

FRANCHISE DISCLOSURE DOCUMENT

GRACIE BARRA FRANCHISE SYSTEMS, INC.

a California Corporation
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Irvine, California 92618
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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 \$73,500 to \$179,500. This includes \$17,500 that must be paid to the franchisor and its affiliate. We also offer development rights for multiple schools in a designated area for a Development Fee of \$3,000 per school, which is applied towards the initial franchise fee when the Franchise Agreement is signed. The total estimated initial investment necessary to begin operation of a Gracie Barra Regional Director business ranges from \$4,500 to \$12,300. This includes \$0 that must be paid to the franchisor. All initial fees and costs, including fees or costs related to any services rendered, or any other costs related to the franchise, are deferred until the franchisor's pre-opening obligations to the franchisee are complete and the franchisee is open for business. 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 9170 Irvine Center Drive, 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: July 23, 2013

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 FRANCHISOR WAS FORMED ON MARCH 27, 2009, AND HAS A LIMITED OPERATING HISTORY AND RECORD OF PERFORMANCE.**
- 4. AS OF THE DATE OF THIS DISCLOSURE DOCUMENT, THE “GRACIE BARRA” MARK IS NOT FEDERALLY REGISTERED. SEE ITEM 13 FOR MORE INFORMATION. THE FRANCHISOR IS NOT OBLIGATED BY THE FRANCHISE AGREEMENT OR OTHERWISE TO PROTECT ANY RIGHTS WHICH THE FRANCHISEE HAS TO USE THE TRADEMARKS OR TRADENAMES. THIS MEANS THAT THE FRANCHISEE MAY BE REQUIRED TO COMMENCE LEGAL PROCEEDINGS AT ITS OWN EXPENSE TO PROTECT ITS PROPERTY INTEREST IN THE GRACIE BARRA TRADEMARK, OR TO DEFEND, AT ITS OWN EXPENSE, ANY ACTION WHICH MAY BE BROUGHT AGAINST IT FOR INFRINGEMENT. THESE FACTORS SHOULD BE TAKEN INTO ACCOUNT IN DETERMINING WHETHER OR NOT TO PURCHASE THIS FRANCHISE.**
- 5. YOU WILL BE ENTERING INTO A FRANCHISE AGREEMENT WITH US AND THE REGIONAL DIRECTOR IS NOT A PARTY TO YOUR CONTRACT. THE REGIONAL DIRECTOR IS AN AGENT OF THE FRANCHISOR UNDER A**

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