

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE**

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

PREMIER FRANCHISING GROUP, LLC, a
limited liability company, and

FRANCHISE FASTLANE, LLC, a limited liability
company,

Defendants.

Civ. Case No. 3:26-cv-00487

**COMPLAINT FOR PERMANENT
INJUNCTION, MONETARY
JUDGMENT, AND OTHER RELIEF**

Plaintiff, the Federal Trade Commission (“FTC” or “Commission”), for its Complaint alleges:

1. The FTC brings this action for Defendants’ violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Franchise Rule, 16 C.F.R. Part 436. For these violations, the FTC seeks relief, including a permanent injunction, monetary relief, and other relief, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b).

OVERVIEW

2. Defendant Premier Franchising Group, LLC (“PFG”) is the franchisor for the Premier Martial Arts (“PMA”) franchise system. Defendant Franchise Fastlane, LLC (“Franchise Fastlane”) is a franchise sales organization, which partnered with PFG to market the PMA martial arts franchise to prospective franchisees.

3. Defendants made numerous deceptive and unsubstantiated claims while promoting the PMA opportunity. They misrepresented that non-martial artists could profitably operate one or multiple PMA franchises on a semi-absentee basis working less than 15 hours a

week. PFG also misrepresented that franchisees will earn or are likely to earn the gross or net income reported in its disclosure documents.

4. Starting in 2018, Defendants marketed and sold the PMA franchise opportunity throughout the United States. PFG's initial recruits were experienced martial artists ("Legacy Franchisees"), who had already opened successful martial arts studios that were operating under a license with PFG's then-parent company. Defendants used the earnings of these Legacy Franchisees to market the PMA opportunity as a profitable business venture that could be run on a semi-absentee basis.

5. But these Legacy Franchisees were very different from the prospective franchisees ("New Franchisees") that Defendants sought to recruit. While the Legacy Franchisees were experienced martial artists operating established martial arts studios, the New Franchisees were largely non-martial artists who had no relevant experience. The Legacy Franchisees signed franchise agreements that allowed them to pay a lower franchise fee than the New Franchisees and, unlike the New Franchisees, enjoyed autonomy over their class offerings. The Legacy Franchisees also generally operated substantially larger studios than the studios run by the New Franchisees. The Legacy Franchisees' studios ranged from 1,100 to 7,500 square feet. By contrast, PFG instructed New Franchisees to operate 1,200 to 1,600 square foot studios.

6. Defendants' representations that PMA studios were a profitable semi-absentee opportunity enticed more than 200 consumers to pay PFG an initial franchise fee of \$49,500 or more to purchase a PMA franchise opportunity. (A franchise fee is a one-time, upfront payment made to a franchisor to become a franchisee.) These consumers, which included veterans, incurred hundreds of thousands of dollars in additional expenses to build out and operate their studios, with many assuming significant debt.

7. Many of Defendants' representations were false or unsubstantiated and violated the FTC Act. For example, PFG lacked a reasonable basis to know whether the New Franchisees could earn the same income as Legacy Franchisees. In addition, Defendants violated Section 5 of the FTC Act by misrepresenting that (1) the PMA franchise opportunity was one that franchisees could run on a semi-absentee basis and (2) non-martial artist franchisees could profitably operate a PMA franchise on a semi-absentee basis in a studio space of only 1,200-1,600 square feet.

8. PFG and Franchise Fastlane's conduct also violated the Franchise Rule. Promulgated in 1978, the FTC's Franchise Rule governs the disclosure responsibilities of franchisors and franchise sellers, like Defendants. The Franchise Rule is a pre-sale disclosure rule requiring franchise sellers to provide prospective franchisees with a Franchise Disclosure Document ("FDD") at least 14 days before the franchisee makes a required payment or signs a binding contract. Because of the size of the investment required to own and operate a franchise, the Franchise Rule aims to protect consumers who seek to purchase a franchise by requiring that franchise sellers provide clear and accurate information about the franchise. This information is critical for consumers to evaluate the costs and risks of any such opportunity, and to compare alternative offerings.

9. The FDD must include 23 items of material information, including information about key personnel who manage the sale or operation of the franchise ("Item 2"). If a franchisor is making any financial performance representations (FPRs), the franchisor must provide information about such representations ("Item 19"). The Franchise Rule also prohibits franchise sellers from engaging in certain unfair or deceptive acts or practices, including disseminating any FPRs for which the franchisor lacks substantiation or that are not included in the FDD.

10. In marketing and selling the PMA franchise opportunity, Defendant PFG has violated the Franchise Rule by, among other things, disseminating deceptive financial performance representations and failing to disclose the material bases of such representations in the PMA FDDs. Defendants also disseminated financial performance representations that were not included in PMA FDDs, in violation of the Franchise Rule.

11. Also in violation of the Franchise Rule, PFG failed to provide information about key personnel in the PMA FDDs. Specifically, it failed to disclose that Franchise Fastlane personnel had management responsibility with respect to the sale or operation of the Premier Martial Arts franchise.

12. In 2022, PFG paused the signing of new franchise agreements after facing private lawsuits from existing franchisees over Defendants' sales and marketing practices. Franchisees who signed franchise agreements after hearing Defendants' deceptive sales pitches continue to suffer harm, as they remain obligated to pay monthly royalties under those agreements, which typically run for 10 years from a studio's opening and contain non-competition covenants both during and after that 10-year term. Between 2022 until at least August 24, 2026, PFG also has continued to solicit interest from prospective franchisees on the PMA website (premiermartialartsfranchise.com), requesting prospects' contact information and boasting, based on purported 2021 data, average gross sales of \$548,345 and "200+ Locations and Growing." As discussed below, this financial performance representation is misleading and deceptive. Similarly, until PFG learned of the FTC's proposed complaint, its parent company's website (unleashedbrands.com/our-brands/premier-martial-arts/) proclaimed that "Premier Martial Arts is in rapid growth mode" and contains a button to "Learn More" about "Own[ing] a Premier Martial Arts"; clicking that button re-directs prospects to premiermartialartsfranchise.com.

13. PFG has stated that it intends to resume selling PMA franchises at some point in the near term, potentially sometime this year. Franchise Fastlane is no longer involved in PFG, but it remains an active participant in the franchise sales and development space, and it continues to promote semi-absentee franchise opportunities.

JURISDICTION AND VENUE

14. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345.

15. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2), (b)(3), (c)(2), and (d) and 15 U.S.C. § 53(b).

PLAINTIFF

16. The FTC is an agency of the United States Government created by the FTC Act, which authorizes the FTC to commence this district court civil action by its own attorneys. 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The FTC also enforces the Franchise Rule, 16 C.F.R. Part 436, which is a pre-sale disclosure rule requiring a franchisor to provide a franchisee with an FDD before the franchisee makes a required payment or signs a binding contract.

