and the Franchisor (on behalf of itself, its affiliates, successors and assigns), retains the rights, among others, without any compensation to the Collaborator:

a. to use, and to license others to use, the Marks and Licensed Methods to operate other Collaborator Businesses and to perform any or all of the duties of a regional Collaborator at any location outside of the Region;

b. to solicit prospective Franchisees and sell franchises for GRACIE BARRA Schools at locations within and outside of the Region and on such terms and conditions as the Franchisor deems appropriate and to itself own and operate GRACIE BARRA Schools within the Region;

c. to use and license the use of other proprietary marks or methods in connection with the sale of products and services the same as or similar to those which GRACIE BARRA Schools sell, whether in alternative channels of distribution or in connection with the operation of martial arts schools which are the same as, or similar to, or different from GRACIE BARRA Schools, at any location, within and outside of the Region, on any terms and conditions as the Franchisor deems advisable; and

d. to use the Marks and Licensed Methods in connection with the sale of services and products other than those sold by GRACIE BARRA Schools, to identify promotional and marketing efforts and related items, and to identify services and products similar to those offered by GRACIE BARRA Schools, made available through alternative channels of distribution, including but not limited to, wholesale distribution and catalog and Internet sales, at any location, within and outside of the Region.

3.4 Initial Fee. In consideration for the right to act as the Regional Collaborator, the Collaborator agrees to pay to the Franchisor an initial fee in the amount listed on and in accordance to the terms of the Addendum to this Agreement, attached hereto as Exhibit IV. The Collaborator acknowledges and agrees that the initial fee represents payment for the initial grant of rights to act as the Regional Collaborator, that the Franchisor has earned the initial fee upon receipt thereof and that the fee is under no circumstances refundable to the Regional Collaborator after it is paid.

4. FRANCHISE SALES PROCEDURES

4.1 Sales Goals. The Collaborator agrees that during the term of this Agreement, the Collaborator will meet and maintain the franchise sales goals ("Sales Goals") set forth in Exhibit I to this Agreement.

4.2 Franchise Registration and Disclosure. Neither the Collaborator nor any employee or representative of the Collaborator shall solicit prospective Franchisees of GRACIE BARRA Schools until the Franchisor has registered to sell franchises or made appropriate exemption filings in the applicable jurisdiction and has provided the Collaborator with the requisite documents, nor shall the Collaborator, its employees or representatives, solicit Franchisees at any time when the Franchisor notifies the Collaborator that its registration or exemption filings are not then in effect or its documents are not then in compliance with applicable law. If the Collaborator's activities pursuant to this Agreement require the preparation, amendment, registration or filing of information or any disclosure or other documents, all requisite disclosure documents, ancillary documents, exemption filings and registration applications shall be prepared and filed by the Franchisor or its designee, and registration or exemption secured before the Collaborator may solicit prospective Franchisees of GRACIE BARRA Schools. Costs of registration applicable to the Collaborator shall be borne by the Collaborator. In particular, the Collaborator shall:

a. prepare and forward to the Franchisor audited financial statements of the Collaborator for such periods as designated by the Franchisor; and

b. promptly provide all information and sign all documents reasonably required by the Franchisor to prepare requisite disclosure documents and register the Collaborator to solicit prospective franchisees and the Franchisor to offer franchises throughout the Region.

The Collaborator agrees to review all information pertaining to the Collaborator prepared to comply with legal requirements for offering franchises in the Region and verify its accuracy if so requested by the Franchisor. The Collaborator acknowledges that the Franchisor, its affiliates or its designees, shall not be liable to the Collaborator for any errors, omissions or delays which may occur in the preparation of such materials.

4.3 Recruiting and Screening. The Collaborator shall be responsible for recruiting, screening and interviewing prospects for GRACIE BARRA Schools franchises within the Region. The Collaborator shall provide prospective Franchisees with written information regarding a GRACIE BARRA School franchise approved by the Franchisor, or via electronic mail, the telephone, face-to-face meetings or by visiting other GRACIE BARRA Schools within the Region. The Collaborator shall submit each qualified applicant ("**Applicant**") for a GRACIE BARRA School franchise to the Franchisor for approval. The Collaborator further agrees that all Applicants submitted to the Franchisor by the Collaborator, if an individual, or the Principal Owner of the Applicant, if the Applicant is not an individual, shall be individuals who are of good character, have adequate financial resources and meet the Franchisor's criteria for Franchisees or Principal Owners of Franchisees. A "Principal Owner" is defined in Section 6.1 below. Each application for a franchise received by the Collaborator shall be submitted to the Franchisor with all information respecting the Applicant, the Principal Owner of the Applicant, if

applicable, the Applicant's proposed franchise location, if known, and all other information then customarily required by the Franchisor concerning Applicants, including such financial statements and other information as the Franchisor may reasonably require.

4.4 Franchisor's Approval of Prospective Franchisees. By delivery of written notice to the Collaborator, the Franchisor shall approve or disapprove Applicants to become GRACIE BARRA School Franchisees. The Franchisor agrees to exert its best efforts to deliver such notification to the Collaborator within 30 days after the later of: (a) receipt by the Franchisor of a complete application, financial statement and other materials regarding the Applicant requested by the Franchisor; or (b) the personal interview of Applicant by the Franchisor, if any. If the Franchisor, in its sole discretion, determines that the Applicant possesses sufficient financial and managerial capability and meets the other criteria then utilized by the Franchisor in the grant of franchises, the Franchisor shall offer to the Applicant a franchise for the operation of a GRACIE BARRA School. The grant of the franchise shall be effected only upon and after the full execution of the then current Franchise Agreement by the Franchisor and the Applicant.

5. PAYMENTS TO THE COLLABORATOR

5.1 Commissions on Sales-Related Services. During the term of this Agreement, the Collaborator shall be paid a commission based on a percentage of initial franchise fees paid by Franchisees for the purchase of a franchise for a GRACIE BARRA School to be located within the Region, upon fulfillment of the following conditions ("**Franchise Sales-Related Conditions**"):

a. The Franchisee shall have executed a Franchise Agreement with the Franchisor and an initial franchise fee shall have been paid and actually received by the Franchisor. If the Franchisee pays its initial franchise fee in whole or in part with a promissory note, then the Collaborator shall be paid a commission on each payment after it has been received by the Franchisor;

b. The sale for which the initial franchise fee has been paid shall not be a resale of any existing GRACIE BARRA School, or any interest therein;

c. The Franchisee shall have successfully completed the Franchisor's school owner training program; and

d. The Collaborator shall have complied with all other of its obligations under this Agreement with respect to such sale and verified the same to the Franchisor.

Commissions on Sales-Related Services shall be paid to the Collaborator in the amount of 10% of the total initial franchise fees paid to the Franchisor, payable to the Collaborator within 30 days after the Franchise Sales-Related Conditions have been fulfilled. The Collaborator shall not receive a commission on Sales-Related Services for GRACIE BARRA Schools owned and operated by the Franchisor, its affiliates or designees ("**Franchisor Owned Schools**") in the Region, nor will the Collaborator receive a commission on Schools owned by the Collaborator in the Region.

5.2 Commissions on Transfers of Franchises. If, during the term of this Agreement, a GRACIE BARRA School located within the Region or an interest therein is resold to a different Franchisee and the sale results in the execution of a Franchise Agreement and the payment of a transfer fee, then the Collaborator will not be paid a commission on the transfer fees paid to the Franchisor, but the Collaborator will be paid Service Fees as set forth below.

5.3 Service Fees. The Franchisor shall pay to the Collaborator, within 30 days after the end of each month, a service fee ("Service Fee") consisting of 20% of the royalty fees ("Royalty Fees") that each Franchisee, established after this Agreement, located in the Region paid to the Franchisor during the applicable month pursuant to their Franchise Agreement. Royalty Fees do not include advertising fees. Notwithstanding the foregoing:

a. If the Collaborator has failed to file a written report or failed to perform in any material respect the other services to be provided to Franchisees located in the Region described in Article 9 below during any applicable month with respect to one or more Franchisees located in the Region, the Collaborator shall not be entitled to receive Service Fees with respect to such Franchisees for the period during which reports or services were not provided.

b. The Collaborator shall not be entitled to share or receive any Service Fees from any fees paid to the Franchisor by Franchisees in the Region prior to the time the Collaborator completes the initial training program and commences full performance of the services set forth in Article 9 of this Agreement.

c. If there are franchised Schools operating in the Region as of the date the Collaborator signs this Agreement, then the Collaborator shall NOT receive Service Fees from those Schools during the term of this Agreement.

d. The Collaborator shall receive Service Fees with respect to any GRACIE BARRA Schools in the Region owned and operated by the Collaborator, but not with respect to any GRACIE BARRA Schools in the Region owned and operated by the Franchisor or its affiliates.

5.4 Application of Payments. The Franchisor's payments to the Collaborator shall be based on amounts actually collected from Franchisees, not on payments accrued, due or owing. In the event of termination of a Franchise Agreement for a GRACIE BARRA School within the Region under circumstances entitling the Franchisee to the return of all or part of the initial franchise fee or Royalty Fees (or in the event that the Franchisor becomes legally obligated or decides in its sole discretion, to return part or all of the initial franchise fee or Royalty Fees), the Franchisor may deduct the portion of the amount to be returned to Franchisee in the same proportion as the Collaborator shared in the initial franchise fee or Royalty Fees from any future amounts owed the Collaborator. The Franchisor shall apply any payments received from a Franchisee to any past due indebtedness of that Franchisee for Royalty Fees, advertising contributions, purchases from the Franchisor or its affiliates, interest or any other indebtedness of that Franchisee to the Franchisor or its affiliates. To the extent that such payments are applied to a Franchisee's overdue Royalty Fee payments, the Collaborator shall be entitled to its pro rata share of such payments, less its pro rata share of the costs of collection paid to third parties.

5.5 Setoffs. The Collaborator shall not be allowed to set off amounts owed to the Franchisor for fees or other amounts due hereunder, against any monies owed to the Collaborator by the Franchisor, which right of set off is hereby expressly waived by the Collaborator. The Franchisor shall be allowed to set off amounts owed to the Collaborator for commissions, Service Fees or other amounts due hereunder, against any monies owed to the Franchisor by the Collaborator, including, setting off amounts owed to the Collaborator for commissions or Service Fees against monies owed to the Franchisor for commissions on Sales-Related Services which were paid to the Collaborator before the Franchisee failed to successfully complete the Franchisor's initial training program.

5.6 Acknowledgement. The Collaborator acknowledges and agrees that he/it will not accept any money or other consideration from a Franchisee or its employees, independent contractors or affiliates, without first obtaining the Franchisor's approval in writing. Further, the Collaborator

acknowledges and agrees that he/it will not accept any money or other consideration from a Franchisee or any other party that is owed or payable to the Franchisor, without first obtaining the Franchisor's approval in writing. The Franchisor may disapprove any payment in its sole discretion.

6. TRAINING ASSISTANCE

6.1 Regional Collaborator Training. Within 90 days after the date of execution of this Agreement, the Franchisor shall furnish, and one or two principals of the Collaborator, including an individual designated by the Collaborator shall attend, at the Collaborator's sole cost and expense, an on-line Regional Collaborator program, to consist of the training program applicable to the Franchisor's Franchisees and such further training which may include topics such as marketing, franchise sales and franchise law compliance, as the Franchisor in its sole discretion deems advisable.

6.2 Seminars and Ongoing Training. From time to time, the Franchisor may present seminars, conventions or continuing development programs for the benefit of the Collaborator. The Collaborator or its Principal Owner shall be invited to attend any ongoing seminars, industry conventions or programs as may be offered by the Franchisor. The Franchisor shall give the Collaborator at least 7 days prior written notice of any seminar, convention or program. The Franchisor will not require that the Collaborator attend any ongoing training in person.

7. FRANCHISOR'S OPERATING ASSISTANCE

7.1 Online Manual. The Franchisor shall, in addition to the Collaborator training program, provide the Collaborator with secure access during the term hereof to the Franchisor's GB Library which contains our Online Manual to assist the Collaborator and its employees in the conduct of the Business contemplated by this Agreement. The Franchisor may prescribe mandatory and suggested standards and operating procedures for the Collaborator in the Online Manual, which may be modified from time to time by the Franchisor. The Collaborator shall read and comply with all updates to the Online Manual as they are implemented by the Franchisor. The Collaborator may not at any time copy or distribute any part of the Online Manual, unless approved in writing by the Franchisor. The Online Manual and other writing communicated to the Collaborator shall constitute material provisions of this Agreement as if fully set forth herein.

7.2 Operating Assistance. The Franchisor will make available the following services during the term of this Agreement:

- a. Upon the reasonable request of the Collaborator, consultation by electronic mail regarding advice related to franchise sales, Franchisee support and assistance; and
- b. Access to franchise sales advertising and promotional materials as may be developed by the Franchisor, which reasonable cost may be passed on to the Collaborator at the Franchisor's option.

8. REGIONAL COLLABORATOR'S OBLIGATIONS

8.1 Hiring and Training of Employees of Collaborator. The Collaborator shall hire all of the Collaborator's employees, shall be exclusively responsible for the terms of their employment and compensation and shall implement a training program for employees to ensure their compliance with the Franchisor's requirements; provided that the Collaborator shall not employ any person whom the Franchisor, in its sole discretion, has determined to be unfit to represent the Franchisor in the marketing of GRACIE BARRA School franchises or in furnishing services to Franchisees.

8.2 Commencement of Business. Unless otherwise agreed to in writing by the Franchisor and the Collaborator, the Collaborator has 120 days from the date of this Agreement within which to complete its initial training and begin operating its GRACIE BARRA Regional Collaborator Business. The Franchisor will extend the time within which the Collaborator has to begin operations for a reasonable period of time, in the event that factors beyond the Collaborator's reasonable control prevent the Collaborator from meeting this schedule, so long as the Collaborator has made reasonable and continuing efforts to comply and the Collaborator requests in writing, an extension of time in which to have its Business established before the development period lapses. The obligations of the Collaborator, including Sales-Related Services, shall begin at the earlier of the date the Collaborator or its Principal Owner has satisfactorily completed the Franchisor's initial training program or 120 days from the date of this Agreement.

8.3 Sales-Related Services. The Collaborator shall solicit and identify prospective franchisees for GRACIE BARRA Schools to be located within the Region using methods prescribed by the Franchisor and in accordance with the Franchisor's standards and specifications ("Sales-Related Services").

8.4 Pre-Opening Support Services. The Collaborator shall perform the following pre-opening Support Services on behalf of the Franchisor with respect to Franchisees of GRACIE BARRA Schools located in the Region:

a. Assist with School location selection for each Franchisee, which shall consist of providing their opinions on local territories and good areas and make sure the proposed location is not conflicting with other franchisees territorial interests;

b. At the Franchisor's request and at the Franchisee's expense, travel to the Franchisee's proposed site(s) for its GRACIE BARRA School, evaluate each proposed site and submit a report to the Franchisor on the condition of each proposed site;

c. Have an open door policy and offer opportunity for on the job training to all local instructors, staff and school owners; and

d. Provide guidance in implementing advertising and marketing programs, operating and sales procedures and bookkeeping and accounting programs.

8.5 Ongoing Support Services. With respect to Franchisees of GRACIE BARRA Schools located in the Region, the Collaborator shall perform the following ongoing Support Services on behalf of the Franchisor:

a. Initiate not fewer than one consultations by electronic mail or telephone with each Franchisee each month regarding the continuing operation and management of the School and advise the Franchisee regarding services offered and related issues;

b. Conduct webinars for Franchisees to provide on-going updates of information regarding martial arts instruction, marketing techniques and updated Licensed Methods, including without limitation, information about new services, products or special programs of the Franchisor;

c. Provide advice and assistance to the Franchisee in connection with the development of and improvements to the Franchisee's School;

d. Conduct at least one on-site inspection of each GRACIE BARRA School in the Region every calendar year in the manner as required by the Franchisor from time to time, said inspections to be verified by written reports;

e. Conduct electronic monitoring of each School in the Region every calendar quarter in the manner as required by the Franchisor from time to time;

f. Submit monthly reports to the Franchisor on activities in the Region, using procedures and forms supplied by the Franchisor; and

g. Use best efforts to cause Franchisees in the Region to timely pay all amounts due to the Franchisor and collect past due amounts from Franchisees.

h. Organize and coordinate a local Facebook group for GB School Owners and instructors in the region.

i. Host quarterly online meetings with School owners and staff members from the Schools in the region.

j. Organize Gracie Barra's efforts towards competition in the region.

k. Establish social media channels for the region and keep it updated in line with Gracie barra branding guidelines.

l. must develop the GB Ambassadors Program in their region, or make a formal request to be excused of this obligation; and

m. 20% of all litigation, legal fees incurred by Gracie Barra which are related to schools in the Collaborator's territory will be paid by Regional Collaborator.

