

FRANCHISE DISCLOSURE DOCUMENT

Pro Martial Arts Franchise Corporation
a Pennsylvania corporation
640 Freedom Business Center Drive, Suite 130
King of Prussia, PA 19406
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Franchisor offers franchises for the right to operate martial arts studios that offer physical fitness classes and character building education using Tang Soo Do, Tae Kwon Do, and Hapkido martial arts techniques, as well as Grandmaster Samane's Karate methods

The total investment necessary to begin operation of a GRANDMASTER SAMANE'S PRO MARTIAL ARTS KARATE® Studio is \$142,750-\$199,550, including the \$63,500 that must be paid to the franchisor and its affiliates

Franchisor also offers qualified parties the right to open and operate multiple studios in accordance with a development schedule the parties agree to under Franchisor's form of development agreement. The total investment necessary to begin operations under a development agreement will depend on the number of studios we grant you the right to open. By way of example, the total investment necessary to begin operations under a development agreement for the right to open and operate five (5) studios is \$282,750 to \$339,550, which includes \$154,500 that must be paid to the franchisor or its affiliates. This estimate includes the appropriate development fee you must pay to franchisor upon execution of the development agreement, as well as the total estimated initial investment to open and commence operations of your first studio.

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 payment to, the Franchisor or an Affiliate in connection with the proposed franchise sale. **Note however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Pro Martial Arts Franchise Corporation at 640 Freedom Business Center Drive, Suite 130, King of Prussia, PA 19406, or by telephone at (610) 722-5600.

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 entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

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

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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 BUSINESS. 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 these RISK FACTORS before you buy this franchise.

- 1 THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT (“DEVELOPMENT AGREEMENT”) REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, AT OUR OPTION, IN PHILADELPHIA, PENNSYLVANIA. OUT-OF-STATE MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE WITH US IN PENNSYLVANIA THAN IN YOUR OWN STATE.
- 2 ANY DISPUTES WITH US NOT SUBJECT TO MEDIATION MUST BE RESOLVED VIA LITIGATION IN PENNSYLVANIA. IT MAY COST YOU MORE TO LITIGATE WITH US IN PENNSYLVANIA THAN IN YOUR OWN STATE.
- 3 THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT ARE GOVERNED BY PENNSYLVANIA LAW. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW.
- 4 THE FRANCHISE AGREEMENT PROVIDES THAT A FRANCHISEE AGREE TO FRANCHISOR SEEKING INJUNCTIVE RELIEF WITHOUT POSTING A BOND AND AGREEING TO HAVING THE DISSOLUTION OF THE INJUNCTION AS THE ONLY REMEDY AND WAIVING ALL CLAIMS FOR DAMAGES CAUSED BY WRONGFUL ISSUANCE OF SUCH INJUNCTION.
- 5 YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTEE WILL PLACE YOUR SPOUSE’S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
- 6 THE FRANCHISE AGREEMENT CONTAINS PROVISIONS THAT LIMIT FRANCHISEE’S RIGHTS AND MAY NOT BE ENFORCEABLE IN SOME STATES, INCLUDING BUT NOT LIMITED TO A TIME LIMIT TO RAISE CLAIMS AGAINST THE FRANCHISOR, LIMITATION OF DAMAGES AND WAIVER OF JURY TRIAL.

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