DEFENDANTS

17. Defendant PFG is a Tennessee limited liability company with its current principal place of business at 2350 Airport Freeway, Suite 505, Bedford, Texas 76022. Between 2018 and 2023, PFG's principal place of business was located at 9202 South Northshore Drive, Suite 102, Knoxville, Tennessee. PFG transacts or has transacted business in this District and throughout the United States. At all times relevant to this Complaint, acting alone or in concert with others, PFG has advertised, marketed, distributed or sold Premier Martial Arts franchises to consumers

throughout the United States. PFG continues to have a presence in Tennessee: five PMA studios currently operate in Tennessee, including three corporate owned studios.

18. Defendant Franchise Fastlane is a Delaware limited liability company with its principal place of business at 14301 FNB Parkway #312, Omaha, NE 68154. Franchise Fastlane transacts or has transacted business in this District and throughout the United States. Between February 14, 2019 and until at least May 31, 2022, acting alone or in concert with others, Franchise Fastlane marketed and advertised the Premier Martial Arts franchise opportunity to consumers in this District and throughout the United States.

COMMERCE

19. At all times relevant to this Complaint, Defendants have maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS’ BUSINESS ACTIVITIES

The Premier Martial Arts Franchise - Generally

20. PFG was founded in 2006 by martial artist Barry Van Over. In 2018, Barry Van Over had more than 15 years of experience running martial arts studios and providing consulting services and licensing to martial arts studios.

21. Between on or about July 31, 2018 and November 2022, PFG offered and sold Premier Martial Arts studio franchises.

22. PFG describes its PMA studio franchises as “martial arts, self-defense Martial Arts and character-building facilities.”

23. For those interested in opening a new Premier Martial Arts franchise, the investment of time and money is quite substantial. In many instances, franchisees paid PFG a franchise fee of \$49,500 for a single franchise location. PFG advertised to prospective

franchisees that it offered a discount to prospective franchisees who purchased multiple locations. In addition, at times, PFG required prospective franchisors to purchase multiple locations. Between 2019 and 2021, the average franchisee purchased three different locations.

24. Defendants have directly pitched the franchise to military veterans, recruiting them by offering veterans, in many instances, a 5% discount off the franchise fee for a single Premier Martial Arts franchise. PFG stated in an October 30, 2022 blog post that “approximately a third of all of our Premier Martial Arts and [another franchise operated by PFG’s parent company, Unleashed Brands LLC] franchise owners are veterans.”

25. In exchange for the franchise fee, PFG provided franchisees the right to establish and operate a Premier Martial Arts studio. The fee does not include other costs of opening or operating the franchise, such as securing a location, paying ongoing royalties, building out the studio, paying employees, and obtaining products and supplies. Over the years, PFG has estimated that it may cost franchisees between \$100,553 and \$421,800 to begin operation of a single Premier Martial Arts franchise.

26. To secure the money to fund their franchise, some prospective franchisees have sought and taken out loans backed by the Small Business Administration or commercial bank lenders, or used their retirement savings.

27. PFG controls the franchise operations for franchisees by, among other things, approving sites for Premier Martial Arts studio locations, imposing building design specifications, and requiring franchisees to follow required curriculum in classes, use certain equipment, and purchase only approved products and supplies.

28. In or around November 2022, after PFG and others were sued in private class actions by several Premier Martial Arts franchisees, PFG paused the signing of new Premier

Martial Arts franchise agreements. While PFG is not currently selling PMA franchise opportunities, it continues to operate under a franchise model with franchisees who received the misleading claims at issue in this complaint. PFG franchises are open across the county, including in Tennessee.

29. PFG's corporate representative testified at an FTC investigational hearing that PFG is planning to resume selling the PMA franchise opportunity to new prospective franchisees in the near term, possibly in 2026.

The Relationship Between Franchise Fastlane and PFG

30. Franchise Fastlane is a franchise sales organization that has marketed itself as having "proven franchise development services" and the ability to "guide brands step by step from refining operations to managing franchise sales and growth."

31. Between February 2019 and May 31, 2022, PFG had a contract with Franchise Fastlane to utilize Franchise Fastlane's franchise development services. During that time, Franchise Fastlane acted as the franchise development arm for PFG, and Franchise Fastlane had managerial responsibility with respect to the sales or operation of the PMA franchise. For example, Franchise Fastlane was responsible for managing the entirety of PFG's franchise development, including the recruitment and development process.

32. Franchise Fastlane also was primarily responsible for, among other things, marketing and selling PMA franchises on behalf of PFG. PFG described Franchise Fastlane as a "fully functioning franchise sales organization that operates like an internal franchise sales team except they're external with their own - own capital, experiences, and targets and ambitions themselves."

33. In at least one presentation that was shown to multiple prospective PMA franchisees, Franchise Fastlane employees were listed as part of the PMA Leadership Team, alongside PFG's founder Barry Van Over, and PFG's then Vice-President, Myles Baker:



34. In another presentation from 2022 that was shown to current and future PMA franchisees, Franchise Fastlane employees were listed as the Director of Franchise Development and as a Senior Director:



35. PFG gave its attorney and Franchise Fastlane the authority to communicate directly with each other on PFG's behalf, which Franchise Fastlane did in numerous instances

regarding issues including the disclosures in PFG's FDDs and PFG's compliance with the Franchise Rule and state franchise laws.

36. Franchise Fastlane was the primary point of contact at PMA for most prospective franchisees during the initial part of the recruitment process. Prospective franchisees were told to watch an "Introductory Video" where a Franchise Fastlane representative introduced them to the PMA franchise opportunity. Franchise Fastlane also held so-called "Introductory Calls" with most prospective franchisees, as well as calls to discuss the financial performance of a PMA franchise, which it referred to as the "Unit Economics Calls" and FDD review calls. Franchise Fastlane also organized calls between prospective and current franchisees, which it referred to as "Validation Calls," and exchanged email with at least some prospective franchisees.

37. Franchise Fastlane invited certain prospective franchisees to meet with PFG at "Discovery Day," a two-day in-person event where prospects would meet one on one with PFG's CEO and Vice President, meet with PFG and Franchise Fastlane representatives, visit PMA studios, and get a more detailed look at the PMA opportunity. Franchise Fastlane helped prospective franchisees complete their franchise agreements and wire their funds to PFG.

38. PFG had ultimate decision-making authority over whether to approve a franchisee application. PFG also had authority to review all Franchise Fastlane promotional materials, and PFG exercised that authority. In addition, PFG spoke directly with prospective franchisees on calls that PFG and Franchise Fastlane referred to as "Leadership Calls" and at Discovery Day. Recordings of many Leadership Calls and Validation Calls were also made available to other new prospects.

39. Despite Franchise Fastlane’s managerial responsibility relating to the sale of the PMA franchises between February 2019 and at least May 2022, PFG did not identify any Franchise Fastlane personnel in Item 2 of the PMA FDDs that it issued in 2020 or 2021.

The Two Categories of Premier Martial Arts Franchisees: Legacy Franchisees and New Franchisees

40. The PMA franchise has two different classes of franchisees, which are materially different: “Legacy Franchisees” and “New Franchisees.”