8.6 Compliance with Franchise Agreement. The Collaborator acknowledges that the Franchisor is delegating certain of its responsibilities to Franchisees in the Region to the Collaborator. The responsibilities to Franchisees are to be performed by the Collaborator as described herein or as may in the future be set forth in the Online Manual or other reasonable standards and specifications as may be provided by the Franchisor from time to time, and the Collaborator's responsibilities to Franchisees will not materially change during the term of this Agreement. In the performance of services to Franchisees operating GRACIE BARRA Schools located in the Region, the Collaborator shall in all respects comply with the terms and conditions of any Franchise Agreement or other agreement in effect between the Franchisee and the Franchisor. The Collaborator understands, however, that its rights as a regional Collaborator are only by virtue of this Agreement and that it is not in any manner a party, third party beneficiary or holder of any other right, title or interest in or to any Franchise Agreement, unless it is a Franchise Agreement in which the Collaborator is the Franchisee.

8.7 Regional Collaborator's Inspections. The Collaborator shall ascertain through field audits, reviews and inspections, that each Franchisee in the Region has complied satisfactorily with all of the terms and conditions of the Franchise Agreement, specifications, standards, operating procedures, and the Franchisee Operations Manual, and shall promptly notify the Franchisee in writing, with a copy and evaluation report to the Franchisor, of any deficiencies; provided, however, the Collaborator understands and acknowledges that its inspections and reports are advisory only and that the Franchisor shall have: (a) all of the rights to inspect and ascertain compliance of all Franchisees as if this Agreement were not in effect; (b) the sole right to send notices of default to the Franchisee; (c) the sole right to terminate a Franchise Agreement for failure to cure such defaults (if an opportunity to cure is granted); and (d) the sole right to take any legal action with respect to any default or any violation of a Franchise Agreement. If the Collaborator believes that any Franchisee in the Region has breached a Franchise Agreement with the Franchisor, the Collaborator shall document in writing all facts related to the alleged breach and shall request in writing that the Franchisor investigate such alleged breach. If, as a result of the Franchisor's investigation, the Franchisor determines that there is a breach by the Franchisee of its Franchise Agreement with the Franchisor, the Franchisor shall, in its sole discretion, take such action as it deems appropriate.

9. MARKS

9.1 Ownership and Goodwill of Marks. The Collaborator acknowledges that its rights to use the Marks in connection with its duties as a regional Collaborator are derived solely from this Agreement, and, if applicable, Collaborator's rights to use the Marks in connection with the operation of a GRACIE BARRA School are derived solely from the Franchise Agreement governing that School. Collaborator's rights to use the Marks are limited to operating as a Collaborator pursuant to and in compliance with this Agreement and, if applicable, as a Franchisee in compliance with the Franchise Agreement between the Franchisor and the Collaborator. Any unauthorized use of the Marks by the Collaborator shall constitute a breach hereof and, if applicable, of the Franchise Agreement and an infringement of the Franchisor's rights in and to the Marks. The Collaborator acknowledges and agrees that its usage of the Marks and any goodwill established thereby shall inure to the Franchisor's exclusive benefit and that this Agreement does not confer any goodwill or other interest in the Marks upon the Collaborator.

9.2 Limitations on Use. The Collaborator shall not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to the Collaborator hereunder), or in any modified form, nor may the Collaborator use any Mark in connection with unauthorized services or products or in any other manner not expressly authorized in writing by the Franchisor. The Collaborator agrees to give such notices of trademark and service mark registration as the Franchisor specifies and to use and obtain such fictitious or assumed name registrations as may be required by the Franchisor or under applicable law. The Collaborator further agrees that no service mark other than "GRACIE BARRA," "G BARRA" or such other Marks as may be specified by the Franchisor shall be used in the marketing, promotion or operation of the Collaborator's Business. Except as may be permitted in the Online Manual, the Collaborator agrees not to use any of the Marks as part of an electronic mail address or on any sites on the Internet or on the World Wide Web and the Collaborator agrees not to use or register any of the Marks as a domain name on the Internet.

9.3 Discontinuance of Use of Marks. If it becomes advisable at any time, in the Franchisor's sole discretion, for the Franchisor or the Collaborator to modify or discontinue use of any Mark and/or use one or more additional or substitute trade or service marks, the Collaborator agrees, at its own expense, to comply with the Franchisor's directions to do so within a reasonable time after notice thereof; provided, however, that if the Collaborator is required to discontinue using a prominent Mark or

substitute a different Mark for a prominent Mark, then the Franchisor will pay a portion of Collaborator's costs and expenses associated with discontinuing or substituting Marks, pursuant to the Franchisor's then current standards and specifications.

9.4 Notification of Infringements and Claims. The Collaborator shall immediately notify the Franchisor of any possible infringement of or challenge to the Collaborator's use of any Mark or copyrighted work, or claim by any person of any rights in any Mark or copyrighted work, and the Collaborator shall not communicate with any person other than the Franchisor or its counsel in connection with any such matter. The Collaborator may not settle any claim without the Franchisor's written consent. The Franchisor shall have sole discretion to take such action as it deems appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark or copyrighted work. The Collaborator agrees to execute any and all instruments and documents, render such assistance and perform such acts as, in the opinion of the Franchisor's counsel, may be necessary or advisable to protect and maintain the Franchisor's interest in the Marks and in its copyrighted works.

10. CONFIDENTIAL INFORMATION

10.1 Confidential Information. The Franchisor possesses certain proprietary confidential information consisting of the methods, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques and knowledge of and experience in the operation and franchising of GRACIE BARRA Schools (the "**Confidential Information**"). The Franchisor shall disclose the Confidential Information to the Collaborator in the training program, the Online Manual and in guidance furnished to the Collaborator during the term hereof. The Collaborator will not acquire any interest in the Confidential Information, other than the right to utilize it in the Region in the execution of the Collaborator's duties hereunder during the term of this Agreement, and the Collaborator acknowledges that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. The Collaborator acknowledges and agrees that the Confidential Information is proprietary, includes trade secrets of the Franchisor and is disclosed to the Collaborator solely on the condition that the Collaborator agrees, and the Collaborator (and its shareholders, officers, Collaborators, partners, members, managers and equivalents if the Collaborator is an entity) does hereby agree that the Collaborator: (a) shall not use the Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) shall not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by the Franchisor to prevent unauthorized use or disclosure of the Confidential Information. The Collaborator agrees that the Franchisor shall have the perpetual right to use and authorize other GRACIE BARRA School Franchisees and regional Collaborators to use, and the Collaborator shall fully and promptly disclose to the Franchisor, all ideas, concepts, methods and techniques relating to the development and/or operation of a GRACIE BARRA School or the Collaborator's activities howsoever conceived or developed by the Collaborator and/or its employees and/or the franchised GRACIE BARRA Schools serviced by the Collaborator during the term of this Agreement. The Collaborator acknowledges that any such ideas, concepts, methods and techniques shall be the property of the Franchisor and the Franchisor may utilize or disclose such information to Franchisees or other persons as it determines to be appropriate.

10.2 Confidentiality and Noncompetition Agreement. The Franchisor reserves the right to require that the Collaborator cause each of its shareholders, officers, Collaborators, partners, employees,

members, managers and equivalents, or if the Collaborator is an individual, the Collaborator's spouse, to execute a Confidentiality and Noncompetition Agreement in a form approved by the Franchisor.

11. EXCLUSIVE RELATIONSHIP

11.1 Exclusive Relationship. The Franchisor is entering into this Agreement with the Collaborator on the condition that the Collaborator will deal exclusively with the Franchisor. The Collaborator acknowledges and agrees that the Franchisor would be unable to protect its Confidential Information and would be unable to encourage a free exchange of ideas and information among regional Collaborators and the Franchisor if regional Collaborators were permitted to hold interests in any Competitive Business, as defined below. The Collaborator therefore agrees that, during the term hereof, neither the Collaborator, the Collaborator's officers, Collaborators, shareholders, members, managers, partners or equivalents who participate in the management of the Collaborator, nor the Collaborator's spouse or Principal Owner, if applicable, shall:

a. have any direct or indirect interest as a disclosed or beneficial owner in a "Competitive Business," which shall be defined as a business operating or granting franchises or licenses to others to operate, a martial arts instruction business or any similar business deriving more than 10% of its gross receipts (excluding GRACIE BARRA Schools operated under Franchise Agreements with the Franchisor) from the sale of martial arts products or services;

b. have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;

c. perform services as a director, officer, manager, employee, consultant, representative, agent or the equivalent for a Competitive Business; or

d. divert or attempt to divert any business related to, or any customer or account of, the Collaborator's Business, the Franchisor's business or any other Franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Franchisor or another regional Collaborator or Franchisee licensed by the Franchisor, to any Competitive Business by any direct inducement or otherwise.

Notwithstanding the foregoing, the Collaborator shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2% or less of that class of securities issued and outstanding.

12. OPERATING STANDARDS

12.1 Standards of Service. The Collaborator shall at all times give prompt, courteous and efficient service to GRACIE BARRA School Franchisees in the Region. The Collaborator shall, in all dealings with Franchisees, prospective franchisees and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct.

12.2 Compliance with Laws and Good Business Practices. The Collaborator shall secure and maintain in force all required licenses, permits and certificates relating to the Collaborator's activities hereunder and shall operate in full compliance with all applicable laws, ordinances and regulations. The Collaborator acknowledges being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal, termination and continuing relationship between parties to a franchise agreement, including without limitation, laws concerning disclosure requirements. The Collaborator agrees promptly to become aware of, and to comply with, all such laws and legal requirements in force in

the Region and to utilize only disclosure documents that the Franchisor has approved for use in the applicable jurisdiction.

12.3 Accuracy of Information. Before it offers or sells any franchise, the Collaborator shall each time take reasonable steps to confirm that the information contained in any written materials, agreements and other documents related to the offer or sale of franchises is true, correct and not misleading at the time of such offer or sale, and the offer or sale of such franchise will not at that time be contrary to or in violation of any applicable state law related to the registration of the franchise offering. The Franchisor shall provide the Collaborator with any changes to its disclosure documents and other agreements on a timely basis, and shall, upon request, provide the Collaborator with confirmation that the information contained in any written materials, agreements or documents being used by the Collaborator is true, correct and not misleading, except for information specifically relating to disclosures regarding the Collaborator. If the Collaborator notifies the Franchisor of an error in any information in the Franchisor's documents, the Franchisor shall have a reasonable period of time to attempt to correct any deficiencies, misrepresentations or omissions in such information.

12.4 Notification of Litigation. The Collaborator shall notify the Franchisor in writing within five days after (i) the commencement of any action, suit, proceeding or investigation; and (ii) the issuance of any order, writ, injunction, award or decree, by any court, agency or other governmental body, which concerns the operation or financial condition of the Collaborator, the Collaborator's Business or any Franchisee in the Region.

12.5 Ownership and Management of Business. The Collaborator's Business shall at all times be under the direct, day-to-day, full-time supervision of Principal Owner. Principal Owner shall at all times during the term of this Agreement own at least 51% of the ownership interests in the Collaborator entity and control the Business authorized hereunder. Upon the request of the Franchisor, the Collaborator shall promptly provide satisfactory proof of such ownership. The Collaborator represents that the Statement of Ownership, attached to this Agreement as Exhibit III and incorporated herein by reference, is true, complete, accurate and not misleading. The Collaborator shall promptly provide the Franchisor with written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provision contained in Article 14 of this Agreement. If the Collaborator is not an individual, an individual or individuals designated by the Franchisor shall execute the Guaranty and Assumption of Regional Collaborator's Obligations attached hereto as Exhibit II and incorporated herein by reference.

12.6 Conflicting Interests. The Collaborator shall at all times faithfully, honestly and diligently perform its obligations hereunder and continuously exert its best efforts to promote, enhance and service GRACIE BARRA Schools in the Region. The Collaborator shall not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with the Collaborator's obligations hereunder, without the prior written approval of the Franchisor.

12.7 Insurance. The Collaborator shall at all times during the term of this Agreement maintain in force, at the Collaborator's sole expense, comprehensive, public and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Collaborator's Business under this Agreement. Such insurance coverage shall be maintained under one or more policies of insurance containing minimum liability protection of \$1,000,000 per occurrence for bodily and personal injury and death and \$500,000 per occurrence for property damage. All such insurance policies shall be issued by insurance carriers acceptable to the Franchisor. All of the required insurance policies shall name the Franchisor as an additional insured, contain a waiver of the insurance company's right of subrogation against the

Franchisor and provide that the Franchisor will receive 30 days' prior written notice of termination, expiration or cancellation of any such policy. The Franchisor has the right to change the minimum amount of insurance the Collaborator is required to maintain by giving the Collaborator prior reasonable notice, giving due consideration to what is reasonable and customary in similar businesses.

12.8 Proof of Insurance Coverage. The Collaborator will provide proof of insurance to the Franchisor before beginning to operate its Collaborator Business. This proof will show that the insurer has been authorized to inform the Franchisor in the event any policies lapse or are cancelled. The Collaborator shall submit to the Franchisor annually a copy of the certificates or other evidence of the renewal or extension of each required insurance policy. Noncompliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement; and in the event of any lapse in insurance coverage, in addition to all other remedies, the Franchisor shall have the right to demand that the Collaborator cease operations of the Collaborator Business until coverage is reinstated, or, in the alternative, pay any delinquencies in premium payments and charge the same back to the Collaborator. The Collaborator's obligation to obtain and maintain required insurance policies shall not be limited in any way by reason of any insurance maintained by the Franchisor, nor shall the Collaborator's compliance with the insurance provisions in this Agreement relieve the Collaborator of its obligations under Section 18.4 of this Agreement.

12.9 Approval of Advertising. If Collaborator uses marketing or advertising materials, including electronic advertising, prior to using them, the Collaborator shall submit samples of all advertising and promotional materials not prepared or previously approved by the Franchisor, including, without limitation, Internet advertising on the World Wide Web or by electronic transmission, to the Franchisor for approval, which approval shall not be unreasonably withheld. If written disapproval is not received by the Collaborator within 15 business days from the Franchisor's receipt of proposed advertising materials, the Franchisor shall be deemed to have given its approval. The Collaborator shall not use any advertising or promotional materials that the Franchisor has disapproved. The Collaborator acknowledges and understands that certain states require the filing of franchise sales advertising materials with the appropriate state agency before dissemination. The Collaborator agrees to fully and timely comply with such filing requirements at the Collaborator's own expense unless such advertising has been previously filed with the state by the Franchisor.

12.10 Accounting, Bookkeeping and Records. The Collaborator shall maintain at its Business premises in the Region all original invoices, receipts, checks, contracts, licenses, acknowledgement of receipt forms and bookkeeping and business records as the Franchisor may require from time to time. The Collaborator shall furnish to the Franchisor, within 90 days after the end of the Collaborator's fiscal year, a balance sheet and profit and loss statement for the Collaborator's Business for such year (or monthly or quarterly statements if required by the Franchisor, in which case such statements shall also reflect year-to-date information). In addition, upon request of the Franchisor, within 10 days after such returns are filed, exact copies of federal and state income, sales and any other tax returns and such other forms, records, books and other information as the Franchisor may periodically require regarding the Collaborator's Business shall be furnished to the Franchisor. The Collaborator shall maintain all records and reports of the Business conducted pursuant to this Agreement for at least two years after the date of termination or expiration of this Agreement.

12.11 Reports. The Collaborator shall, as often as required by the Franchisor, deliver to the Franchisor a written report of its Business activities during such periods as required in Sections 8.4, 8.5 and 8.7 above, in such form and in such detail as the Franchisor may from time to time specify, including information about efforts to solicit prospective Franchisees, the status of pending real estate transactions and the status of the Schools in the Region. The Collaborator shall, as often as required by the Franchisor, during the term of this Agreement, deliver to the Franchisor the field inspection reports

required in Section 8.5 above, for each Franchisee-owned School in the Region, in such form and in such detail as the Franchisor may from time to time specify.

12.12 Late Charges. The Franchisor reserves the right to automatically assess a \$50 late charge for any report or financial statement required under the terms of this Agreement which is not timely filed by the Collaborator. Such late charge shall continue to accrue each month that the late report or financial statement remains unfiled and shall be due and payable in full upon demand by the Franchisor. In the event any late charge is not paid upon demand, the Franchisor may elect to pursue all of its available remedies.

12.13 Compliance with Third Party Agreements. The Collaborator shall comply with all agreements with third parties related to the Collaborator Business including, in particular, all applicable franchise disclosure laws.

12.14 Electronic Advertising. The Franchisor reserves the right to advertise on the Internet using the Marks, including the creation of a website with a Uniform Resource Location ("URL") address. The Collaborator shall not advertise on the Internet by use of "banner ads" or otherwise or create an independent website without the prior written consent of the Franchisor, as required by Section 12.9.