41. The first class are the Legacy Franchisees. Prior to creating the Premier Martial Arts franchise opportunity, PFG’s parent company, Premier Martial Arts International LLC (“PMAI”), signed license agreements with various martial artists to operate their martial arts studios under the PMA trademark. When PFG began marketing and selling PMA franchises, the licensees were given the opportunity to convert their license agreements to franchise agreements. Many of the former licensees, the Legacy Franchisees, accepted this offer.

42. The overwhelming majority of Legacy Franchisees had a martial arts background. They ran established existing martial art studios, which ranged from 1,100 to 7,500 square feet, opened their studios as owner-operators, and were self-funded. The typical Legacy Franchisee also operated only one studio.

43. PFG offered franchise agreements to Legacy Franchisees for their established martial arts studios that included terms that it did not offer to other franchisees. For example, unlike non-Legacy franchisees, Legacy Franchisees: (1) did not have to adhere to the PMA-mandated curriculum, (2) had discretion over days and hours of operation and local advertising expenditures, (3) did not have to pay for training for themselves or their staff, and (4) did not have to pay required expenditures related to the Point of Sale System or comply with any remodeling requirements. In addition, Legacy Franchisees did not have to pay an initial franchise

fee, and their monthly franchisee fee was only \$1,000 a month for existing studios: the same fee they paid as Licensees, rather than the standard 7% monthly royalty fee all other PMA studios were required to pay.

44. The second class of franchisees were the New Franchisees, the non-Legacy franchisees that Defendants recruited to join the PMA franchise. The New Franchisees had not previously entered into License agreements with PFG or its parent corporation, PMAI. In recruiting the New Franchisees, Defendants stated that they were seeking franchise candidates with a business background, and not a martial arts background. The PMA website explicitly stated, “Martial Arts Experience Not Required!” As a result, in contrast to the Legacy Franchisees, almost all of the New Franchises had no martial arts experience.

45. Defendants represented to New Franchisees that they could start their business as a semi-absentee owner, and most were interested in doing so. At least some New Franchisees took out loans or used their retirement savings to fund their business. Defendants recommended that New Franchisees open a studio that ranged from 1,200-1,600 square feet in size.

46. New Franchisees were not eligible to sign the same franchise agreements as Legacy Franchisees for their existing martial arts studios. As a result, they were required to, among other things, (1) adhere to the PFG’s mandated curriculum, (2) comply with PFG’s requirements concerning days and hours of operation and local advertising expenditures, (3) pay for training for them or their staff, as well as required expenditures related to the Point of Sale System, and (4) comply with any remodeling requirements. In addition, unlike the Legacy Franchisees operating existing studios, they had to pay a franchisee fee and a monthly royalty fee of 7% of their gross sales.

PFG Lacked a Reasonable Basis For Its 2020 & 2021 Item 19 Disclosures and Failed to Disclose the Material Bases of Its Claims

47. If a franchisor makes financial performance representations, then the franchisor must have a reasonable basis and written substantiation for the representations. In addition, the franchisor must state those representations in Item 19 of its the FDD. 16 C.F.R. § 436.5(s)(3). As discussed in more detail below, the Item 19 disclosures must include certain information about those representations, such as the material basis for the representations.

48. On April 30, 2020, as required by the Franchise Rule, PFG issued an FDD to prospective franchisees relating to the Premier Martial Arts opportunity (the “2020 FDD”). The 2020 FDD contained financial performance representations in the Item 19 disclosures (“the 2020 Item 19”). In the 2020 Item 19, PFG stated it was providing average and median data “from eighteen franchised PMA Studios that were open for all of 2019.”

49. On March 2, 2021, PFG issued a new FDD with updated financial performance representations in the Item 19 (the “2021 Item 19”). The same Item 19 financial performance representations were included in amended FDDs issued by PFG on November 19, 2021 and January 21, 2022 (together with the March 2, 2021 FDD, the “2021 FDD”).

50. The 2021 Item 19 included two sets of data: (1) the same data about 2019 earnings that was reflected in the 2020 FDD; and (2) average and median “net income” data from 2020 for 24 studios that were open for all of 2020.

51. As discussed below, PFG lacked a reasonable basis for the financial performance representations in the 2020 and 2021 Item 19s because (1) they reflected the earnings of some of the Legacy Franchisees, a materially different class of franchisees from the New Franchisees, and (2) the Legacy Franchisees earnings reflected in the 2021 FDD was not representative of what Legacy Franchisees actually earned in 2020. Additionally, PFG failed to disclose the

material bases of the financial performance representations, including that the earnings were based on some of the Legacy Franchisee studios, a materially different class of studios.

The 2020 FDD Financial Performance Representations

52. PFG stated that it was providing average and median data “from eighteen franchised PMA Studios that were open for all of 2019” in the 2020 Item 19. PFG provided this average and median data in two charts, which are outlined in Figures 1 and 2, below.

Figure 1: Median Data in 2020 Item 19

	Medians					
	Low Range		Mid Range		Top Range	
Sales	\$ 259,435.24		\$ 400,357.00		\$ 561,948.15	
COGS - Product	\$ 11,180.86	4.31%	\$ 40,513.01	10.12%	\$ 25,588.85	4.55%
Bank Fees + Merchant Charges	\$ 11,626.27	4.48%	\$ 8,122.49	2.03%	\$ 9,749.39	1.73%
Total Marketing/Advertising	\$ 14,649.35	5.65%	\$ 22,722.92	5.68%	\$ 13,729.82	2.44%
Rent Expense:Rent	\$ 33,247.00	12.82%	\$ 33,925.00	8.47%	\$ 61,833.44	11.00%
Insurance	\$ 1,800.00	0.69%	\$ 1,800.00	0.45%	\$ 1,800.00	0.32%
Total Supplies	\$ 6,103.98	2.35%	\$ 3,435.11	0.86%	\$ 2,561.39	0.46%
Total Payroll Expenses	\$ 45,231.60	17.43%	\$ 48,030.74	12.00%	\$ 89,074.89	15.85%
Telephone, Internet & Cable	\$ 120.04	0.05%	\$ 4,165.64	1.04%	\$ 1,120.80	0.20%
Utilities	\$ 7,267.85	2.80%	\$ 5,960.02	1.49%	\$ 7,760.47	1.38%
Total Disclosed Expenses	\$ 131,226.94	50.58%	\$ 168,674.92	42.13%	\$ 213,219.02	37.94%
Royalties (7%)	\$ 18,160.47	7.00%	\$ 28,024.99	7.00%	\$ 39,336.37	7.00%
SDF Fees (1%)	\$ 2,594.35	1.00%	\$ 4,003.57	1.00%	\$ 5,619.48	1.00%
Net Income	\$ 107,453.49	41.42%	\$ 199,653.53	49.87%	\$ 303,773.28	54.06%