13. INSPECTIONS AND AUDITS

13.1 Inspections and Audits. To determine whether the Collaborator is complying with this Agreement, the Franchisor or its designee shall have the right at any time during normal business hours, and without prior notice to the Collaborator, to enter onto the premises in which the Collaborator is then keeping its business records and inspect, and conduct an audit of, the business records, bookkeeping and accounting records, invoices, payroll records, time cards, check stubs, bank deposits, receipts, sales tax records and returns and other business records and documents of the Collaborator's Business. The Collaborator and its employees shall fully cooperate with representatives of the Franchisor making, conducting, supervising or observing any such inspection or audit. Collaborator must purchase certain office equipment that meets the Franchisor's standards and specifications, including a facsimile machine, a separate phone line dedicated to the Business, and pay an annual fee for access to the Franchisor's electronic mail network to facilitate the Franchisor's communication with the Collaborator and among all Collaborators and Franchisees. At the Franchisor's request, the Collaborator will purchase computer equipment and software according to the Franchisor's standards and specifications, to allow the Franchisor unlimited electronic access to the Collaborator's Business records. The Collaborator must have access to the internet in order to receive and send electronic mail messages on the Franchisor's electronic mail network.

14. TRANSFERS

14.1 Transfers by the Franchisor. This Agreement is fully transferable by the Franchisor and shall inure to the benefit of any transferee or other legal successor to the Franchisor's interests herein.

14.2 Transfers by the Collaborator. The Collaborator agrees that the rights and duties created by this Agreement are personal to the Collaborator (or its officers, directors, shareholders, managers, members, partners or equivalents if the Collaborator is an entity) and that the Franchisor has entered into this Agreement in reliance upon the Franchisor's perceptions of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of the Collaborator (or its officers, directors, shareholders, members, managers or partners). Accordingly, without the prior written consent of the Franchisor, which consent will not be unreasonably withheld, neither this Agreement (or any interest therein), nor any of the assets of the Business, nor any part or all of the ownership of the

Collaborator may be transferred. Any unauthorized transfer shall constitute a breach hereof and be void and of no effect. As used in this Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, subfranchise, gift or other disposition by the Collaborator (or any of its owners) of any interest in: (1) this Agreement; (2) 30% or more of the ownership interests in the Collaborator; or (3) the assets of the Business.

14.3 Conditions for Approval of Transfer. If the Collaborator (and its officers, directors, managers, owners and equivalents if the Collaborator is an entity) is in full compliance with this Agreement, the Franchisor shall not unreasonably withhold its approval of a transfer that meets all the applicable requirements of this Section. The proposed transferee and its officers, directors, managers and owners must be individuals who are accomplished in Brazilian Jiu-Jitsu, of good moral character and otherwise meet the Franchisor's then applicable standards for regional Collaborators. If the transfer is of this Agreement, a 30% or more ("**Controlling Interest**") interest in the Collaborator, or all or a substantial portion of the assets of the Business, or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement, a Controlling Interest in the Collaborator or all or a substantial portion of the assets of the Business, Collaborator shall provide at least 30 days prior written notice to the Franchisor of its request to transfer and if the Franchisor gives written approval of the proposed transfer, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

a. The transferee shall have sufficient martial arts and business experience, aptitude and financial resources to act as a Collaborator, agree to be bound by all of the terms and conditions of this Agreement and the transferee and/or its Principal Owner must have completed the Franchisor's training program to the Franchisor's satisfaction;

b. The Collaborator shall have paid all fees due hereunder, all amounts owed for purchases from the Franchisor and all other amounts owed to the Franchisor or its affiliates and third party creditors and submit to the Franchisor all required reports and statements;

c. The Collaborator or the transferee shall have paid the Franchisor a transfer fee in the amount of \$1,000 to defray expenses the Franchisor incurs in connection with the transfer;

d. The Collaborator (and/or its transferring owners) shall have executed a general release, in form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates and their respective officers, directors, employees and agents;

e. The transferee shall have executed a Regional Collaborator Agreement in the form then currently offered by the Franchisor, the term of which will end on the expiration date of this Agreement, and which shall supersede this Agreement in all respects. The Collaborator acknowledges that the terms of a new Regional Collaborator Agreement may differ from the terms of this Agreement;

f. The Franchisor shall have approved the material terms and conditions of such transfer, including, without limitation, that the price and terms of payment are not so burdensome as to affect adversely the transferee's business as a Collaborator of the Franchisor;

g. If the Collaborator (and/or the transferring owners) finances any part of the sale price of the transferred interest, the Collaborator and/or its owners shall have agreed that all obligations of the transferee under any promissory notes, agreements or security interests shall be subordinate to the transferee's obligations to pay fees, and other amounts due to the Franchisor, its affiliates and designees and otherwise to comply with this Agreement; and

h. The Collaborator (and/or its transferring owners) shall have executed a noncompetition covenant in favor of the Franchisor and the transferee with terms the same as those set forth in Section 16.5 below.

14.4 Franchisor's Approval of Transfer. The Franchisor has 30 days from the date of the written notice to approve or disapprove in writing, of the Collaborator's proposed transfer. Written notice shall mean and include all documentation necessary to evaluate the transferee. The Collaborator acknowledges that the proposed transferee shall be evaluated for approval by the Franchisor based on the same criteria as is currently being used to assess new regional Collaborators of the Franchisor and that the proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law.

14.5 Death or Disability of Principal Owner. Upon the death or permanent disability of the Principal Owner, the executor, administrator, conservator, guardian or other personal representative of the Principal Owner shall transfer his interest in this Agreement and his interest in the Collaborator entity to an approved third party. The disposition of this Agreement and the interest in the Collaborator entity (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six months from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to transfers contained in this Article. Failure to transfer the interest in this Agreement or the interest in the Collaborator entity within six months shall constitute a breach of this Agreement. For purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that prevents the Principal Owner from performing the essential functions of the Collaborator.

15. TERM AND EXPIRATION

15.1 Term. The term of this Agreement is for a period of five years from the date of this Agreement, unless sooner terminated as provided herein.

15.2 Continuation. If, for any reason, the Collaborator continues to operate the Business beyond the term of this Agreement or any subsequent renewal period, it shall be deemed to be on a month-to-month basis under the terms of this Agreement and subject to termination upon 30 days notice or as required by law. If a holdover period exceeds 90 days, this Agreement is subject to immediate termination unless applicable law requires a longer period. Upon termination after any holdover period, the Collaborator and those in active concert with the Collaborator, including family members, officers, directors, partners and managing agents, are subject to the terms of Articles 10 and 11 and Sections 16.3, 16.4 and 16.5 of this Agreement and all other applicable post-termination obligations contained in this Agreement.

15.3 Rights Upon Expiration. At the end of the initial term, the Collaborator shall have the option to renew its regional Collaborator rights for an additional term by acquiring successor rights, if the Franchisor authorizes a successor term in accordance with Section 16.3 below, and if the Collaborator:

a. At least 60 days prior to expiration of the term, executes the form of Regional Collaborator Agreement then in use by the Franchisor. The Collaborator acknowledges that such agreement may contain terms which are materially different from those in this Agreement, including commission percentages and regions;

b. Has complied with all provisions of this Agreement during the current term, including the payment on a timely basis of all fees due hereunder. "Compliance" shall mean, at a

minimum, that the Collaborator has not received written notification from the Franchisor of breach hereunder more than three times during the term hereof;

c. Executes a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates, and their respective officers, directors, employees, successors, assigns and agents arising out of or relating to this Agreement;

d. Has agreed with the Franchisor on new Sales Goals for the additional term at least 60 days prior to expiration of the term; and

15.4 Exercise of Option for Successor Collaborator Rights. The Collaborator may exercise its option for successor Collaborator rights by giving written notice of such exercise to the Franchisor not less than 180 days nor more 210 days prior to the scheduled expiration of this Agreement. The Collaborator's successor rights shall become effective by signing the new Regional Collaborator Agreement then in use by the Franchisor; however, if the Collaborator fails to sign the general release and the new Regional Collaborator Agreement within 60 days after delivery thereof to the Collaborator, the Collaborator shall be deemed to have elected not to acquire successor rights.

15.5 Conditions of Refusal. The Franchisor shall not be obligated to offer the Collaborator successor rights upon the expiration of this Agreement if the Collaborator fails to comply with any of the above conditions of renewal. In such event, except for failure to execute the amendment or new Regional Collaborator Agreement, the Franchisor shall give the Collaborator notice of expiration not more than 90 days after the Franchisor receives the Collaborator's notice, and such notice shall set forth the reasons for such refusal to offer successor rights. Upon the expiration of this Agreement, the Collaborator shall comply with the provisions of Section 16.3 below.

16. TERMINATION

16.1 By the Collaborator. The Collaborator may terminate this Agreement at any time during the term hereof with 90 days advance written notice to the Franchisor.

16.2 By the Franchisor. The Franchisor shall have the right to terminate this Agreement effective upon delivery of written notice of termination to the Collaborator, unless otherwise noted below (subject to any state laws to the contrary, where state law shall prevail) if the Collaborator (and/or any of its shareholders, members, managers, Principal Owners, partners or the equivalent):

a. Fails to satisfactorily complete the training program as provided in Section 6.1 of this Agreement;

b. Has made any material misrepresentation or omission in its application to be a Collaborator;

c. Fails to meet the Sales Goals set forth in Exhibit I and fails to cure the default within 30 days after notice of default;

d. Fails to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by the Franchisor and does not correct such failure within 30 days after written notice of such failure to comply is sent to the Collaborator;

e. Surrenders, transfers control of or makes an unauthorized transfer of this Agreement or an ownership interest in the Collaborator;

f. Is convicted by a trial court of or pleads no contest to a felony, or to any other crime or offense that is, in the opinion of the Franchisor, likely to adversely affect the goodwill associated with the Marks, or engages in any conduct which may adversely affect the reputation of GRACIE BARRA Schools or the goodwill associated with the Marks;

g. Is declared bankrupt or insolvent or voluntarily institutes a bankruptcy proceeding under the Bankruptcy Code or is adjudicated bankrupt as a result of an involuntary petition in bankruptcy being filed against it. (This provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.);

h. Abandons or ceases to operate the Collaborator Business for a period of 15 consecutive days or any shorter period that indicates an intent by the Collaborator to discontinue operation of the Collaborator Business unless precluded from doing so by an event beyond the Collaborator's reasonable control, other than for financial reasons;

i. Has received three notices of default from the Franchisor within a 12 month period, regardless of whether the defaults were cured by the Collaborator;

j. Makes any unauthorized use of the Marks or unauthorized use or disclosure of the Confidential Information, or uses, duplicates or discloses any part of the Online Manual;

k. Has terminated a Franchise Agreement between the Franchisor and the Collaborator, or if the Franchisor has terminated such a Franchise Agreement;

l. Fails to pay any amounts due the Franchisor or its affiliates, within 10 days after receiving notice that such amounts are overdue;

m. Defaults under any term of any agreement material to the Collaborator Business and such default is not cured within the time specified in the agreement; or

n. Is deported from the United States or is otherwise found to be in the United States illegally.

o. Is no longer the owner and head instructor of a Gracie Barra Premium School in the region.

p. Fails to meet premium school standards for two years in a row.

16.3 Rights and Obligations of the Collaborator Upon Termination or Expiration. Upon termination of this Agreement, whether pursuant to Section 16.1, 16.2 or upon expiration of this Agreement pursuant to Article 15 above, the Collaborator agrees:

a. To pay the Franchisor within 15 days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to the Franchisor are determined, such fees, amounts owed for purchases by the Collaborator from the Franchisor, its affiliates or designees, interest due on any of the foregoing and all other amounts owed to the Franchisor, its affiliates or designees which are then unpaid;

b. To refrain from, directly or indirectly at any time or in any manner (except with respect to GRACIE BARRA School franchises owned and operated by the Collaborator) identifying itself or any business as a current or former GRACIE BARRA Collaborator, use any Mark, any colorable

imitation thereof or other indicia of a GRACIE BARRA School in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with the Franchisor or its affiliates;

c. To immediately deliver to the Franchisor all past and present franchise sales leads and records and all contracts, acknowledgements of receipt of disclosure documents, and other information and records related to prospective franchisees in the Region;

d. To immediately deliver to the Franchisor all advertising materials, the Online Manual, all other manuals, forms, disclosure documents, franchise sales brochures and other materials containing any Mark or otherwise identifying or relating to the sale or service of GRACIE BARRA Schools;

e. To refrain from communicating, in any manner, with Franchisees and prospective franchisees, except as expressly authorized by the Franchisor;

f. To take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to the Collaborator's use of any Mark;

g. To notify the telephone company and all telephone directory publishers of the termination or expiration of the Collaborator's right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer thereof to the Franchisor or its designee. The Collaborator acknowledges that, as between it and the Franchisor, the Franchisor has the sole rights to and interest in all telephone, telecopy or facsimile machine numbers and directory listings associated with any Mark. The Collaborator authorizes the Franchisor, and hereby appoints the Franchisor and any of its officers as the Collaborator's attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone, telecopy or facsimile machine numbers and directory listings relating to the Collaborator's Business to the Franchisor at its direction, should the Collaborator fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive evidence of the Franchisor's exclusive rights in such telephone numbers and directory listings and the Franchisor's authority to direct their transfer;

h. If applicable, take such action as may be required to remove from the internet all sites referring to the Collaborator's former Business, GRACIE BARRA Schools or any of the Marks and to cancel or assign to the Franchisor, in the Franchisor's sole discretion, all rights to any domain names for any sites on the internet that refer to the Collaborator's former Business, GRACIE BARRA Schools or any of the Marks;

i. Abide by all restrictive covenants set forth in this Agreement; and

j. Furnish the Franchisor, within 30 days after the effective date of termination or expiration, with evidence satisfactory to the Franchisor of the Collaborator's compliance with the foregoing obligations.

16.4 Confidential Information. Collaborator agrees that, upon termination or expiration of this Agreement, the Collaborator shall immediately cease to use any Confidential Information of the Franchisor pursuant to this Agreement in any business or otherwise (except in connection with the operation of a GRACIE BARRA School pursuant to a Franchise Agreement with the Franchisor) and return to the Franchisor all copies of the Online Manual and any other confidential materials which have been loaned to the Collaborator by the Franchisor.

16.5 Covenant Not to Compete. Upon termination or expiration of this Agreement for any reason, the Collaborator (and its shareholders, Principal Owner(s), officers, directors, members, managers and/or partners if the Collaborator is a corporation, partnership, or limited liability company) agrees that for a period of two years beginning on the effective date of termination or expiration, or the date on which the Collaborator ceases to conduct business, whichever is later, the Collaborator (and its shareholders, Principal Owner(s), officers, directors, members, managers, partners and/or equivalents if the Collaborator is an entity) shall not have any direct or indirect interest (through a member of any immediate family of the Collaborator or its affiliates, shareholders, officers, directors, partners, members, managers, equivalents or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within the Region. The restrictions of this Section 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 2% or less of the number of shares of that class of securities issued and outstanding. The Collaborator (and its shareholders, officers, directors, members, managers, partners and/or equivalents) expressly acknowledges that it possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive it of its personal goodwill or ability to earn a living.

16.6 No Further Right to Payment. Upon termination or expiration of this Agreement, the Collaborator forfeits all fees paid to the Franchisor and remains liable to the Franchisor for all amounts due to the Franchisor on the date of termination or expiration. The Collaborator shall have no further right to receive payment of commissions or Service Fees from the Franchisor, except for those commissions or Service Fees which have been fully earned by the Collaborator up through the date of such termination or expiration. For purposes of this Agreement, "fully earned" commissions shall mean commissions due on franchise sales for which all Franchise Sales-Related Conditions described in Section 5.1 of this Agreement have been met or fulfilled by the Collaborator. "Fully earned" Service Fees shall mean those Service Fees which accrue up through the date of termination which are otherwise owed to the Collaborator. The Franchisor shall have the right to immediately assume control of and manage all franchise sales in the Region and to receive all Service Fees from Franchisees in the Region. Any fully earned commissions or Service Fees which are due to the Collaborator will be paid by the Franchisor in accordance with the provisions of Article 6 of this Agreement.

16.7 Continuing Obligations. All obligations of the Franchisor and the Collaborator 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 its expiration or termination and until they are satisfied or by their nature expire.

16.8 State and Federal Law. THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN THE COLLABORATOR'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

17. RELATIONSHIP OF THE PARTIES

17.1 Relationship of the Parties. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that the parties are independent contractors and that nothing in this Agreement is intended to make either party an agent, subsidiary, joint venturer, partner, employee or servant of the other for any purpose. The Collaborator shall conspicuously identify itself in all dealings with Franchisees, prospective Franchisees, lessors, contractors, suppliers, public officials and others as the owner of its own Business under a Regional Collaborator Agreement with the Franchisor, and shall place such other notices of independent ownership on signs, forms, stationery, advertising and other materials as the Franchisor may require from time to time.

17.2 Payment of Third Party Obligations. Neither the Franchisor nor the Collaborator shall make any express or implied agreements, guaranties or representations, or incur any debt, in the name of or on behalf of the other or represent that their relationship is other than that of independent contractors, and neither the Franchisor nor the Collaborator shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized hereunder, nor shall the Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Collaborator's Business, whether or not caused by the Collaborator's negligent or willful action or failure to act.