Figure 2: Average Income in 2020 Item 19

	Averages					
	Low Range		Mid Range		Top Range	
Sales	\$ 257,743.65		\$ 387,427.90		\$ 599,953.74	
Number of Outlets that Met or Exceeded:	3 Outlets		4 Outlets		2 Outlets	
COGS - Product	\$ 9,774.59	3.79%	\$ 34,646.03	8.94%	\$ 33,396.39	5.57%
Bank Fees + Merchant Charges	\$ 9,749.01	3.78%	\$ 9,248.34	2.39%	\$ 12,142.16	2.02%
Total Marketing/Advertising	\$ 14,634.10	5.68%	\$ 23,758.88	6.13%	\$ 21,272.25	3.55%
Rent Expense:Rent	\$ 31,322.64	12.15%	\$ 52,817.45	13.63%	\$ 58,186.15	9.70%
Insurance	\$ 1,800.00	0.70%	\$ 1,800.00	0.46%	\$ 1,800.00	0.30%
Total Supplies	\$ 7,898.89	3.06%	\$ 4,978.48	1.29%	\$ 5,160.96	0.86%
Total Payroll Expenses	\$ 46,586.36	18.07%	\$ 58,706.33	15.15%	\$ 95,150.53	15.86%
Telephone, Internet & Cable	\$ 1,853.23	0.72%	\$ 3,872.24	1.00%	\$ 2,210.50	0.37%
Utilities	\$ 7,279.91	2.82%	\$ 6,624.77	1.71%	\$ 12,196.29	2.03%
Total Disclosed Expenses	\$ 130,898.72	50.79%	\$ 196,452.51	50.71%	\$ 241,515.22	40.26%
Royalties (7%)	\$ 18,042.06	7.00%	\$ 27,119.95	7.00%	\$ 41,996.76	7.00%
SDF Fees (1%)	\$ 2,577.44	1.00%	\$ 3,874.28	1.00%	\$ 5,999.54	1.00%
Net Income	\$ 106,225.44	41.21%	\$ 159,981.15	41.29%	\$ 310,442.22	51.74%

53. The 2020 Item 19 stated that the median “Net Income” of “Low Range” franchisees was \$107,453.49 in 2019 and the average “Net Income” of “Low Range” franchisees was \$106,225.44. The median “Net Income” of “Mid Range” franchisees was \$199,653.53 in 2019, and the average “Net Income” of “Mid Range” franchisees was \$159,981.65. The median “Net Income” of “Top Range” franchisees in 2019 was \$303,733.22, and the average “Net Income” of “Top Range” franchisees was \$310,422.22.

54. As required by the Franchise Rule, the 2020 FDD stated that “Some outlets have earned this much. Your individual results may differ. There is no assurance you will earn as much.”

55. PFG did not provide any information in the 2020 Item 19 about the 18 studios whose data was reflected in the 2020 FDD.

56. Defendants used the financial performance representations in the 2020 Item 19 throughout the marketing and selling process, claiming that Premier Martial Arts was a very profitable enterprise.

57. For example, on a recorded Introductory Call with a prospective franchisee from January 2021, Franchise Fastlane's then Franchise Director said that PMA's "median profit margin nationwide is 49.8%. So almost 50% profit... Our business model is so darn profitable I mean almost surprisingly so. Umm. Our current owners joke that they bleed green and it's not ... because it's a color in the Premier logo.... This is a very profitable brand. Average gross annual revenue for one school that's been open at least a full year, on average, top line 12 month revenue is going to be around \$400,000. Umm. We go on the low end from \$260[,000] to the high end, [which is] about \$560[,000]. But even if you are average with that EBITDA, you can throw off \$170[,000] to \$200[,000] profits for one location – um - which is pretty significant." EBITDA stands for earnings before interest, taxes, depreciation, and amortization.

The 2021 FDD Financial Performance Representations

58. In the 2021 Item 19, PFG stated it was providing average and median data "from eighteen franchised PMA Studios that were open for all of 2019," as well as 24 studios that were open for twelve months in 2020. PFG provided this average and median data in two charts, which are outlined in Figures 3 and 4, below.

Figure 3: Median Data in 2021 Item 19

MEDIAN FIGURES						
RANGE	HIGH 2019 6 Studios	HIGH 2020 8 Studios	MID 2019 6 Studios	MID 2020 8 Studios	LOW 2019 6 Studios	LOW 2020 8 Studios
Annual Gross Revenue	\$476,502.00 - \$813,411.57	\$383,282.61 - \$834,569.97	\$319,436.11 - \$448,206.94	\$279,906.35 - \$331,291.80	\$211,838.13 - \$295,676.46	\$145,132.00 - \$262,336.91
Median	\$561,948.15	\$443,114.39	\$400,357.00	\$305,081.15	\$259,435.24	\$207,586.59
Select Expenses						
Cost of Goods Sold - Product	\$25,588.85	\$43,444.68	\$40,513.01	\$25,968.80	\$11,180.86	\$13,610.68
Bank Fees - Merchant Charges	\$9,749.39	\$11,960.37	\$8,122.49	\$11,768.25	\$11,626.27	\$8,193.20
Total Marketing/Advertising	\$13,729.82	\$26,387.77	\$22,722.92	\$27,110.12	\$14,649.35	\$14,049.04
Rent	\$61,833.44	\$40,180.00	\$33,925.00	\$43,443.57	\$33,247.00	\$34,144.97
Insurance	\$1,800.00	\$4,823.19	\$1,800.00	\$2,133.85	\$1,800.00	\$1,106.48
Total Supplies	\$2,561.39	\$25,590.08	\$3,435.11	\$9,067.57	\$6,103.98	\$7,325.67
Total Payroll	\$89,074.89	\$89,722.05	\$48,030.74	\$66,447.83	\$45,231.60	\$22,650.45
Telephone, Internet & Cable	\$1,120.80	\$6,807.06	\$4,165.64	\$2,480.91	\$120.04	\$3,113.74
Utilities	\$7,760.47	\$6,835.85	\$5,960.02	\$3,881.84	\$7,267.85	\$3,506.66
Total Disclosed Expenses	\$213,219.02	\$255,751.02	\$168,674.92	\$192,302.72	\$131,226.94	\$107,700.86
Royalties (7%)	\$39,336.37	\$31,018.01	\$28,024.99	\$21,335.68	\$18,160.47	\$14,531.06
System Development Fees (1%)	\$5,619.48	\$4,431.15	\$4,003.57	\$3,050.81	\$2,594.35	\$2,075.87
Net Income	\$303,773.28	\$151,914.22	\$199,653.53	\$88,371.94	\$107,453.49	\$83,278.80
Selected Net Profit Percentage	54.06%	34.28%	49.87%	28.97%	41.40%	40.12%

Figure 4: Average Data in 2021 Item 19

AVERAGE FIGURES						
RANGE	HIGH 2019 6 Studios	HIGH 2020 8 Studios	MID 2019 6 Studios	MID 2020 8 Studios	LOW 2019 6 Studios	LOW 2020 8 Studios
Annual Gross Revenue	\$476,502.00 - \$813,411.57	\$383,282.61 - \$834,569.97	\$319,436.11 - \$448,206.94	\$279,906.35 - \$331,291.80	\$211,838.13 - \$295,676.46	\$145,132.00 - \$262,336.91
Average	\$599,953.74	\$493,550.35	\$387,427.90	\$303,411.47	\$257,743.65	\$211,878.27
Number (%) that Met or Exceeded Average	2 Studios (33%)	2 Studios (25%)	4 Studios (67%)	4 Studios (50%)	3 Studios (50%)	3 Studios (37.5%)
Select Expenses						
Cost of Goods Sold - Product	\$33,396.39	\$41,296.24	\$34,646.03	\$25,910.79	\$9,774.59	\$13,015.20
Bank Fees - Merchant Charges	\$12,142.16	\$14,685.36	\$9,248.34	\$12,015.95	\$9,749.01	\$7,643.33
Total Marketing/Advertising	\$21,272.25	\$26,379.50	\$23,758.88	\$22,637.60	\$14,634.10	\$14,117.48
Rent	\$58,186.15	\$43,638.93	\$52,817.45	\$45,121.79	\$31,322.64	\$31,149.59
Insurance	\$1,800.00	\$8,029.88	\$1,800.00	\$2,691.49	\$1,800.00	\$1,835.92
Total Supplies	\$5,160.96	\$28,893.79	\$4,978.48	\$9,577.28	\$7,898.89	\$7,539.05
Total Payroll	\$95,150.53	\$75,293.53	\$58,706.33	\$63,110.70	\$46,586.36	\$21,654.26
Telephone, Internet & Cable	\$2,210.50	\$6,038.58	\$3,872.24	\$2,778.77	\$1,853.23	\$3,382.32
Utilities	\$12,196.29	\$6,335.07	\$6,624.77	\$3,911.73	\$7,279.91	\$4,386.62
Total Disclosed Expenses	\$241,515.22	\$250,590.88	\$196,452.51	\$187,756.09	\$130,898.72	\$104,723.76
Royalties (7%)	\$41,996.76	\$34,548.52	\$27,119.95	\$21,238.80	\$18,042.06	\$14,831.48
System Development Fees (1%)	\$5,999.54	\$4,935.50	\$3,874.28	\$3,034.12	\$2,577.44	\$2,118.78
Net Income	\$310,442.22	\$203,475.45	\$159,981.15	\$91,382.46	\$106,225.44	\$90,204.25
Selected Net Profit Percentage	51.74%	41.23%	41.29%	30.12%	41.21%	42.57%

59. The 2021 Item 19 stated that the median “Net Income” of “LOW 2019 6 Studios” was \$107,453.49 and the average “Net Income” of “LOW 2019 6 Studios” was \$106,225.44. The median “Net Income” of “MID 2019 6 Studios” was \$199,653.53, and the average “Net Income” was \$159,981.65. The median “Net Income” for the “HIGH 2019 6 Studios” was \$303,733.22, and the average “Net Income” was \$310,422.22.

60. The 2021 Item 19 also stated that, for the “LOW 2020 8 Studios,” the median “Net Income” was \$83,278.80 and the average “Net Income” was \$90,204.25. For the “MID 2020 8 Studios,” the median “Net Income” was \$88,371.94 and the average “Net Income” was \$91,382.46. For the “High 2020 8 Studios,” the median “Net Income” was \$151,914.22 and the average “Net Income” was \$203,475.45.

61. Unlike in the 2020 FDD, PFG provided some information in the 2021 FDD about whose 2019 data was included in the Item 19 financial performance representations. PFG stated “[w]e had sixty franchised outlets operating for the entire year of 2019. The majority of these franchised outlets were previously licensees of our parent, PMAI.... These franchisees do not fully operate within the franchise model offered under this disclosure document. Eighteen of the franchised outlets operated during all of 2019 under this franchise model and were compliant with their franchise agreements.”

62. The 2021 Item 19 said that the 2020 financial performance representations were based on the earnings of 24 studios, but did not explain which studios they were, or how they were selected.

63. As required by the Franchise Rule, the 2021 Item 19 stated that “Some outlets have earned this much. Your individual results may differ. There is no assurance you will earn as much.”

64. Defendants promoted the financial performance representations in the 2021 Item 19 to prospective franchisees throughout the sales and marketing process, claiming that the PMA franchise opportunity was very profitable.

65. For example, shortly after the March 2021 FDD was released, the Senior Director of Franchise Fastlane reached out to current PMA prospects to provide them information about the updated FDD. He said “we left the 2019 ordinary year in [the FDD].... most of you will likely be in the 2019 framework. You will not be temporarily closed for months and months.... You know, in a normal time, you are averaging \$159[,000] to \$310[,000] in profit per school. Even in a COVID year, our low performers [are] still profiting \$90 grand; high one over \$200 grand. So you can still see, even in 2020, ranging in that 41- 42% EBITDA. In the 2019 we were in that - you know - 41 to 51% EBITDA.”

66. Similarly, on a recorded 2022 Introductory Call with a prospective franchisee, Franchise Fastlane’s Senior Director, said “yes, we’re profitable, I’m going to tell you in a few minutes. 45 to 49 percent EBITDA, profit margin. Pretty remarkable.” He continued, “our model is surprisingly profitable. It is to the point where some people are like[,] ‘what I am missing[,] is this too good to be true, what’s the catch.’” He continued later, “So average, gross annual revenue for one school that’s been open a full year on average, they’re going to do [\$]382 [to] 400,000 top line revenue. Now on the low end, [we’re] about [\$]260[,000]. On the high-end a school can do [\$]600 to 800 thousand plus full throttle. But even if you’re just average with that [EBITDA], you can throw off a hundred fifty to a hundred eight-five thousand profit to you - net, net per location, and I’ll break that down for you on the next call.”

PFG Lacked a Reasonable Basis for Its Financial Performance Representations About the Earnings of New Franchisees

67. PFG lacked a reasonable basis for the financial performance representations in the 2020 and 2021 Item 19s.

68. The “net income” figures in the Item 19s conveyed to prospective franchisees what they could earn in net income, or sales less expenses.

69. The data contained in the Item 19s reflected only the net income of a subset of Legacy Franchises. But, at the time it issued the 2020 and 2021 Item 19s, PFG lacked a reasonable basis to know whether New Franchisees could eventually earn the same or similar net income as the Legacy Franchisees, due to the material differences between the two groups of franchisees.

70. PFG had never worked with non-martial artists, who were working on a semi-absentee basis, to open new martial arts studios that were between 1,200 and 1,600 square feet in size.

71. When the 2020 FDD was issued, no New Franchisees had ever opened a martial arts studio and PFG knew that most New Franchisees lacked any martial arts experience, in comparison to the Legacy Franchisees.

72. When the 2021 FDD was issued, PFG knew that twenty-one New Franchisees opened martial arts studios in 2020. According to data in PFG’s possession, it knew that most of these franchisees were not profitable. Instead of disclosing those earnings in the FDD, PFG disclosed the earnings of only a subset of Legacy Franchisees.