17.3 Independent Contractors. The Collaborator may delegate some of its duties hereunder, in the Franchisor's sole discretion, to independent contractors provided that the Collaborator receives written approval from the Franchisor prior to any such delegation of duties and complies with all state laws which require broker registration for such persons. The Franchisor reserves the right to withdraw the approval of any independent contractor engaged by the Collaborator to fulfill its duties and obligations under this Agreement, at any time.

17.4 Indemnification. The Collaborator agrees to indemnify and hold the Franchisor and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees harmless against, and to reimburse them for, any loss, liability, taxes or damages (actual or consequential) and all reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which any of them may suffer, sustain or incur by reason of, arising from or in connection with any acts, omissions or activities of the Collaborator or any employee of or independent contractor engaged by the Collaborator whether such acts, omissions or activities are authorized by or are not in accordance with this Agreement. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect, subsequent to and notwithstanding the expiration or termination of this Agreement.

18. ARBITRATION

18.1 Arbitration. Except for controversies, disputes or claims related to or based on the enforcement by the Franchisor of its rights in the Marks, the enforcement of covenants not to compete, or the enforcement of any lease or sublease of real estate and Section 18.4 in regard to injunctive relief, all controversies, disputes or claims between the Franchisor, its officers, directors, shareholders, members, managers, sales people, subsidiaries and affiliated companies and their shareholders, officers, directors, members, managers, agents, employees and attorneys (in their representative capacity) and the Collaborator (and its owners and guarantors, if applicable) arising out of or related to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any

provision of such agreements; or (4) any Licensed Method shall first be submitted for binding arbitration to the American Arbitration Association ("AAA") on demand of either party. Such arbitration proceedings shall be conducted in Orange County, California, and shall be in accordance with the then current Commercial Arbitration Rules of the AAA, except as otherwise provided in this Agreement.

18.2 Scope of Arbitration. In the event a dispute is submitted to arbitration, the arbitrator shall have the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, and attorneys' fees and costs, in accordance with Section 19.3 of this Agreement, provided that the arbitrator shall not award exemplary or punitive damages. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The Franchisor and the Collaborator agree to be bound by the provisions of any applicable limitation on the period of time by which claims must be brought under applicable law or this Agreement, whichever is less. The parties further agree that, in connection with any such arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Franchisor and the Collaborator agree that arbitration shall be conducted on an individual, not a class-wide, basis, that the Collaborator and the Collaborator Affiliates shall not initiate a proceeding together with other Collaborators or their officers, directors, managers, partners or owners, and that an arbitration proceeding between the Franchisor and the Collaborator shall not be consolidated with any other arbitration proceeding involving the Franchisor and any other party.

18.3 Governing Law/Consent to Venue and Jurisdiction; Jury Trial Waiver. All disputes to be arbitrated by the Franchisor and the Collaborator shall be governed by the Federal Arbitration Act (the "FAA") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement shall be interpreted under the laws of the state of California and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of California, except that any state law regulating the sale of franchises or governing the relationship of a franchisor and a franchisee shall not apply unless its jurisdictional requirements are met independently without reference to this Section 18.3, which laws shall prevail in the event of any conflict of law. The Collaborator and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the Collaborator, its officers, directors, managers, partners or owners (collectively, "**Collaborator Affiliates**") and the Franchisor, its officers, directors, managers or sales persons (collectively, "**Franchisor Affiliates**") the parties agree that the exclusive venue for disputes between them, other than an arbitration as provided in Section 18.1, shall be in the state and federal courts of Orange County, California and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Orange County, California or arbitration in Orange County, California. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE COLLABORATOR AND THE COLLABORATOR AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

Notwithstanding that the Agreement requires that it be governed by California law, in Illinois, the Agreement will be construed and governed by the Illinois Franchise Disclosure Act. If the agreement requires that it be governed by a state's law, other than the State of Illinois to the extent that such law conflicts with the Illinois Franchise Act, the Act will control. If the Agreement requires litigation to be

conducted in a forum other than the State of Illinois, the requirement is void under the Illinois Franchise Disclosure Act. Illinois law governs the Agreement.

18.4 Injunctive Relief. Notwithstanding the above arbitration provision, the Franchisor and the Collaborator will each have the right in a proper case to obtain injunctive relief and any damages incidental thereto from a court of competent jurisdiction. The Collaborator agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds in excess of a total of \$1,000, but upon due notice, and the Collaborator's sole remedy in the event of the entry of such injunctive relief will be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Collaborator. Any such action will be brought as provided in Section 18.3 above and the prevailing party shall be entitled to its costs and attorneys' fees.

19. MISCELLANEOUS PROVISIONS

19.1 Severability. If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

19.2 Modification. The Franchisor and/or the Collaborator may modify this Agreement only upon execution of a written agreement between the two parties. The Collaborator acknowledges that the Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Online Manual unilaterally under any conditions and to the extent that the Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the Marks and the quality of the Licensed Methods, but under no circumstances will such modifications be made arbitrarily without such determination.

19.3 Attorneys' Fees. In the event of any default on the part of either party to this Agreement, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party in any legal action or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

19.4 Injunctive Relief. Nothing herein shall prevent the Franchisor or the Collaborator from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If the Franchisor seeks an injunction, the Franchisor will not be required to post a bond in excess of \$500.

19.5 Payment of Taxes. The Collaborator shall reimburse the Franchisor, and its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by the Franchisor, or its affiliates or designees, on account of services or goods furnished by the Franchisor, its affiliates or designees, to the Collaborator through sale, lease or otherwise, or on account of any payments made by the Collaborator to the Franchisor required under the terms of this Agreement.

19.6 No Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by the Collaborator or the Franchisor shall be considered to imply or constitute a further waiver by the Franchisor or the Collaborator of the same or any other condition, covenant, right, or remedy.

19.7 No Right to Set Off. The Collaborator shall not be allowed to set off amounts owed to the Franchisor for fees or other amounts due hereunder, against any monies owed to the Collaborator; nor will the Collaborator in any event withhold any amounts due to any alleged nonperformance by the Franchisor hereunder, which right of set off is hereby expressly waived by the Collaborator.

19.8 Effective Date. Regardless of the date first written above, this Agreement shall not be effective until accepted by the Franchisor as evidenced by the dating and signing of this Agreement by an officer of the Franchisor.

19.9 Review of Agreement. The Collaborator acknowledges that it had a copy of the Franchisor's Franchise Disclosure Document in its possession for a period of time not less than 14 full days, and this Agreement in its possession for a period of time not less than seven full days, during which time the Collaborator has had the opportunity to submit the same for review and advice by a professional of the Collaborator's choosing prior to freely executing this Agreement.

19.10 Entire Agreement. This Agreement, including all Exhibits and addenda, contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. The Collaborator agrees and understands that ~~the Franchisor shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation and that~~ no modifications of this Agreement shall be effective except those in writing and signed by both parties. The Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement. The Collaborator further acknowledges and agrees that no representations have been made to it by the Franchisor regarding projected sales volumes, market potential, revenues, profits of the Collaborator's Business, or operational assistance other than as stated in this Agreement or in the most recent disclosure document provided by the Franchisor or its representatives.

Nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document.

19.11 Notices. All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, to the addresses set forth in the first paragraph of this Agreement, or, with respect to notices to the Collaborator, to the address of the Collaborator Business, or at such other addresses as the Franchisor or the Collaborator may designate from time to time, and shall be effectively given when deposited in the United States mails, postage prepaid, or when received via overnight delivery, as may be applicable.

19.12 Cumulative Rights. The rights and remedies of the Franchisor and the Collaborator hereunder are cumulative and no exercise or enforcement by the Franchisor or the Collaborator of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor or the Collaborator of any other right or remedy hereunder which the Franchisor or the Collaborator is entitled by law to enforce.

19.13 Acknowledgment. BEFORE SIGNING THIS AGREEMENT, THE COLLABORATOR SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE COLLABORATOR ACKNOWLEDGES THAT:

(A) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE COLLABORATOR'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

(B) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

(C) NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS AGREEMENT, AND THE MOST RECENT DISCLOSURE DOCUMENT SUPPLIED TO THE COLLABORATOR BY THE FRANCHISOR IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have signed and delivered this Agreement in counterparts on the last date written below.

GRACIE BARRA FRANCHISE SYSTEMS, INC. REGIONAL COLLABORATOR

By: _____
Title: _____
Name: _____

Signature

Print Name

Address: _____

City: _____

State: _____ Zip: _____

AND

By: _____

Name: _____

Title: _____

Address: _____

City: _____

State: _____ Zip: _____

EXHIBIT I

RIDER

TO REGIONAL COLLABORATOR AGREEMENT

BETWEEN GRACIE BARRA FRANCHISE SYSTEMS, INC.

AND

AND

DATED _____, 20____

1. **Region.** The Region referred to in Section 2.1 of the Agreement shall be _____.
2. **Sales Goals.** The Collaborator shall meet the following cumulative Sales Goals by the last day of each twelve-month period ("Sales Year") during the term of the Agreement:

Sales Year	Cumulative Minimum Number of New GRACIE BARRA Schools Sold in the Region	Last Day of Sales Year
First	_____	_____
Second	_____	_____
Third	_____	_____
TOTAL SALES GOALS	=====	

Sales Year	Cumulative Minimum GB Wear Sold in the Region	Last Day of Sales Year
First	_____	_____
Second	_____	_____
Third	_____	_____
TOTAL SALES GOALS	=====	

Sales Year	Cumulative Minimum GB Online Sold in the Region	Last Day of Sales Year
First	_____	_____
Second	_____	_____
Third	_____	_____
TOTAL SALES GOALS	=====	

Sales Year	Cumulative Minimum Gb Events Sold in the Region	Last Day of Sales Year
First	_____	_____
Second	_____	_____
Third	_____	_____
TOTAL SALES GOALS	=====	

The first Sales Year commences on the date of the Agreement and expires on the date shown above. Each subsequent Sales Year commences on the date succeeding the last day of the preceding Sales Year and expires on the respective date shown above. The sales made during the term of the Agreement are cumulative. Therefore, if the Collaborator meets its total Sales Goals prior to the end of the third Sales Year, the Collaborator's Sales Goals will be satisfied.

[Remainder of Page Intentionally Left Blank]

GRACIE BARRA Schools located in the Region and owned by the Collaborator, the Franchisor or its affiliates do not count toward fulfillment of the Collaborator's cumulative Sales Goals.

GRACIE BARRA FRANCHISE SYSTEMS, INC. REGIONAL COLLABORATOR

By: _____
Title: Executive Director
Name: Flavio Almeida

Signature

Print Name
Address: _____
City: _____
State: _____ Zip: _____

AND

By: _____
Name: _____
Title: _____
Address: _____
City: _____
State: _____ Zip: _____

EXHIBIT II

GUARANTY AND ASSUMPTION OF REGIONAL COLLABORATOR'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Regional Collaborator Agreement (the "**Agreement**") by Gracie Barra Franchise Systems, Inc. ("**Franchisor**"), each of the undersigned ("**Guarantors**") personally and unconditionally (1) guarantees to the Franchisor and its affiliates and their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the Regional Collaborator defined in the Agreement (the "**Collaborator**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement and all obligations related thereto.

1. Waiver. Each of the undersigned waives:

- a. acceptance and notice of acceptance by the Franchisor and its affiliates of the foregoing undertakings;
- b. notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- c. protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- d. any right he or she may have to require that an action be brought against the Collaborator or any other person as a condition of liability; and
- e. any and all other notices and legal or equitable defenses to which he or she may be entitled.

2. Consents. Each of the undersigned consents and agrees that:

- a. his or her direct and immediate liability under this guaranty shall be joint and several;
- b. he or she shall render any payment or performance required under the Agreement upon demand if the Collaborator fails or refuses punctually to do so;
- c. such liability shall not be contingent or conditioned upon pursuit by the Franchisor or its affiliates of any remedies against the Collaborator or any other person;
- d. such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor or its affiliates may from time to time grant to the Collaborator or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement; and

e. he or she shall be bound by the restrictive covenants and confidentiality provisions contained in Articles 11 and 12 and Sections 16.4 and 16.5 of the Agreement, and the indemnification provisions contained in Section 17.4 of the Agreement; and

f. the governing law, consent to jurisdiction and related provisions contained in Article 19 and the costs and attorneys fees provision contained in Section 18.4 of the Agreement shall govern this Guaranty and such provisions are incorporated into this Guaranty by this reference.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature, effective as of the ____ day of _____, 20__.

**PERCENTAGE OF OWNERSHIP
INTEREST IN COLLABORATOR**

GUARANTOR(S)

(Print Name)

Signature

Address

Telephone Number

(Print Name)

Signature

Address

Telephone Number

(Print Name)

Signature

Address

Telephone Number

EXHIBIT III
STATEMENT OF OWNERSHIP

Collaborator: _____

Trade name (if different from above): _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited Liability Franchisor

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and Collaborator, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Franchisor, give the state and date of formation, the names and addresses of every manager, the names and addresses of every member and the percentage of membership interest held by each member.

Collaborator acknowledges that this Statement of Ownership applies to the _____ Collaborator Business authorized under the Regional Collaborator Agreement. Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

Date

Name

EXHIBIT IV

INITIAL FEE

1. **Initial Fee.** The Regional Collaborator shall pay to the Franchisor an initial fee of \$_____ which is due and payable in immediately available funds on the date the Regional Collaborator signs the Regional Collaborator Agreement.

Fully executed this _____ day of _____, 20____.

GRACIE BARRA FRANCHISE SYSTEMS, INC.

REGIONAL COLLABORATOR

By: _____
Title: Executive Director
Name: Flavio Almeida

Signature

Print Name
Address: _____
City: _____
State: _____ Zip: _____

AND

By: _____
Name: _____
Title: _____
Address: _____
City: _____
State: _____ Zip: _____

EXHIBIT E
(TO DISCLOSURE DOCUMENT)

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (the "**Agreement**") is made and entered into effective the ___ day of _____, 20___ by and between **GRACIE BARRA FRANCHISE SYSTEMS, INC.**, a California corporation ("**Company**"), located at 300 Spectrum Center Drive, Suite 400, Irvine, CA 92618, and _____ ("**Associate**"), who resides at _____.

RECITALS

A. The Company has developed methods for establishing and operating franchises for the operation of businesses which martial arts instruction, primarily Brazilian Jiu-Jitsu, to individuals ("**GRACIE BARRA School**" or "**Schools**") which use the service mark "**GRACIE BARRA**" and related service marks, trade names and trademarks ("**Marks**").

B. The Company has developed methods for establishing, operating and promoting Schools pursuant to the Company's distinctive business format, plans, methods, data, processes, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, information and know-how of the Company or its affiliates ("**Confidential Information**") and such Confidential Information as may be further developed from time to time by the Company.

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and services available, which goodwill and reputation have been and will continue to be of major benefit to the Company.

D. Associate is or will become involved with the Company in the capacity of an officer, partner, director, investor, agent, employee, manager, Instructor or beneficial owner of the GRACIE BARRA School franchisee named below ("**Franchisee**") that has purchased the rights to develop a GRACIE BARRA School ("**Franchised Business**"), or as an immediate family member of the Franchisee, and in such capacity will become privileged as to certain Confidential Information.

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with the Company.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. **Confidential Information.** Associate and the Company acknowledge that the distinctive business format, plans, methods, data, processes, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, software and information and know-how of the Company or its affiliates which are developed and utilized in connection with the operation of the Franchised Business are the Company's or its affiliates' Confidential Information. Such Confidential Information is unique, exclusive property and a trade secret (except the Marks) of the Company or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful

and would cause irreparable injury and harm to the Company and its affiliates. Associate further acknowledges that the Company and its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Company and its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

2. **Operations Manual as Trade Secret.** It is understood that Confidential Information, constituting "trade secrets," as used in this Agreement is deemed to include, without limitation, any and all information contained in the Company's vHQ and the Operations Manual, which may be provided in hard copy, online, or instructional guides, as the same are changed or supplemented from time to time, and any information of whatever nature which gives the Company and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such materials or information.

3. **Nondisclosure of Confidential Information.** Associate shall not at any time, publish, disclose, divulge, or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation, association, partnership or other entity other than for the use of the Company or the Franchised Business, any of the Confidential Information of the Company or its affiliates.

4. **Noncompetition Covenant.** Associate hereby covenants and agrees that, during the term of the Franchise Agreement governing the establishment and operation of the Franchised Business, except while associated with or operating the Franchised Business in a manner authorized by the Company, neither Associate nor any member of Associate's immediate family, shall:

- a. Have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;
- b. Perform services as a director, officer, partner, manager, employee, consultant, representative, agent, investor or otherwise for a Competitive Business; or
- c. Divert or attempt to divert any business related to, or any student or account of the Franchised Business, the Company's or its affiliates' business or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Company, its affiliates or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement shall mean any business granting franchises or licenses to others to operate a business that provides martial arts instruction services, or any franchised business that provides martial arts instruction services or other products which are offered by a GRACIE BARRA School. Notwithstanding the foregoing, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent in the aggregate 5% or less of that class of securities issued and outstanding.