73. As discussed above, Legacy Franchisees are materially different from New Franchisees.

74. *First*, unlike the Legacy Franchisees, most New Franchisees lacked any martial arts experience and wished to start their franchise on a semi-absentee basis.

75. *Second*, the Legacy Franchisees had a different franchise agreement for their existing studios from that of New Franchisees, which allowed them to operate differently and pay different fees than New Franchisees. And, at least some of the Legacy Franchisees whose data was used in the Item 19s were not following PMA's franchise model.

76. *Third*, the studios operated by Legacy Franchisees whose data was included in the 2020 and 2021 FDDs were materially larger than the martial arts studios operated by New Franchisees, which allowed Legacy Franchisees to cater to a larger volume of clients and have the potential to generate more revenue.

77. Notably, the PMA franchise model pitched to New Franchisees recommended that New Franchisees obtain a studio that ranged from 1,200 to 1,600 square feet.

78. The Legacy Franchisee studios whose 2019 earnings were reflected in the 2020 and 2021 FDD, by contrast, generally were much larger. Only three were between 1,200 and 1,600 square feet. Two studios were 7,000 square feet or larger, and another four ranged from between 3,000 and 5,000 square feet. Seven studios were between 1,692 and 2,999 square feet. The square footage of the remaining studios is not known to PFG.

79. The Legacy Franchisee studios whose 2020 earnings were reflected in the 2021 FDD were also generally larger. Only two studios were between 1,200 and 1,600 square feet. One studio was between 1,800 and 1,999 square feet, eight studios were between 2,000 and 3,500 square feet, six studios were between 4,000 and 5,000 square feet large, and two were 7,000 square feet or larger. The size of the remaining studio is not known to PFG.

80. Having a studio with smaller square footage limited how much could be earned from a studio. For example, PFG told prospects that the size of their studio will limit the student capacity and the size and quantity of equipment used in the studio, both of which would limit profitability. This is consistent with Legacy Franchisee's actual experience. For example, one Legacy Franchisee told prospective franchisees that his 3,200 square foot studio had two training floors running at the same time, "so we consider that like as two schools running at the same time." A New Franchisee whose studio was between 1,200 and 1,600 square feet would not have had enough space to operate two training floors at the same time, with as many students.

81. PFG knew or should have known that it was not feasible for New Franchisees operating model studios to make as much money as Legacy Franchisees that possessed large studios (5,000+ square feet or more).

82. PFG's data shows that the Legacy Franchisee studios that earned the highest net income generally were far larger than the PMA franchisee model studio.

83. Because of the differences between the New Franchisees and the Legacy Franchisees, the Legacy Franchisees' earnings do not provide a reasonable basis for PFG to make claims about what a typical New Franchisee was likely to earn.

PFG Misrepresented Typical Legacy Franchisee Earnings in the 2021 Item 19

84. Moreover, even if it were appropriate for PFG to rely upon Legacy Franchisees' earnings data in its 2021 FDD, the 2020 financial performance representations in the Item 19s were misleading, and not representative of Legacy Franchisees' earnings.

85. Of the 47 Legacy Franchisee studios that operated for 12 months in 2020 and provided 12 months of individual studio financial records to PFG, only 22 Legacy Franchisee studios' data was included in the 2021 FDD.

86. In addition to the 22 Legacy Franchisee studios, PFG included data from two studios that were not PMA franchisees.

87. The included Legacy Franchisee studios earned more in net income in 2020 than the Legacy Franchisee studios whose data was not included in the 2021 FDD.

88. If PFG had included all Legacy Franchisee studios who were open for 12 months and provided 12 months of financial data for a single studio, the 2020 financial performance representations in the 2021 Item 19 would have been significantly different. For example, the 2020 Average “High” Studio “Net Income” was represented by PFG in the 2021 FDD to be \$203,475.45. According to PFG’s records, the reality was very different. These records show that the average “High” studio actually earned \$128,607 in net income in 2020 – which is more than 36% lower than what was represented by PFG in the 2021 FDD. PFG also inflated the earnings of “Low” studios by more than 72%. PFG stated in the 2021 FDD that the average “Low” studio earned \$90,204 in 2020. PFG’s records show a different story: these records show that the average “Low” studio actually earned \$25,167.

	2021 FDD (2020 FPR)	2020 Earnings Data for All Studios that Were Open 12 Months and Provided 12 Months of Data, Per Records Produced by PFG
2020 Average “High” Studio Net Income	\$203,475.45	\$128,607
2020 Average “Mid” Studio Net Income	\$91,382.46	\$64,619
2020 Average “Low” Studio Net Income	\$90,204.24	\$25,167

2020 Median “High” Studio Net Income	\$151,914.22	\$110,650
2020 Median “Mid” Studio Net Income	\$88,371.95	\$75,649
2020 Median “Low” Studio Net Income	\$83,278.80	\$27,607

*PFG Failed to Disclose the Material Bases of the Financial Performance Representations
Contained in the 2020 and 2021 Item 19s*

89. As described in detail in paragraphs 160-171, under the Franchise Rule, if a franchisor elects to make any financial performance representations, the FDD must state those financial performance representations in the Item 19 along with certain required additional information about the representations, including “whether the representation is an historic financial performance representation about the franchise system’s existing outlets, or a subset of those outlets, or is a forecast of the prospective franchisee’s future financial performance,” and, if the representation relates to past performance of the franchise’s existing outlets, “the material bases for the representations” including “whether the representation relates to the performance of all of the franchise system’s existing outlets or only to a subset of outlets that share a particular set of characteristics,” and the “characteristics of the included outlets [whose data is reflected in the Item 19] that may differ materially from those of the outlet that may be offered to a prospective franchisee.” 16 C.F.R. § 436.5(s)(3)(i), ii(A), and ii(F)..

90. PFG stated in the 2020 and 2021 Item 19s that it was providing historical financial performance data for 2019 and 2020. Yet, PFG failed to disclose the material bases of these financial performance representations.

91. PFG failed to disclose that the financial performance representations were based entirely on the earnings of a subset of Legacy Franchisee studios that had unique shared characteristics that were materially different from the franchise opportunity being offered to New Franchisees.

92. Those unique characteristics, as discussed above, include the fact that many of the Legacy Franchisees had prior martial arts experience and were owner-operators of their studios, many of which were much larger than the studios PFG told New Franchisees they would need, and the numerous other ways that the Legacy Franchisees' franchise agreements were materially different from the New Franchisees' franchise agreements.

93. In addition, PFG at times failed to disclose in the FDD whose data was included in the Item 19s.

94. *First*, in the 2021 Item 19, PFG did not disclose that the 2020 earnings were based entirely on 24 studios operated by (a) 22 Legacy Franchisees and (b) two non-franchisees. The two non-franchisees were operating under license agreements with PFG's parent company, PMAI. Neither had signed a franchise agreement with PFG in 2020.