5. **Injunction.** Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling more than \$1,000, but upon due notice, and

Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

6. **Effect of Waiver.** The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

7. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

8. **Entire Agreement.** This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

9. **Governing Law.** This instrument shall be governed by and construed under the laws of the state where Associate resides.

10. **Jurisdiction and Venue.** In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of California, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts located in Orange County, California. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts located in Orange County, California. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

11. **Severability.** If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

12. **Attorneys' Fees.** In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by a court or arbitrator in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:

GRACIE BARRA FRANCHISE SYSTEMS, INC.

By: Flavio Almeida
Title: Executive Director

ASSOCIATE:

Print Name: _____

CAPACITY WITH FRANCHISED BUSINESS

NAME OF FRANCHISEE:

LOCATION OF FRANCHISED BUSINESS:

EXHIBIT F
(TO DISCLOSURE DOCUMENT)

LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Alabama

Kaliffa Oliveira, and Frank Roncadori
Gracie Barra Greystone
5510 HWY 280S Suite 106
Birmingham, AL 3542, USA (205) 565-6430

Kalifa Oliveira
Gracie Barra Pelham
2637 Pelham pkwy
Pelham, Alabama 35124 (205) 637-5551

Alberta, Canada

Kevin McGillivray
Gracie Barra Edmonton
11500 170st
Edmonton, Alberta T5S 1J7 (780) 9900996

Arizona

Flavio Almeida / David Weber
Gracie Barra Chandler
1070 E. Ray Rd. Suite 19,
Chandler, AZ 85225 (480) 865-3920

Arma Systems LLC, Scott Brouse, and Jordan Strubble
Gracie Barra Ocotillo
2801 E. Ocotillo Rd.
Chandler, AZ 85249, USA (949) 290-1391

Max Goldberg
Gracie Barra Flagstaff
24 S Mikes Pike
Flagstaff, AZ 86001 (928) 310-3944

Enrique Villegas
Gracie Barra Oro Valley
1930 E Tangerine Rd #190,
Oro Valley, Arizona 85755 (520) 310-4097

Daniel Ramos/ Francisco Ramos/ David Weber/ Flavio Almeida/ Felipe Guedes
Gracie Barra Peoria
20799 N. 83rd Avenue
Peoria, Arizona 85382 (480) 565-0368

**EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Flavio Almeida / David Weber
Gracie Barra Phoenix
4514 E. Thomas Rd.
Phoenix, AZ 85018 (480) 666-0628

David Weber/ Flavio Almeida
Gracie Barra North Phoenix
1 E. Deer Valley Suite 208
Phoenix, Arizona 85027 (949) 290-1391

David Weber/ Flavio Almeida/ Ricardo Almeida/ Felipe Guedes
Gracie Barra Ahwatukee
1304 E. Chandler Blvd. Suite 102
Phoenix, Arizona 85048 (949) 290-1391

Flavio Almeida
Gracie Barra Scottsdale
16033 N 77th St.
Scottsdale, Arizona 85260 (844) 994-2255

Henrique Villegas
Gracie Barra Tucson
4374 E Speedway Blvd,
Tucson, Arizona 85712 (520) 327-0808

British Columbia, Canada

Chad Shaule, and Rodrigo Carvalho da Silva
Gracie Barra Burnaby
M24 - 4277 Kingsway
Burnaby, BC V5H3Z2 (778) 879-4006

Kevin Yang / Ryan Watkins
Gracie Barra Surrey
11939 88th Ave
Delta, BC V4C3C8 (604) 591-5811

Marcio Moraes Antony
Gracie Barra Delta
4857 Elliott Street
Delta, BC V4K 2X7 (604) 783-8152

Fabio Gomide, and Rosana Gomide
Gracie Barra Langley

EXHIBIT F
(TO DISCLOSURE DOCUMENT)

LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

190-9347 200A Street
Langley, BC, V1M 0B3, Canada (604) 992-4827

Erastus Chan
Gracie Barra New Westminster
482 East Columbia Street
New Westminster, BC V3L 3X5 Canada (604) 839-2838

Ana Carolina Moscovski, and Anderson Moscovski
Gracie Barra Port Coquitlam
1380 Dominion Ave.
Port Coquitlam, BC V3B8G7, Canada (604) 780-8319

Eduardo Joyel, Keving Yang, and Ryan Watkins
Gracie Barra White Rock
#138 1959 152
Surrey, British Columbia V4A9E3, Canada (605) 761-1379

Rodrigo Carvalho da Silva
Gracie Barra Vancouver
2440 Main Street
Vancouver, British Columbia V5T 3E2 (604) 761-1749

Rodrigo Carvalho da Silva
Gracie Barra Kitsilano
3611 W Broadway
Vancouver, BC, V6R2B8, Canada (604) 780-9490

Cole Manson
Gracie Barra Whistler #2
1085 Miller Creek Rd.
Whistler, British Columbia V0N 1B1 (604) 932-2226

California

Ian Alden
Gracie Barra Anaheim
5100 E La Palma Ave Unit 119
Anaheim, CA 92807 (714) 715-9046

Nelson Monteiro / Rafael Ramos
Gracie Barra Carlsbad
3125 Tiger Run Ct., Suite B108
Carlsbad, California 92009 (760) 270-9006

EXHIBIT F
(TO DISCLOSURE DOCUMENT)

LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Brian/Kelly Nakagawa
Gracie Barra Chino
13751 Roswell Ave., Suite G
Chino, California 91710 (909) 664-5412

Tom Reusing
Gracie Barra Corona
280 Teller Street, Suite 100
Corona, California 92879 (951) 505-1441

Mike Buckels
Gracie Barra Costa Mesa
1304 Logan Ave., Suite J
Costa Mesa, California 92626 (714) 708-2700

Flavio Almeida
Gracie Barra Dana Point
34085 Pacific Coast Highway #106
Dana Point, California 92629 (949) 388-8886

Jaime Dietz-Velez
Gracie Barra Diamond Bar
1273 South Diamond Bar Blvd.
Diamond Bar, California 91765 (909) 539-7762

Christopher Guzman/Jesús Anaya
Gracie Barra Downey
8043 2nd St Suite 101
Downey, CA 90241 (562) 322-4477

Nelson Monteiro / Rafael Ramos
Gracie Barra Encinitas
613 Westlake St.
Encinitas, California 92024 (760) 540-2264

Magid Hage
Gracie Barra Escondido
135 E. Grand Ave.
Escondido, California 92025 (760) 717-6712

Mark Chong
Gracie Barra Fullerton
217-A North Harbor Blvd.
Fullerton, California 92832 (949) 241-7247

**EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Eric Nostrand
Gracie Barra Garden Grove
6066 Chapman Ave
Garden Grove, California 92845 (714) 476-7444

Robert Hill
Gracie Barra Glendale
325 North Brand Blvd.
Glendale, California 91203 (818) 388-7024

Otavio Souza
Gracie Barra Huntington Beach
16889 Brach Blvd.
Huntington Beach CA 92647 (949) 836-4876

Marcio Feitosa
Gracie Barra America
14988 Sand Canyon Ave Suite 1
Irvine, California 92618 (949) 795-5257

Orlando Sanches
Gracie Barra La Cañada Flintridge
814 Foothill Blvd
La Canada, CA 91101 (626) 200-5997

Hector Tapia
Gracie Barra Lake Elsinore
25381 Railroad Canyon Road, Suite 1102
Lake Elsinore, California 92532 (951) 764-4253

Anthony J. Raimo III
Gracie Barra Long Beach
5423 Village Rd., Suite C&D
Long Beach, California 90808 (562) 544-9192

Orlando Sanchez/ Joseph William Pennino
Gracie Barra Downtown LA
1327 Palmetto St
Los Angeles, California 90013 (818) 399-5769

Ashley Proctor, and Alexandre Costa
Gracie Barra Morgan Hill
16145 Monterey Rd
Morgan Hill, CA 95307, USA (408) 607-4878

EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Gabriel Arges
Gracie Barra Thousand Oaks
1011 Rancho Conejo Blvd
Newbury Park, CA 91320 (310) 404-7591

Edgar Leon
Gracie Barra Valencia
25067 Peachland Ave
Newhall, CA 91321 (323) 447-1706

Tom Reusing/Holly Reusing
Gracie Barra Newport
103 Palm street
Newport Beach, CA 92661 (951) 785-0711

Jaeson Bianchi
Gracie Barra Northridge
9149 Reseda Blvd
Northridge, California 91324 (818) 709-1808

Douglas Holcomb
Gracie Barra Oceanside
Oceanside, CA 92694 (325) 262-56465

Armando Sanchez
Gracie Barra Pasadena
2560 E. Colorado Blvd.
Pasadena, California 91107 (626) 200-5997

Garrett Glava
Gracie Barra Paso Robles
2200 Golden Hill Road
Paso Robles, California 93465 (805) 423-6444

Carlos Guimaraes
Gracie Barra Placentia
1077 E. Imperial Hwy
Placentia, California 92870 (714) 365-1250

Carlos Lemos Sr.
Gracie Barra Poway
Poway, California 92064 (630) 878-0713

Tom Reusing

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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Gracie Barra Riverside
6250 Brocton Ave.
Riverside, California 92506 (951) 505-1441

Aparecido Faria Bill
Gracie Barra Rohnert Park
1 Padre Parkway, Suite B
Rohnert Park, California 94928 (707) 586-1214

~~Flavio Almeida~~ Felipe Guedes
Gracie Barra San Clemente
232 Avenida Fabricante Suite 105
San Clemente, California 92672 (949) 769-4663

Marcelo Pereira
Gracie Barra Sorrento Valley
5995 Mira Mesa Blvd. Suite H
San Diego California 92121 (858) 228-7367

Fabricio Stocco / Carolina Stocco
Gracie Barra San Diego
3952 Clairemont Mesa Blvd, Suite 12,
San Diego, CA 92117 (858) 924-8500

Victor Miranda
Gracie Barra Santa Ana
1717 Old Tustin Ave.
Santa Ana, California 92705 (714) 925-9393

Rodrigo Clark
Gracie Barra Santa Barbara
1014 State St.
Santa Barbara, California 93101 (805) 845-2272

Rebeca Aguayo
Gracie Barra San Ysidro
1685 Precision Park Lane Suite N
San Ysidro, CA 92173, USA (619) 333-9287

Andre Almeida
Gracie Barra Simi Valley
2964 Cochran Street
Simi Valley CA 93065 (480) 819-8585

Ana Laura Cordeiro/Rafael Pinto

**EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Gracie Barra Upland
1235 W. Foothill Blvd.
Upland, California 2010 (909) 900-6128

Orlando Sanchez
Gracie Barra West Covina
2360 S. Azusa Ave
West Covina, CA 91792 (626) 833-7084

Nathan Wilcox
Gracie Barra West Lancaster
42458 60th Street
West Lancaster, California 93536 (661) 236-3437

Eric Allen Nostrand
Gracie Barra Whittier 14153
Whittier Blvd.
Whittier, California 90605 (562) 640-1400

Orlando Sanchez
Gracie Barra Yuba City
990 Klamath Lane D
Yuba City, CA 95993 (530) 812-7233

Colorado

Robert Goodloe/ Rafael Luis Barbosa Oliveira
Gracie Barra Centennial
4181 E. County Line Road, Suite F2,
Centennial, CO 80122 (949) 294-1856

Bryan Waltz
Gracie Barra Colorado Springs
1358 Academy BLVD N.
Colorado Springs Colorado 80909

Florida

Fabiano Carvalho / Sergio Costa
Gracie Barra Boca Raton
Boca Raton, FL 33434 (708) 638-3779

Randall Lee Huot
Gracie Barra Clearwater

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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

407 S Arcturas Ave.
Clearwater, Florida, 33765 (727) 443-0055

David Ogden / Shelly Ogden
Gracie Barra Clermont
16129 E. S.R. 50, Suite 103
Clermont, FL 34711 (352) 978-9020

Paulo Castro/Alexandre Igreja
Gracie Barra Doral
9851 NW 58th St
Doral, Florida 33178 (949) 310 2796

Roberto Cuartero, and Jennifer Cuartero
Gracie Barra Fleming Island
4479 hwy 17 #2
Fleming Island, Florida 32003 USA (904) 716-8600

Ricardo Pires
Gracie Barra Fort Lauderdale
2747 East Oakland Park Blvd.
Fort Lauderdale, FL 33306 (954) 627-1231

Beto Mescolin
Gracie Barra Hallandale Beach
648 W. Hallandale Beach Blvd.
Hallandale Beach Florida 33009 (561) 419-7668

Roberto Cuartero / Juan Romero
Gracie Barra Jacksonville
8570 Philips Hwy #113
Jacksonville, Florida, 32256 (904) 716-8600

Joe Scarola
Gracie Barra Jupiter
Jupiter Florida 33458 (516) 633-0731

Paulo Castro / Erik Darnot
Gracie Barra Kendall
10740 SW 72 St
Kendall, FL 33173 (305) 677-3169

Paulo Mescolin / Rafael Salles
Gracie Barra Key Biscayne (GB Coral Springs)
260 Crandon Blvd The Square Shopping Center

EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Key Biscayne, FL (754) 215-8302

Igor Andrade
Gracie Barra Kissimmee
2800 W. Vine St.
Kissimmee Florida 34741 (407) 201-7636

Jason D'Agata
Gracie Barra Trinity
8515 Old Co Rd.54
New Port Richey, Florida 34653 USA (727)469-7242

Marcio Simas
Gracie Barra Orlando
6236 Kingspointe Parkway # 4
Orlando, Florida 32819(407) 895-7010

Raymond Rosador Jr
Gracie Barra Lake Nona
14115 Budworth circle
Orlando, 32832, USA (704) 960-5525

Gustavo Muggiati
Gracie Barra North Orlando
923 N Mills Ave
Orlando, FL 32803 (407) 895-7010

Todd Broadaway / Steven Silva
Gracie Barra Oviedo
3050 Alafaya Trail Unit #1004
Oviedo, FL 32765 (407) 366-0988

Juan Quiroz, Paulo Castro, and Erik Darnott
Gracie Barra Palmetto Bay
17377 South Dixie Hwy
Palmetto Bay, Florida 33157, USA (305) 600-9149

Alexandre de Nascimento Julianelli, and Aline Soares
Gracie Barra Rockledge
1840 U.S Hwy 1
Rockledge, Florida, 32955, USA. (407) 452-4555

Maxen Antenor
Gracie Barra Sunrise
6815 Sunset Strip

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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Sunrise, FL 33313, USA (954) 440-9119

Braulio Estima/Wally Gustafson-Holen
Gracie Barra West Palm Beach
300 Clematis St
West Palm Beach, FL 33401 (574) 220-8727

Georgia

Fabio Ribeiro Costa Junior
Gracie Barra Georgia
5505 Bells Ferry Road, Suite 220
Acworth, Georgia 30102 (678) 983-9161

Andrew Bruce
Gracie Barra Blue Ridge
21 High Park Dr Suite 3,
Blue Ridge, GA 30513 (706) 633-0143

Derrick Clark/Rachel Clark
Gracie Barra Canton
130 Prominence Point Parkway Suite 160
Canton, Georgia 30114 (678) 787-8173

Nathaniel Hays Jr.
Gracie Barra Columbus
5880 Veterans Blvd., Suite B
Columbus, Georgia 31909 (706) 320-2000

Amit Jain, Atul Agarwal, and Ivan Raintung
Gracie Barra South Forsyth
4415 Front 9 Dr Suite 500
Cumming, Georgia 30041, USA (470) 326-6228

Kerry Sweat, and Sarah Glaze
Gracie Barra Ellijay
81 Ward Lane
Ellijay, GA 30540 USA (706) 273-7621

Jose Alvarez/ Jessica Alvarez
Gracie Barra Gainesville
821 Dawsonville Hwy
Gainesville, Georgia 30501 (828) 361-7075

~~Fabio Costa~~

EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Hawaii

Brian Laughlin
Gracie Barra University
1750 South King St.
Honolulu, Hawaii 92826 (808) 944-9000

Elias Ramirez
Gracie Barra Kapolei
1019 Lauia St. Bay 7
Kapolei Hawaii 96707 (808) 779-2806

Idaho

Rian Livingston/ Raymond Morrow
Gracie Barra Boise
5681 N Glenwood St.
Boise, Idaho 83714 (714) 402-6259

Illinois

Bruno Rocha Oliveira/ Ana Claudia Oliveira/ Beatriz Alves Fontes
Gracie Barra Aurora
646 South Frontenac Rd. Unit 102
Aurora, Illinois 60504 (438) 884-0826

Don Fox
Gracie Barra Bloomington
1 Yount Drive, Suite B
Bloomington, Illinois 61704 (309) 825-2638

Steven Malitz
Gracie Barra Deerfield
710 Robert York Ave Unit C
Deerfield, IL 60015 847-504-7213

Tony Lainovic
Gracie Barra Des Plaines
620 Lee St
Des Plaines, Illinois 60018 (773) 332-4235

Carlos Lemos Jr.
Gracie Barra Downers Grove
130 Ogden Av.
Downers Grove, Illinois 60515 (630) 964 1414

**EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Jamil Fakhoury
Gracie Barra Libertyville
13960 W. Rockland rd,
Libertyville, Illinois, 60048 USA (847) 867-5521

Carlos Lemos Jr, and Ronald Poholki
Gracie Barra New Lenox
14623 W. Edison Dr.
New Lenox, Illinois 60451 USA (708) 250-1610

Marcos Barros
Gracie Barra Springfield
3001 West White Oaks Drive
Springfield, Illinois 62704 (217) 6989549

Josh Cadenbach
Gracie Barra Champaign
408 N Race St Ste E
Urbana, Illinois 61801 (630) 415-5287

Louisiana

Quentin Henry
Gracie Barra Calhoun
989 Hwy 80 E
Calhoun, Louisiana 71225 (318) 372-7159

Jaime Gomez-Pardo
Gracie Barra Lake Charles
310 W McNeese St.
Lake Charles Louisiana 70605 (520) 4650648

Massachusetts

Ashley Proctor/ Alexandre Costa
Gracie Barra Boston
957 Commonwealth Ave.
Boston, Massachusetts 02215 (617) 417-8042

Michigan

James Burchfield
Gracie Barra Burton
4168 S Saginaw St.

EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Burton, MI 48529 USA (810) 308-5980

Jim Burchfield/Greg Fernandes
Gracie Barra Novi
40400 Grand River Road, Suite E
Novi, Michigan 48375 (248) 957-9597

Missouri

Mike Buckels
Gracie Barra West County
15425 Manchester Rd.
Ballwin, Missouri 63021 (949) 295-8178

Beau Viehmann
Gracie Barra Hannibal
2905 St Marys Ave
Hannibal, Missouri 63401 (573) 795-1282

Rob Warner
Gracie Barra Jefferson City
1850 Route C, Suite A,
Jefferson City, Missouri 65109 (573) 636-4252

Mike Buckels
Gracie Barra St. Louis
1270 Bryan Rd.
O'Fallon, Missouri 63366 (636) 544-3655

Mike Buckels, Marge Buckels, and Jake Martin
Gracie Barra Washington
8 West Second St.
Washington, Missouri, 63090, USA (636) 266-9388

Nevada

Leonardo de Souza
Gracie Barra Henderson - Las Vegas
55 South Gibson Suite 117,
Henderson Nevada 89012 (702) 701-6505

Leonardo de Souza / Carlos Ennes
Gracie Barra Summerlin
8665 W Flamingo suite 112
Las Vegas NV 89147 (702) 701-6505

**EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

New Jersey

Michael Leonardi / Jacopo Leonardi
Gracie Barra Princeton
150 Lawrenceville Pennington Road,
Lawrenceville, NJ 08648 (609) 429-0142

Michael Leonardi, Jacopo Leonardi, and Ricardo Almeida
Gracie Barra North Princeton
4437 NJ Route 27
Princeton, New Jersey, 08540, USA (608) 954-0575

New Mexico

Don Ortega
Gracie Barra West Side
3501 Coors Blvd. NW
Albuquerque, New Mexico, 87120 (505) 818-8077

Roberto Tussa / Don Ortega
Gracie Barra Albuquerque
12251 Academy Road NE
Albuquerque NM 87111 (505) 504-2100

Jacob Benitez
Gracie Barra Las Cruces
421 Avenida de Mesilla,
Las Cruces, New Mexico 88005 (575) 642-3006

Robert Romero
Gracie Barra Los Alamos
1370 Central Avenue Suite B,
Los Alamos, NM 87544 (505) 670-2654

Kar King, and Tammy Griego
Gracie Barra Los Lunas
3476 HWY 47
Los Lunas, New Mexico, 87031, USA (505) 990-9396

Don Ortega
Gracie Barra New Mexico
1504 San Pedro
NE Albuquerque, New Mexico 87120 (505) 818-9220

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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Don Ortega
GB Rio Rancho
1201 Veranda Rd.
Rio Rancho , New Mexico 87124 (505) 818-8077

Ben Bowles
Gracie Barra Roswell
1211 W 1st
Roswell, New Mexico, 88201, USA (505) 350- 2682

Thomas Pless
Gracie Barra Santa Fe
1121 Calle La Resolana
Santa Fe, New Mexico 87507 (505) 995-0156

New York

Joseph Scarola
Gracie Barra Long Island
24 Jericho Turnpike,
New Hyde Park, NY 11040 (516) 616-4662

Carlos Rosado
Gracie Barra North Babylon
1486c Deer Park Avenue,
North Babylon, NY 11703 (631) 392-0096

North Carolina

Josh Trampas
Gracie Barra Asheville
347 New Leicester Hwy, Unit A
Asheville, North Carolina, 28806, USA (404) 825-6430

Diogo Silva de Souza
Gracie Barra Charlotte
2620 South Boulevard
Charlotte, North Carolina 28209 (704) 352-9694

Oregon

Thomas Ronald Palmer
Gracie Barra Portland
5623 SE Center St.
Portland, Oregon 97206 (503) 595-0503

**EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Pennsylvania

Timothy Michaux
Gracie Barry Beaver County
500 Dutch Ridge Road
Beaver, Pennsylvania 15009 USA (832) 440-2296

Quebec

David Daniel Guigui
Gracie Barra Laval
202-3625 Cure Labelle
Laval, Quebec Canada H7P0A5 (450) 934-9998

Bruno Fernandes
Gracie Barra Montreal-Ouest
14C(1) Westminster North
Montreal-Ouest, Quebec Canada H4X 1Y9 (514) 357-8461

Marcelo Correa
Gracie Barra Sainte-Anne-de-Bellevue
37 rue Ste. Anne,
Sainte-Anne-de-Bellevue, Quebec H9X 1L4 Canada (514) 961-7322

Tennessee

Brian Andrew Cooley / Natalie Hiers Cooley
Gracie Barra Cool Springs
4115 Mallory Lane, Suite 206
Franklin, Tennessee 37067 (866) 659-1019

Samuel Braga
Gracie Barra Knoxville
8373 Kingston Pike Suite 600
Knoxville, Tennessee 37919 (865) 690-0088

Michael Westcott
Gracie Barra Murfreesboro
1720 Old Fort Parkway
Murfreesboro, TN 37129 (615) 785-1339

Reginaldo Almeida
Gracie Barra Spring Hill
001 Campbell Station Pkwy suite 3b

EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Spring Hill TN 37174 USA (615) 438-0955

Texas

Fabio Villela
Gracie Barra Cedar Park
1525 Cypress Creek Road, suite L,
Austin, Texas 78613 (512)497-2996

Ricardo Moraes
Gracie Barra North Austin
8868 Research Blvd. #608
Austin, Texas 78758 (512)921-4950

Alexandre Ferreira
Gracie Barra South Austin
1700 South Lamar Blvd # 332
Austin, Texas 78704

Joshua Lee Ford
Gracie Barra Lakeway
1607 Ranch Road 620 N., Suite 700
Austin, Texas 78734 (512) 450-3198

Fabiana Borges, and Thor Lee
Gracie Barra Boerne
30875 "A" IH-10 West Suite B
Boerne, Texas 78006, USA (713) 737-5414

Tyler Bosard
Gracie Barra Rio Grande Valley
5214 N. Expressway
Brownsville, Texas 78265 (956) 350-8186

Tyler Bosard
Gracie Barra Brownsville
2451 Pablo Kisel BLVD, Ste. E
Brownsville, Texas 78526 (956) 350-8186

Buddy Roberts, and Matthew Johnson
Gracie Barra Burleson
201- c NE Wilshire
Burleson, Texas 76028 USA (817) 266-9648

Tim Thompson

EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

Gracie Barra Carrollton (GB Frisco)
2812 Trinity Square Drive, ste. 106,
Carrollton, TX, 75006 (469) 744-0806

Leo Cantu
Gracie Barra Corpus Christi
6102 Ayers, Suite 108
Corpus Christi, Texas 78415 (361) 296-4374

Joaquin Garay / Kelly Richardson
Gracie Barra Cypress
15103 Mason Road
Cypress, TX 77433 (806) 445-4165

Armando Rosales, Cassandra Rosales, Jeffrey Vigil, and Rachel Lopez
Gracie Barra El Paso Northeast
10060 Rushing Rd, Suite 11,
El Paso, Texas 79924 USA (505) 310-0168

David Romo
Gracie Barra El Paso
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**EXHIBIT F
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

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Fabiano de Freitas Silva
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Utah

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Virginia

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Rodrigo Lopes
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LIST OF FRANCHISED LOCATIONS

As of December 31, 2018

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EXHIBIT G
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FRANCHISEES WHO HAVE LEFT
THE SYSTEM
As of December 31, 2018

Listed below are the names, city, state and telephone numbers of every Franchisee who has had a franchise terminated, cancelled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement within the most recently completed fiscal year; or who has not communicated with Gracie Barra Franchise Systems within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed in the future to other buyers when you leave the franchise system.

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Danial Dlask/ Tyler Jackson/ Robin Haluska
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John Davies
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EXHIBIT H
(TODISCLOSURE DOCUMENT)

GRACIE BARRA FRANCHISE SYSTEMS, INC.
FINANCIAL STATEMENTS

Financial Statements

Gracie Barra Franchise Systems, Inc.

Attached to this Disclosure Document as Exhibit H are also our unaudited balance sheet that is current within 120 days and an income statement for the period between January 1, 2019 and the date of the balance sheet. These financial statements are prepared without an audit. Prospective franchisees should be advised that no public certified accountant had audited this figures or expressed his/her opinion with regard to the content or form.

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(TO DISCLOSURE DOCUMENT)

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EXHIBIT J
(TO DISCLOSURE DOCUMENT)

APPENDIX FOR CALIFORNIA FRANCHISEES

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.

OUR WEBSITE (www.graciebarra.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

The following paragraph is added to the end of Item 3:

Neither Gracie Barra, nor any person listed 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.A. 78A *et seq.*, suspending or expelling these persons from membership in such association or exchange.

The following paragraphs are added to the end of Item 17:

California Business and Professions Code sections 20000 through 20043 provides rights to the Franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Section 31125 of the California Corporations Code requires Gracie Barra to give you a disclosure document, approved by the Department of Business Oversight before a solicitation of a proposed material modification of an existing franchise.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Orange County, California with the costs being borne equally by both parties.

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.*)

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000-31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000-20043).

**ADDENDUM TO THE
GRACIE BARRA FRANCHISE SYSTEMS, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON**

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

**RIDER TO THE
GRACIE BARRA FRANCHISE SYSTEMS, INC.
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF WASHINGTON**

This Rider to the Franchise Agreement by and between Gracie Barra Franchise Systems, Inc. and Franchisee is dated _____, 20_____.

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

**GRACIE BARRA FRANCHISE SYSTEMS,
INC.**

FRANCHISEE (Print Name)

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ADDENDUM TO GRACIE BARRA FRANCHISE INC.

**FRANCHISE AGREEMENT
FOR THE STATE OF MICHIGAN**

Section 445.1508(1) of the Michigan Franchise Investment Law requires franchisor to give you a copy of the Franchise Disclosure Document earlier of: (i) 10 business days prior to signing the Franchise Agreement; or (ii) 10 business days prior to franchisor's receipt of any consideration.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN THE FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.
- (C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSES SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.
- (D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN FIVE (5) YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGO TYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA AS SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST SIX (6) MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.
- (E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSES SHALL INCLUDE, BUT IS NOT LIMITED TO:

- (i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
- (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
- (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
- (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHALL BE DIRECTED TO A

TE OF MICHIGAN
DEPARTMENT OF THE ATTORNEY GENERAL
ATTENTION: FRANCHISE SECTION
P.O. BOX 30213
LANSING, MICHIGAN 48909
(517) 373-7117

**AMENDMENT TO GRACIE BARRA FRANCHISE INC.
FRANCHISE AGREEMENT & RELATED FRANCHISE DOCUMENTS
FOR THE STATE OF HAWAII**

The Gracie Barra Franchise Inc. Franchise Agreement between _____ ("Franchisee") and Gracie Barra Franchise Inc., a California Corporation ("Franchisor"), dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of this Agreement (this "Amendment"):

HAWAII LAW MODIFICATIONS

1. The Director of the Hawaii Department of Commerce and Consumer Affairs requires that certain provisions contained in franchised documents be amended to be consistent with Hawaii law, including the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E-1 through 482E-12 (1988). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Hawaii Franchise Investment Law provides rights to You concerning non-renewal, termination and transfer of the Agreement. If the Agreement contains a provision that is inconsistent with the Law, the Law will control. Among those rights, the Law may require that upon termination or non-renewal Franchisor purchase for fair market value Franchisee's inventory, supplies, equipment and furnishings purchased from Franchisor or a supplier designated by Franchisor; provide that personalized materials which have no value to Franchisor need not be compensated for. If the non-renewal or termination is for the purpose of converting the Franchisee's business to one owned and operated by Franchisor, Franchisor may, additionally, be obligated to compensate the Franchisee for loss of goodwill. Franchisor may deduct all amounts due from Franchisee and any costs related to the transportation or disposition of items purchased against any payment for those items. If the parties cannot agree on fair market value, fair market value shall be determined in the manner set forth in the Agreement. If the Agreement does not provide for determination of fair market value of assets for purchase by Franchisor, such amount will be determined by an independent appraiser approved by both parties, and the cost of the appraisal shall be shared equally by the parties.
- b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Hawaii Franchise Investment Law.

2. Section 482E-3(a) of the Hawaii Franchise Investment Law requires us to give you a copy of the Franchise Disclosure Document at least 7 calendar days prior to signing the Franchise Agreement.

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Franchise Agreement on this ____ day of _____, 20__.

FRANCHISOR:

GRACIE BARRA FRANCHISE INC.,
a California corporation

By: _____ Name
e: _____ Title:

Date: _____

FRANCHISEE:

By: _____ Name
: _____ Title:

Date: _____

**AMENDMENT TO GRACIE BARRA FRANCHISE
INC. FRANCHISE AGREEMENT & RELATED FRANCHISE DOCUMENTS**

FORTHE STATE OF ILLINOIS

The Gracie Barra Franchise Inc. Franchise Agreement between _____
("Franchisee") and Gracie Barra Franchise Inc., a California Corporation ("Franchisor"),
dated _____ (the "Agreement") shall be amended by the addition of the following language, which
shall be considered an integral part of this Agreement (this "Amendment"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Comp. Stat. Ch. 815 para. 705/1-705/44 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to the Franchisee concerning non-renewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Illinois Franchise Disclosure Act, and such acknowledgements shall be void with respect to claims under the Act.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of Illinois, that requirement is void under the Illinois Franchise Disclosure Act.
- d. If the Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, the Act will control.
- e. To the extent that Sections 17.3(a) and 17.3(c) of the Agreement requires Operator to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Illinois Franchise Disclosure Act, and such acknowledgements shall be void and hereby deleted with respect to claims under the Act.
- f. Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void."

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Franchise Agreement on this _____ day of _____, 20____.

FRANCHISOR:

GRACIE BARRA FRANCHISE INC.,
a California corporation

By: _____ Name
e: _____ Title
Date: _____

FRANCHISEE:

By: _____ Name
e: _____ Title
Date: _____

**ADDENDUM TO THE
GRACIE BARRA FRANCHISE SYSTEMS, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK
(Applies only to New York franchisees)**

The Gracie Barra Franchise Systems, Inc., Franchise Agreement between _____ ("Franchisee") and Gracie Barra Franchise Systems Inc., a California Corporation ("Franchisor"), dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of this Agreement (this "Amendment"):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchised documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgements shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provisions shall not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. The following items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

- a. Item 3, "**Litigation**", shall be amended by deleting the Item in its entirety, and substitute the following in lieu thereof:

Neither we, nor any predecessor or principal of ours, nor any person identified in Item 2, above, has any administrative, criminal or a material civil or arbitration action (or a significant number of civil or arbitration actions irrespective of materiality) pending against him alleging a violation of any franchise law, antitrust or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither we, nor any predecessor or principal of ours, nor any person identified in Item 2, above, has been convicted of a felony or pleaded nolo contendere to any felony charge or, during the 10 year period immediately preceding the date of this Franchise Disclosure Document, has been convicted of or pleaded nolo contendere to a misdemeanor charge or been held liable in any other civil action by final judgment, or been the subject of any other material complaint or other legal proceeding where such felony, misdemeanor civil action, complaint or other legal proceeding involved violation of any franchise law, antifraud or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither we, nor any predecessor or principal of ours, nor any person identified in Item 2, above, is subject to any currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of 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 by 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.

b. Item 4, "**Bankruptcy**", shall be amended by deleting the Item in its entirety, and substitute the following in lieu thereof:

During the 10 year period immediately preceding the date of the Franchise Disclosure Document neither we, nor any predecessor, affiliate, current officer or general partner of Us has been the subject of a bankruptcy proceeding, been adjudged bankrupt or reorganized due to insolvency or been a principal officer of a company or a general partner of a partnership at or within one year of the time that such company or partnership became the subject of a bankruptcy proceeding or was adjudged bankrupt or reorganized due to insolvency or is subject to any such pending bankruptcy or reorganization proceeding.

c. Item 5, "**Initial Fees**", shall be amended by adding the following:

We will use the Initial Fee for the purposes of covering the costs of selling the franchise and other franchises, for your initial training, for general overhead and for profit.

d. Item 17 D, "**Termination by Franchisee**", shall be amended by adding the following:

The franchisee may terminate the agreement upon any grounds available by law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Addendum concurrently with the execution of the Franchise Agreement on the day and year first above written.