95. *Second*, in the 2020 and 2021 Item 19s, PFG represented it was disclosing average and median earnings from 18 single studios. In at least two instances, however, PFG incorporated multi-studio financial data as if it were single studio financial data.

96. In the first instance, one Legacy Franchisee operated two PMA studios in Ft. Wayne, Indiana. Rather than report the earnings of each studio separately, PFG admits it combined the earnings of the two studios. Thus, the "per studio" earnings in the Item 19 reflect what was earned from operating *two* studios in Ft. Wayne, Indiana.

97. In the second instance, one Legacy Franchisee operated two martial arts studios in Rhode Island. Yet, to calculate the earnings in the April 2020 FDD, PFG combined the earnings from the two studios, and presented the total as the earnings of a single studio.

98. *Third*, PFG failed to disclose in the 2020 FDD that it only had provided financial data for 16 of the 34 Legacy Franchisee studios that were open for 12 months in 2019 and that had provided 12 months of single studio financial data to PFG. PFG had 12 months of 2019 financial records for 18 additional studios in its possession, but did not include that data in the 2020 FDD.

99. PFG also failed to disclose in both the 2021 Item 19 and the 2020 Item 19 that those 18 additional studios earned materially less in gross revenue than the 16 studios whose finances were disclosed in the Item 19s.

100. For example, according to PFG's records, the 2019 average gross revenue of the 16 Legacy Franchisee studios whose financial data was included in the Item 19 was \$411,745.97, and the average gross revenue of the studios whose 2019 financial data was not included in the Item 19 was almost half of that amount, \$224,095.04.

101. Similarly, as discussed in paragraph 88, PFG failed to disclose in the 2021 FDD that it only had provided financial data for *some* of the Legacy Franchisee studios that were open for 12 months and that had provided 12 months of financial data from 2020 to PFG. As discussed above, the excluded Legacy studios earned substantially less than the disclosed Legacy studios. For example, PFG's 2021 FDD overstated the 2020 earnings of the average "Low" studios by more than 72%. PFG stated in the 2021 FDD that the average "Low" studio earned \$90,204 in 2020. According to PFG's records, the average "Low" studio actually earned \$25,167. PFG similarly overstated the earnings of the median "Low" studio by more 66%. While the 2021 FDD

said that the median “Low” studio earned \$83,278 in 2020, according to PFG’s records, the median “Low” studio earned \$27,607.

PFG Lacked a Reasonable Basis for Its 2022 Item 19 and Failed to Disclose the Material Bases of Its Claims Therein

102. On May 18, 2022, PMA issued a new FDD (the “2022 FDD”).

103. As discussed below, PFG failed to disclose the material bases of the financial performance representations in the 2022 FDD, including that the financial performance representations were based primarily on Legacy Franchisee studio earnings, a materially different class of franchisees. PFG also lacked a reasonable basis for the financial performance representations because the Legacy Franchisee earnings reflected in the FDDs were not representative of what a typical Legacy Franchisee studio earned in 2021.

The 2022 FDD Financial Performance Representations

104. In the Item 19 of the 2022 FDD, PFG provided data about the gross sales, expenses, and EBITDA of 59 PMA franchised units that were open and operating for the entire 2021 fiscal year. The data was provided in two tables, which are copied below in Figure 5 (without footnotes).

Figure 5: 2022 Financial Performance Representations

TABLE 1 – GROSS SALES¹ OF PMA FRANCHISED UNITS FOR THE 2021 FISCAL YEAR

	Top 15 Studios	All Studios ²	Bottom 15 Studios
Average	\$548,345	\$315,850	\$151,484
Median	\$508,180	\$286,336	\$157,695
Minimum	\$380,494	\$36,516	\$36,516
Maximum	\$889,730	\$889,730	\$210,265
#/% Attaining or Surpassing Average	3/33.3%	26/44.1%	7/46.7%

TABLE 2 – EXPENSES AND EBITDA OF PMA FRANCHISED UNITS FOR THE 2021 FISCAL YEAR

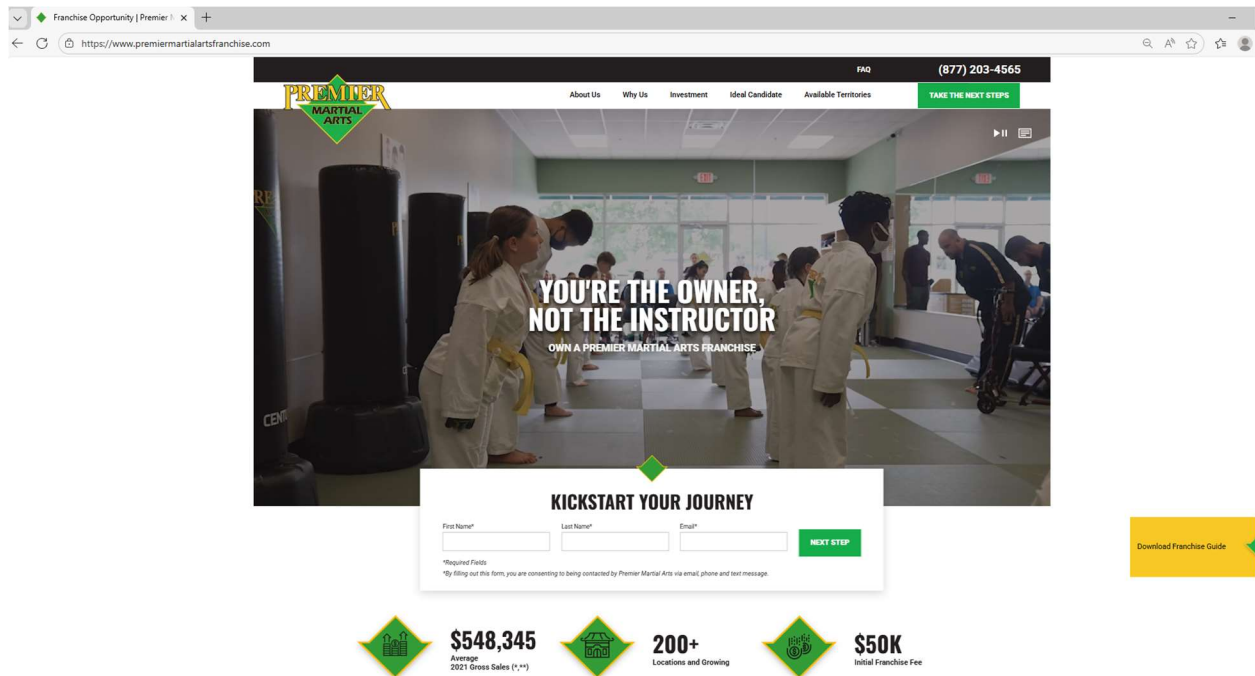
	Top 15 Studios		All Studios ²		Bottom 15 Studios	
	Average	Median	Average	Median	Average	Median
Cost of Goods Sold ³	\$ 70,894	\$ 70,342	\$ 42,803	\$ 19,757	\$ 23,194	\$ 23,820
Occupancy ⁴	\$ 61,273	\$ 62,220	\$ 50,760	\$ 39,524	\$ 45,220	\$ 50,029
Advertising ⁵	\$ 27,679	\$ 35,159	\$ 23,841	\$ 27,146	\$ 21,013	\$ 6,216
Payroll ⁶	\$127,809	\$149,124	\$ 86,969	\$ 81,478	\$ 61,347	\$ 51,666
Other Costs ⁷	\$ 64,187	\$ 57,469	\$ 35,617	\$ 29,290	\$ 16,505	\$ 21,095
EBITDA ⁸	\$196,504 ¹⁰	\$133,864	\$75,950 ¹¹	\$89,140	\$(15,795) ¹²	\$4,869
EBITDA % ⁹	35.1%	26.3%	24.0%	31.1%	(10.4)%	3.1%