**GRACIE BARRA FRANCHISE SYSTEMS,
INC.**

FRANCHISEE (Print Name)

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CALIFORNIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement between _____ ("Developer") and Gracie Barra Franchise Inc., a California Corporation ("Gracie Barra"), dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of this Agreement (this "Amendment"):

1. If any of the provisions of the Agreement concerning termination are inconsistent with either the California Franchise Relations Act or with the Federal Bankruptcy Code (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.
2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California law applicable to the provision are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this California Addendum to Area Development Agreement on this _____ day of _____, 20____.

FRANCHISOR:

GRACIE BARRA FRANCHISE INC.

By: _____

Its: _____

DEVELOPER:

By: _____

Its: _____

HAWAII ADDENDUM TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement between _____ ("Developer") and Gracie Barra Franchise Inc., a California Corporation ("Gracie Barra"), dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of this Agreement (this "Amendment"):

1. Article _____ IV of the Agreement as they relate to termination, and transfers are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.
2. The _____ Section of the Agreement which permits us to terminate the Agreement on the bankruptcy of you and/or your affiliates. This Section may not be enforceable under federal bankruptcy law. (11 U.S.C. § 101, et seq.).
3. Section 482E-3(a) of the Hawaii Franchise Investment Law requires Developer to receive the Disclosure Document at least 7 calendar days prior to signing the Agreement.
4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Hawaii Addendum to Area Development Agreement on this _____ day of _____, 20_____.

FRANCHISOR:

GRACIE BARRA FRANCHISE INC.

By: _____

Its: _____

DEVELOPER:

By: _____

Its: _____

ILLINOIS ADDENDUM TO DEVELOPMENT AGREEMENT

The Development Agreement between _____ (“Developer”) and Gracie Barra Franchise Inc., a California Corporation (“Gracie Barra”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of this Agreement (this “Amendment”):

1. Article IV of the Agreement is supplemented by the addition of the following, which will be considered an integral part of the Agreement:

“If any of the provisions of this Article IV concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, Illinois law will apply.”
2. The Illinois Franchise Disclosure Act will govern the Agreement with respect to Illinois franchisees. The provisions of the Agreement concerning governing law, jurisdiction, and venue will not constitute a waiver of any right conferred on you by the Illinois Franchise Disclosure Act. Consistent with the foregoing, any provision in the Agreement which designates jurisdiction and venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois.
3. Notwithstanding that the Agreement requires that it be governed by California law, the Agreement will be construed and governed by the Illinois Franchise Disclosure Act.
4. Although the Agreement requires litigation to be instituted in a court in the county and state where our principal executive offices are located, you must institute all litigation in a court of competent jurisdiction located in the State of Illinois, subject to the arbitration provision of the Agreement.
5. Nothing in the Agreement will limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under the Illinois Franchise Disclosure Act of 1987, as amended.
6. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois law applicable to the provision are met independently without reference to this Addendum.
7. Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.”

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Addendum to Area Development Agreement on this _____ day of _____, 20____.

FRANCHISOR:

GRACIE BARRA FRANCHISE INC.

By: _____
Its: _____

DEVELOPER:

By: _____
Its: _____

**ADDENDUM TO GRACIE
BARRA FRANCHISE INC.
AREA DEVELOPER AGREEMENT
FOR THE STATE OF MICHIGAN**

Section 445.1508(1) of the Michigan Franchise Investment Law requires Franchisor to give you a copy of the Franchise Disclosure Document at least 10 business days prior to signing the Agreement; or (ii) 10 business days prior to Gracie Barra's receipt of any consideration.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN THE FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSES SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN FIVE (5) YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGO TYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SA

ME AREASUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST SIX (6) MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSES SHALL INCLUDE, BUT IS NOT LIMITED TO:

- (i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
- (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
- (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
- (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CON

VEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATION TO FULLY FILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHALL BE DIRECTED TO: STATE

OF MICHIGAN
DEPARTMENT OF THE ATTORNEY GENERAL
ATTENTION: FRANCHISE SECTION
P.O. BOX 30213
LANSING, MICHIGAN 48909
(517) 373-7117

NEW YORK ADDENDUM TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement between _____ (“Developer”) and Gracie Barra Franchise Inc., a California Corporation (“Gracie Barra”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of this Agreement (this “Amendment”):

1. Article V of the Agreement is amended to add the following:

However, we will not make any such transfer or assignment except to a person who, in our good faith judgment, is willing and able to assume our obligations under this Agreement, and all rights enjoyed by you and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will 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.

2. Article VII of the Agreement is amended to add the following:

However, you will not be required to hold harmless or indemnify us for any claim arising out of a breach of this Agreement by us or any other civil wrong of us.

3. Article VIII of the Agreement is amended to add the following:

No amendment or modification of any provision of this Agreement will impose any new or different requirement which unreasonably increases your obligations or places an excessive economic burden on your operations.

4. Section 683.8 of the General Business Law of the State of New York requires a franchisor to give you a copy of the Franchise Disclosure Document at the earlier of: (i) the first personal meeting; (ii) 10 business days before the execution of the Agreement; or (iii) 10 business days before the payment of any consideration that relates to the franchisor relationship.

5. Each provision of this Addendum will be effective only to the extent; with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Addendum to Area Development Agreement on this _____ day of _____, 20____.

FRANCHISOR:

GRACIE
BARRA FRANCHISE CORP.

By: _____
Its: _____

DEVELOPER:

By: _____
Its: _____

WASHINGTON ADDENDUM TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement between _____ (“Developer”) and Gracie Barra Franchise Inc., a California Corporation (“Gracie Barra”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of this Agreement (this “Amendment”):

1. Article IV of the Agreement regarding termination of the Agreement is effective only to the extent that it is not inconsistent with the Washington Franchise Investment Protection Act.
2. Article VIII of the Agreement states that the Agreement will be governed by California law. Such requirement will be amended to state that in the event of a conflict of law, the Washington Franchise Investment Protection Act will prevail.
3. Article VIII of the Agreement will be amended to add that any claim or right arising under the Washington Franchise Investment Protection Act may be brought in the appropriate state or federal court in the State of Washington. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
4. Washington Franchise Investment Protection Act, Wash. Rev. Code § 19.100.080 requires Developer to receive the Disclosure Document at the earlier of: (i) 10 business days prior to signing the Agreement; or (ii) 10 business days prior to Gracie Barra's receipt of any consideration.
5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington Addendum to Area Development Agreement on this _____ day of _____, 20____.

FRANCHISOR:

GRACIE BARRA FRANCHISE INC.

By: _____
Its: _____

DEVELOPER:

By: _____
Its: _____

ADDITIONAL DISCLOSURE TO GRACIE
BARRA FRANCHISE INC. FRANCHISE DISCLOSURE DOCUMENT
FORTHE STATE OF ILLINOIS

The following are additional disclosures for the Franchise Disclosure Document of Gracie Barra Franchise Systems, Inc., required by Illinois State Franchise Law. Each provision to this additional disclosure will apply to all Illinois Franchisees.

ILLINOIS LAW MODIFICATIONS

1. The "Summary" section of Item 17 (v), entitled "**Choice of Forum**", is void and hereby deleted. Illinois law governs the Franchise Disclosure Document.
 - a. If the Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void under the Illinois Franchise Disclosure Act. Illinois law governs the Agreement.
2. The "Summary" section of item 17 (w), entitled "**Choice of Law**", is void and hereby deleted. Illinois law governs the Franchise Disclosure Document.
 - a. If the Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, the Act will control. Illinois law governs the Agreement.
3. Franchisee acknowledges that it has not relied on any verbal representations or commitments made prior to the execution hereof and agrees that Franchisor will not be liable or obligated for any claims of negligent or fraudulent misrepresentation based on any such verbal representations or commitments.
4. Each provision of this Disclosure shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independently of this Disclosure. This Disclosure shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Franchise Agreement on this _____ day of _____, 20____.

FRANCHISOR:

GRACIE BARRA FRANCHISE
SYSTEMS, INC.,
a California corporation.

By: _____ N
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____ Na
Name: _____
Title: _____
Date: _____

**EXHIBIT K
(TO DISCLOSURE DOCUMENT)**

**CONDITIONAL ASSIGNMENT OF FRANCHISEE INTEREST
IN GRACIE BARRA FRANCHISE AGREEMENT**

THIS CONDITIONAL ASSIGNMENT ("Assignment") is made effective as of the _____ day of _____, 20__ by _____, a _____, _____ ("Assignor") and GRACIE BARRA FRANCHISE SYSTEMS, Inc. ("Assignee").

PURPOSE

Assignor is the Franchisee under a certain GRACIE BARRA Franchise Agreement dated _____, 20__ between Assignor and Assignee including exhibits thereto [and as amended by that certain Addendum dated _____, 20__ ("**Franchise Agreement**")]. The Franchise Agreement governs the development and operation of a GRACIE BARRA School that provides martial arts instruction, primarily Brazilian Jiu-Jitsu, to individuals ("**Franchised Business**").

Assignee has agreed to accept a Promissory Note of even date herewith ("**Note**") in payment of the initial franchise fee for the express benefit of Assignor, to enable Assignor to become a GRACIE BARRA franchisee. As security and as an inducement for the Assignee to accept the Note, Assignee is requiring the execution of this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, Assignor and Assignee agree as follows:

Assignor hereby assigns all of its right, title and interest in and to the Franchise Agreement to Assignee, as security for Assignee's obligations pursuant to the Note.

Assignor warrants that it is the sole owner of the entire interest in the Franchise Agreement; that the Franchise Agreement is valid and enforceable and has not been altered, modified or amended in any manner whatsoever, except as may be herein set forth; and that the Franchisee named therein is not in default under any terms, covenants or conditions thereof and has not encumbered the Franchise Agreement in any manner other than as set forth in this Assignment. Further, Assignor warrants that all individuals and entities that hold an interest in any assets of the Franchised Business are signatories to this Assignment.

This Assignment is expressly conditioned upon and shall not be effective and Assignee shall have no right to pursue any remedy hereunder, unless and until Assignor shall have committed a default under the Note which is not cured in a timely manner.

Assignor covenants with Assignee to observe and perform all of the obligations imposed on Assignor pursuant to the Franchise Agreement and will not do or permit to be done anything to impair the security thereof; will not execute any other assignment of the Assignor's interest in the Franchise Agreement; will not alter, modify or change the terms of the Franchise Agreement without Assignee's prior written consent; and will execute and deliver at Assignee's request all such further assurances and assignments of the Franchise Agreement as Assignee shall require from time to time.

In the event that Assignee is entitled to exercise its rights hereunder due to a default by Assignor under the Note, then Assignee shall without further notice or action, either in person or by agent, with or without bringing any action or proceeding or by receiver appointed by court, have full right, title and

interest in and to the Franchise Agreement. Assignee's exercise of its rights under this Assignment shall not be considered a waiver of any default by Assignor under the Franchise Agreement or the Note or this Assignment.

So long as there shall exist no default by Assignor in the performance of any obligations under the Note or the Franchise Agreement, Assignor shall be entitled to retain, use and enjoy all rights under both the Note and the Franchise Agreement.

This Assignment shall automatically terminate upon fulfillment of all obligations under the Note without notice or written acknowledgment.

This Assignment shall inure to the benefit of Assignee and any subsequent holder of Assignee's rights and shall be binding upon Assignor, its heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Assignment effective as of the date and year first set forth above.

ASSIGNOR:

By: _____

Title: _____

Signature of Individual

Print Name

Signature of Individual

Print Name

ASSIGNEE:

Gracie Barra Franchise Systems, Inc.

By: _____

Title: _____

PROMISSORY NOTE

\$ _____, 20 _____

_____ ("Maker") promises to pay to the order of Gracie Barra Franchise Systems, Inc., a California corporation, located at 300 Spectrum Center Drive, Suite 400, Irvine, California, 92618 ("Holder"), the principal sum of \$ _____, plus interest at the rate of ____% per annum, on the following terms and conditions:

Principal and Interest. Payments of principal shall be payable in _____ monthly installments in the amount of \$ _____ each, with the first payment due upon execution of this Note and subsequent payments due by the 1st day of each month beginning on the first day of the month following the date set forth above. All payments will be initiated by Holder by means of electronic funds transfer from Maker's bank account. Maker and Holder are parties to a Franchise Agreement dated of even date herewith ("Franchise Agreement") which governs Maker's development and operation of a GRACIE BARRA School. This Note represents payment of the initial franchise fee due from Maker to Holder under the terms of the Franchise Agreement.

Place of Payment. This Note shall be payable at 300 Spectrum Center Drive, Suite 400, Irvine, California, 92618, or at such other place as the Holder may designate in writing.

Prepayment. Maker may prepay all or any part of this Note at any time and from time to time without penalty.

Acceleration. It is agreed that the failure to make any payment when due shall cause the entire unpaid balance of this Note to become due at once, at Holder's option.

Waiver. Maker waives presentment for payment, protest and notice of protest and agrees that any extension of time of payment due under this Note shall not affect Maker's liability hereunder. No waiver by Holder of any payment or right under this Note shall operate as a waiver of any other payment or right under this Note.

Default. If Maker defaults in the payment of any amount when due under this Note, if such default is not cured within 10 days after Holder notifies Maker in writing of such default, the entire remaining balance shall become immediately due and payable, without further notice, at Holder's option. If any payment of principal is not made on the due date hereof, then the entire principal balance shall bear interest at a default rate of 10% per annum ("Default Rate"). In the event of default, Holder shall be entitled to declare the entire unpaid balance immediately due and payable and shall be entitled to exercise any and all rights in the security pledged to secure Maker's obligations under this Note. Default of the Note constitutes a breach and cause for termination under Section 16.2 of the Franchise Agreement.

Collection Costs. Maker agrees to pay all costs and expenses, including reasonable costs of collection, including attorneys' fees, paid or incurred by Holder in enforcing this Note in the event of default by Maker.

Security. This Note is secured by a Conditional Assignment of Franchise Agreement and a Guaranty Agreement, both dated of even date herewith.

Due on Sale. If all or any part of the business conducted by Maker pursuant to the Franchise Agreement, the assets thereof, Maker, any interest in Maker, or all or substantially all of the assets of Maker are sold or transferred by Maker without Holder's prior written consent, excluding the creation of

a lien or security interest on any of said property which Holder has consented to in writing, Holder may, at Holder's option, declare the entire amount due under this Note to be immediately due and payable.

No Setoff. This Note shall not be subject to any right of setoff claimed by Maker or any person assuming the obligations of Maker herein, which right of setoff is hereby expressly waived.

Governing Law; Jurisdiction; Venue; Jury Trial Waiver. This Note shall be governed as to validity, interpretation, construction, effect and in all other respects by the laws and decisions of the state of California, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of California, which laws shall prevail in the event of any conflict of law. The parties each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts in Orange County, California. **THE PARTIES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

Modification. This Note may not be changed orally, but only by an agreement in writing signed by the parties against whom enforcement of any waiver, change, modification or discharge is sought.

IN WITNESS WHEREOF, the undersigned has executed this Promissory Note this ____ day of _____, 20__.

MAKER:

By: _____

Its: _____

Signature of Individual

Print Name

Signature of Individual

Print Name

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty") is dated as of _____, 20____, by _____ ("Guarantor"), an individual, whose address is _____, in favor of GRACIE BARRA FRANCHISE SYSTEMS, INC. ("Lender").

The Promissory Note. This Guaranty is executed in connection with a Promissory Note (the "Note") of even date herewith between Lender and _____ ("Franchisee"), pursuant to which Lender is financing the initial franchise fee owed by Franchisee to Lender (the "Loan"), and the Conditional Assignment of Franchisee Interest in the GRACIE BARRA Franchise Agreement between Lender and the Franchisee, securing repayment of the Loan ("Conditional Assignment"). Unless otherwise defined herein, any capitalized terms used herein shall have the meanings assigned to such terms in the Note.

Purpose and Consideration. The execution and delivery of this Guaranty by Guarantor is a condition to the making of the Loan to Franchisee, is made in order to induce Lender to make the Loan, and is made in recognition that Lender will be relying upon this Guaranty in making the Loan and performing any other obligations it may have under the Note.

Guaranty. Guarantor hereby guarantees absolutely, primarily, unconditionally, and irrevocably: (i) the full and timely payment of all indebtedness evidenced by or arising under the Note, as and when the same becomes due, whether at maturity, by acceleration, or otherwise, all fees payable by Franchisee in connection with the Loan, and any advances made by Lender under the authority of the Note and (ii) the full and timely performance by Franchisee of any and all of its obligations under the Note. Franchisee's obligations to make payments under the Note are sometimes referred to herein as the "Obligations." Guarantor agrees that this is a guarantee of payment and not of collection, and that there is no limitation on the amount of Guarantor's liability hereunder.

Guaranty Is Independent and Absolute. The obligations of Guarantor hereunder are independent of the obligations of Franchisee and any other guarantor or other person who may become liable with respect to the Obligations. Guarantor is jointly and severally liable with Franchisee for the full and timely payment and performance of all of the Obligations. Guarantor expressly agrees that a separate action or actions may be brought and prosecuted against Guarantor, whether or not any action is brought against Franchisee, any other guarantor, or any other person for any Obligations guaranteed hereby and whether or not Franchisee, any other guarantor, or any other person is joined in any action against Guarantor. Guarantor further agrees that Lender shall have no obligation to proceed against any security for the Obligations prior to enforcing this Guaranty against Guarantor, and that Lender may pursue or omit to pursue any and all rights and remedies Lender has against any person or with respect to any security in any order or simultaneously or in any other manner. All rights of Lender and all obligations of Guarantor hereunder shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of the Note and (ii) any other circumstances which might otherwise constitute a defense available to, or a discharge of, Franchisee in respect of the Obligations.

Authorizations to Lender. Guarantor authorizes Lender, without notice or demand and without affecting Guarantor's liability hereunder, from time to time, to: (i) renew, extend, accelerate or otherwise change the time for payment of, change, amend, alter, cancel, compromise or otherwise modify the terms of the Note, including any increase in the rate or rates of interest thereunder agreed to by Franchisee, and to grant any indulgences, forbearances, or extensions of time; (ii) renew, extend, change, amend, alter, cancel, compromise or otherwise modify any of the terms, covenants, conditions or provisions of the Note or any of the Obligations; (iii) apply any security and direct the order or manner of sale thereof as Lender,

in Lender's discretion, may determine; (iv) proceed against Franchisee or Guarantor with respect to any or all of the Obligations without first foreclosing against any security therefor; (v) exchange, release, surrender, impair or otherwise deal in any manner with, or waive, release or subordinate any security interest in, any security for the Obligations; (vi) release or substitute Franchisee or any one or more of any other guarantor, any endorser, or any other party who may be or become liable with respect to the Obligations, without any release or reduction in liability being deemed made of Guarantor or any other such person; and (vii) accept a conveyance or transfer to Lender of all or any part of any security in partial satisfaction of the Obligations, or any of them, without releasing Franchisee, Guarantor, any other guarantor, or any endorser or other party who may be or become liable with respect to the Obligations, from any liability for the balance of the Obligations.

Application of Payments Received by Lender. Any sums of money Lender receives from or for the account of Franchisee may be applied by Lender to reduce any of the Obligations or any other liability of Franchisee to Lender, as Lender in Lender's discretion deems appropriate.

Waivers by Guarantor. In addition to all waivers expressed in the Note, all of which are incorporated herein by Guarantor, Guarantor hereby waives: (i) presentment, demand, protest and notice of protest, notice of dishonor and of non-payment, notice of acceptance of this Guaranty, and diligence in collection; (ii) notice of the existence, creation, or incurring of any new or additional Obligations under or pursuant to the Note; (iii) any right to require Lender to proceed against, give notice to, or make demand upon Franchisee or any other guarantor; (iv) any right to require Lender to proceed against or exhaust any security or to proceed against or exhaust any security in any particular order; (v) any right to require Lender to pursue any remedy of Lender; (vi) any right to direct the application of any security held by Lender; (vii) any right of subrogation and any right to enforce any remedy which Lender may have against Franchisee, any right to participate in any security now or hereafter held by Lender, and any right to reimbursement from Franchisee for amounts paid to Lender by Guarantor; (viii) benefits, if any, of Guarantor under any anti-deficiency statutes or single-action legislation; (ix) any defense arising out of any disability or other defense of Franchisee, including bankruptcy, dissolution, liquidation, cessation, impairment, modification, or limitation, from any cause, of any liability of Franchisee, or of any remedy for the enforcement of such liability; and (x) any right to plead or assert any election of remedies by Lender.

Bankruptcy Reimbursements. Guarantor agrees that if any amounts paid to Lender by Franchisee or any other party liable for payment and satisfaction of the Obligations (other than Guarantor) are recovered from Lender in any bankruptcy proceeding, Guarantor shall reimburse Lender immediately on demand for all amounts so recovered from Lender, together with interest thereon at the Default Rate from the date such amounts are so recovered until repaid in full to Lender, and for this purpose this Guaranty shall survive repayment of the Loan. Without limiting the foregoing, Guarantor shall pay all costs and expenses incurred by Lender in connection with any bankruptcy proceeding of Franchisee or any other party liable for payment and satisfaction of the Obligations, including attorneys' fees and expenses.

Service of Process on Guarantor. Guarantor covenants that, for so long as this Guaranty remains in effect, Guarantor will be subject to service of process for the purposes of any suit, action, or proceeding brought in the State of California to enforce Guarantor's obligations under this Guaranty.

Assignability. This Guaranty shall be binding upon Guarantor and Guarantor's heirs, representatives, successors, and assigns and shall inure to the benefit of Lender and Lender's successors and assigns. This Guaranty shall follow the Note and the Conditional Assignment which are for the benefit of Lender; and, in the event the Note and other such documents, or any of them, are negotiated, sold, transferred, assigned, or conveyed by Lender in whole or in part, this Guaranty shall be deemed to

have been sold, transferred, assigned, or conveyed by Lender to the holder or holders of the Note, with respect to the Obligations contained therein, and such holder or holders may enforce this Guaranty as if such holder or holders had been originally named as Lender hereunder.

Payment of Costs of Enforcement. In the event any action or proceeding is brought to enforce this Guaranty, Guarantor agrees to pay all costs and expenses of Lender in connection with such action or proceeding, including, without limitation, all reasonable attorneys' fees incurred by Lender.

Notices. Whenever any notice, demand, or request is required or permitted under this Guaranty, such notice, demand, or request shall be effective when delivered or three (3) days after being mailed by certified mail, return receipt requested, to Guarantor at the address set forth above or to such other address as Guarantor may designate in a notice given to Lender.

Severability of Provisions. If any provision hereof shall, for any reason and to any extent, be invalid or unenforceable, then the remainder of the document, the application of the provision to other persons, entities or circumstances, and any other document referred to herein shall not be affected thereby but instead shall be enforceable to the maximum extent permitted by law.

Waiver. Neither the failure of Lender to exercise any right or power given hereunder or to insist upon strict compliance by Franchisee, Guarantor, any other guarantor, or any other person with any of its, his or her obligations set forth herein nor any practice of Franchisee or Guarantor at variance with the terms hereof shall constitute a waiver of Lender's right to demand strict compliance with the terms and provisions of this Guaranty.

Term. This Guaranty shall survive repayment in full of the Loan and remain in effect until such time as all payments received by Lender are no longer subject to recovery in any bankruptcy proceeding.

Applicable Law; Jurisdiction; Venue; Jury Trial Waiver. This Guaranty shall be governed as to validity, interpretation, construction, effect and in all other respects by the laws and decisions of the state of California, which laws shall prevail in the event of any conflict of law. The parties each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of the state of California. **THE PARTIES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

IN WITNESS WHEREOF, Guarantor has executed this Guaranty on the date first written above.

Print Name: _____

**ADDENDUM TO
GRACIE BARRA FRANCHISE SYSTEMS, INC.
FRANCHISE AGREEMENT**

This Addendum ("Addendum") to the Gracie Barra Franchise Systems, Inc. Franchise Agreement dated _____, 20____ ("Franchise Agreement") between Gracie Barra Franchise Systems, Inc. ("Franchisor") and _____ ("Franchisee") is made as of the same date to amend and supplement certain terms and conditions of the Franchise Agreement. In the event of any conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Franchise Agreement. The Franchisor and the Franchisee agree as follows:

Initial Franchise Fee. The first sentence of Section 4.1 is deleted and replaced by the following:

In consideration for the right to develop and operate one GRACIE BARRA School, the Franchisee agrees to pay the Franchisor an initial franchise fee upon the following terms: \$_____ shall be payable in accordance with terms of a Promissory Note dated of even date herewith. The parties acknowledge that a Promissory Note has been executed by the Franchisee in payment of the initial franchise fee. The Franchisor has agreed to accept a Promissory Note expressly for the benefit of the Franchisee, to enable the Franchisee to become a GRACIE BARRA franchisee. The Franchisee agrees that any default under the Promissory Note shall constitute a default and a cause for termination of the Franchise Agreement pursuant to Section 16.2 of the Franchise Agreement.

Dated as of the date first set forth above.

**GRACIE BARRA
FRANCHISE SYSTEMS, INC.**

By: _____
Title: _____

FRANCHISEE

By: _____
Title: _____

Signature of Individual

Print Name

EXHIBIT L
(TODISCLOSUREDOCUMENT)

SUPPLIERCONTRACTS

We do not require you to use any particular supplier at the moment

EXHIBIT M
(TO DISCLOSURE DOCUMENT)

CLOSING ACKNOWLEDGEMENT

Franchisee Name: _____

Franchisee Address: _____

Date: _____ Phone: _____

Where did you hear about Gracie Barra Franchise Systems, Inc. (the "Franchisor")? _____

Salesperson handling this sale: _____

A. The following are true and correct:

1. Yes No I had a face-to-face meeting with a franchise salesperson.

If yes, the date of said meeting was: _____

2. _____, 20. The date which I received the Franchise Disclosure Document about the Franchise.

3. _____, 20. The date I received a fully completed copy (other than signatures) of the Franchise Agreement I later signed.

4. _____, 20. The earliest date on which I signed the Franchise Agreement or any other binding document (not including the Receipt).

5. _____, 20. The earliest date on which I delivered cash, check or consideration to the franchise salesperson or any other person.

B. Representations

1. I had an opportunity to review the Franchise Disclosure Document, Franchise Agreement and other agreements attached to the disclosure document and understand the terms, conditions and obligations of these agreements.

2. I had an opportunity to seek professional advice regarding the Franchise Disclosure Document, the franchise agreement and all matters concerning the purchase of the franchise.

3. No promises, agreements, contracts, commitments, representations, understandings, "side deals" or otherwise have been made to or with me with respect to any matter, including, but not limited to, any representations or promises regarding advertising, marketing, territory granted, student referrals, operational assistance or other services, nor have I relied in any way on any such promises, agreements, contracts, commitments, representations, understandings, or "side deals" except as explicitly set forth in the Franchise Agreement or a written Addendum thereto signed by me and an officer of the Franchisor.

4. No oral, written or visual claim or representation, promise, agreement, contract, commitment, representation, understanding or otherwise which contradicted or was inconsistent with the Franchise Disclosure Document or the Franchise Agreement was made to me.

5. No oral, written, visual, or other claim or representation, which stated or suggested any earnings, sales, profits, prospects or chances of success, cash flow, tax effects or otherwise was made to me by any person or entity representing the Franchisor.
6. I have made my own independent determination that I have adequate working capital to develop, open and operate my business.
7. I understand that my investment in a franchise contains substantial business risks and that there is no guarantee that it will be profitable.
8. I acknowledge that the success of my franchise depends in large part upon my ability as an independent business person and my active participation in the day to day operation of the business.
9. The name(s) of the person(s) with whom I dealt in the purchase of my franchise is/are _____. I acknowledge that the Franchisor may list this/these person(s) on the receipt page of the Franchise Disclosure Document if such person(s) is not listed thereon.

The Franchisor does not make or endorse any Franchisee or other individual to make or endorse any representations, warranties, projections or disclosures of any type of any financial performance information, data or results with respect to this or any other Franchise, whether with respect to earnings, sales, profits, prospects or chances of success, cash flow, tax effects or otherwise, whether made on behalf of or for the Franchisor, any Franchisee or other individual and expressly disclaims any such financial information, data, or results. If any such representations have been made to you by any person, immediately inform an officer of the Franchisor.

In addition, the Franchisor does not permit any promises, agreements, contracts, commitments, representations, understandings, "side deals" or otherwise or variations or changes in or supplements to the Franchise Agreement except by means of a written Addendum thereto signed by the Franchisee and the Franchisor.

The prospective Franchisee understands and agrees to all of the foregoing.

Dated: _____

Prospective Franchisee

Prospective Franchisee

All of the above is true, correct and complete to the best of my knowledge:

Franchise Salesperson or Consultant

Approved:

Authorized Officer of Gracie Barra Franchise Systems, Inc.

EXHIBIT N
(TO DISCLOSURE DOCUMENT)

GENERAL RELEASE

THIS GENERAL RELEASE ("Release") is made effective as of the ____ day of _____, 20____, by _____ ("Franchisee") in favor of Gracie Barra Franchise Systems, Inc., a California corporation ("Franchisor") (collectively referred to as "Parties").

A. The Parties have entered into that certain Franchise Agreement dated _____ ("Franchise Agreement") (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement);

B. The Franchisee desires to transfer the Franchise Agreement, the ownership of the Franchisee, or the GRACIE BARRA School or any assets of the Business;

OR

C. The Franchisee desires to renew the Franchise Agreement;

D. The Franchisor desires to consent to the Franchisee's request subject to the Franchisee's compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the execution and delivery by the Franchisee to the Franchisor of this Release.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other goods and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties hereby agree as follows:

1. **Release.** The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, employees, heirs and personal representatives ("Franchisee Affiliates"), hereby fully and forever unconditionally release and discharge the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as "Franchisor Affiliates") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever ("**Released Claims**"), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements; and (iii) the franchise relationship, from the beginning of time until the date of this Agreement.

1.(a) **Release of Unknown Claims and Waiver of California Law.** The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Agreement, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that the Franchisee and the Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Agreement. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Agreement, but that it is the Franchisee's and the Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Agreement given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Agreement.

2. Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by Releasor at the time of execution of this Agreement, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Agreement. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Agreement, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Agreement given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on behalf of Releasor) of

any Released Claims, positions, defenses, or arguments contrary to this Section 1.(b) of this Agreement.

_____ (Initial as applicable)

3. General. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of California. This Release embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter hereof, and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any renewal. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective delegates, successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be made effective on the day and year first above written.

FRANCHISEE:

Date: _____

Individually

Date: _____

Individually

AND:

(if a corporation, limited liability company
or partnership)

Company Name

Date: _____

By: _____
Title: _____

STATE OF _____)
_____) ss.
COUNTY OF _____)

I certify that I know or have satisfactory evidence that the above-named individual(s) signed this instrument and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, 20__.

Notary Public
Print Name _____
My commission expires _____

RECEIPT
(Return this copy to us)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Gracie Barra Franchise Systems 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 and Rhode Island require that we give you this 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.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Gracie Barra Franchise Systems 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, D.C., 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Gracie Barra Franchise Systems Inc., located at located at 300 Spectrum Center Drive, Suite 400, Irvine, CA 92618, (949) 485-5214.

Date of Issuance: April 18, 2019

The franchisor seller(s) for this offering are Flavio Almeida, and Marcio Feitosa Souza, located at located at 300 Spectrum Center Drive, Suite 400, CA 92618, (949) 485-5214 and/or located at _____

Gracie Barra Franchise Systems, Inc. authorizes the respective agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a Franchise Disclosure Document dated April 18, 2019, and effective in the registration states on the dates noted on the State Effective Dates page, that included the following Exhibits:

Exhibit A	List of State Agencies/Agents for Service of Process	Exhibit I	Operations Manual Table of Contents
Exhibit B	Franchise Agreement	Exhibit J	State Addenda and Riders to Disclosure Document, Franchise Agreement and Other Agreements
Exhibit C	Development Agreement		
Exhibit D	Regional Collaborator Agreement	Exhibit K	Conditional Assignment, Promissory Note, Guaranty Agreement and Addendum to Franchise Agreement
Exhibit E	Nondisclosure and Noncompetition Agreement		
Exhibit F	List of Franchisees	Exhibit L	Supplier Contracts
Exhibit G	Franchisees Who Have Left the System	Exhibit M	Closing Acknowledgement
Exhibit H	Financial Statements	Exhibit N	General Release
		Exhibit O	Receipt of Disclosure Document

Date (Do not leave blank)

Date (Do not leave blank)

Prospective Franchisee

Prospective Franchisee

Print Name

Print Name

You may return the receipt either by signing, dating, and mailing it to 300 Spectrum Center Drive, Suite 400, Irvine, CA 92618, or by faxing a copy of the signed and dated receipt to Gracie Barra Franchise Systems at (949) 606-9249.