105. The Item 19 stated that the average EBITDA for all studios was \$75,950 and the median EBITDA for all studios was \$89,140. The Item 19 stated that the average EBITDA of the Top 15 studios in 2021 was \$196,504 and the median EBITDA for these studios was \$133,864. The Item 19 further stated that the average EBITDA of the bottom 15 studios was negative \$15,795 and the median EBITDA was \$4,869.

106. As required by the Franchise Rule, the 2022 FDD also contained the following notes: “Some PMA Studios have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.”

107. PFG promoted the financial performance representations in the 2022 Item 19 to prospective franchisees.

108. For example, between 2022 and until at least August 24, 2026, on the homepage of the PMA franchise website, it stated the average 2021 gross sales were \$548,345.



In fact, PMA’s purported gross sales, \$548,345, actually represented the gross sales of only the top 15 PMA studios. That crucial information was contained in small print, in a footnote, at the bottom of the website page. As of August 24, 2026, this continued to be the home page for the PMA franchise website.

PFG Failed to Disclose the Material Bases of Its 2022 Item 19 Financial Performance Representations

109. PFG stated in the 2022 FDD that the FDD contained “data from 59 franchised PMA studios that were open and operating for the entire fiscal year 2021.” PFG also said that the 2022 Item 19 was not disclosing data from nine company-owned PMA studios, four PMA studios operating under license agreements, 72 franchised PMA studios not open and operating for the entire fiscal year 2021, and 31 franchised PMA studios that provided incomplete financial information for the fiscal year 2021.

110. PFG failed to disclose, however, that more than half of the studios whose data was reported in the 2022 FDD were Legacy Franchisees. PFG also failed to disclose the material,

unique, and shared characteristics of Legacy Franchisee studios that differed from the franchise opportunity offered to prospective franchisees.

111. Of the 59 franchisee studios included in the 2022 Item 19, 38 studios were operated by Legacy Franchisees. The remaining 21 studios were operated by New Franchisees.

112. As discussed above, Legacy Franchisees were materially different from New Franchisees.

113. In addition, PFG failed to disclose that, in 2021, Legacy Franchisees generally had much larger martial arts studios than New Franchisees. Of the 21 New Franchisee studios whose sizes are known to PFG, 11 were between 1,200 and 1,600 square feet, four were between 1,601 and 1,999 square feet, and one was larger than 2,000 square feet.

114. In comparison, of the 38 Legacy Franchisee studios, only nine were between 1,200 and 1,600 square feet. Four were between 1,601 and 1,999 square feet, 11 were between 2,000 and 3,999 square feet, and eight were 4,000 square feet or larger. PFG has not been able to identify the size of the remaining six studios.

115. As discussed below, in 2021, the Legacy Franchisees earned significantly more in EBITDA than New Franchisees.

PFG Lacked a Reasonable Basis for Its 2022 Item 19 Financial Performance Representations

116. PFG lacked a reasonable basis for the financial performance representations in the 2022 FDD.

117. PFG possessed data showing that, in 2021, its New Franchisees were generally earning less money than the Legacy Franchisees. PFG should have known that combining the earnings of Legacy and New Franchisees together provided a misleading portrayal of what New Franchisees were likely to earn from the PMA franchise opportunity.

118. A New Franchisee studio earned on average \$17,584 in 2021. By comparison, the 2022 FDD stated that an average franchisee studio's EBITDA was \$75,950, because it included both New Franchisee and Legacy Franchisee earnings. In other words, the 2022 FDD overstated what a New Franchisee was likely to earn in EBITDA by \$58,366, or by 76.8%.

119. The 2022 FDD also overstated median New Franchisee's EBITDA by 68.2%. A New Franchisee's studio had a median EBITDA in 2021 of \$28,347. The 2022 FDD stated that median studios' EBITDA was almost three times more than that amount, \$89,140, because it included data from both New Franchisee and Legacy Franchisee studios.

120. While the 2022 FDD disclosed that the top 15 studios earned \$196,504 in EBITDA, on average, the top seven New Franchisee studios earned less than half of that amount: \$74,607. According to the 2022 FDD, the median EBITDA of the top 15 studios disclosed in the May 2022 FDD was \$133,864. Median EBITDA among the top seven New Franchisees was \$90,192.

121. According to the 2022 FDD, average EBITDA of the bottom 15 studios was *negative* \$15,795 and the median EBITDA was \$4,869. In comparison, average EBITDA among the bottom seven New Franchisee studios was *negative* \$55,319, and the median EBITDA was *negative* \$54,096.

**Defendants Made Financial Performance Representations that Were Not
Contained in the 2020, 2021, and 2022 FDDs**

122. The Franchise Rule prohibits franchise sellers, including franchisors, from disseminating any financial performance representations for which the franchisor lacks substantiation or that are not included in Item 19 of the FDD.

123. Defendants had actual knowledge that the Franchise Rule barred them from making any financial performance representations that were not disclosed in Item 19. Nevertheless, Defendants made such representations.

124. For example, Defendants told prospective franchisees, at times, how quickly they could break even. “Breaking even” refers to the amount of time it would take for a franchisee to earn enough to cover their operating expenses in a particular month. Franchise Fastlane’s corporate representative testified that break even rates were disclosed to prospective franchisees, including during Discovery Day, where prospects met with PFG and Fastlane executives to learn more about the PMA franchise opportunity.

125. In many instances, Franchise Fastlane mentioned the average PMA break even rate on Introductory Calls. Introductory Calls are the initial call between Franchise Fastlane and prospective franchisees. For New Franchisees, the Introductory Call was a standard part of the recruitment process. On some occasions, if a prospective franchisee could not immediately schedule the Introductory Call, Franchise Fastlane would send them a previously-recorded Introductory Call. For example:

a. During a recorded August 2021 Introductory Call with a prospective franchisee, Franchise Fastlane’s Franchise Director said, “Average break even: month two and a half.” He continued later, “It’s fast because we do a 2 to 3 month pre sales process where your manager is gonna sign up 80 to 100 to 150 students before you even open your doors. Now, you only need about 75 to 85 students to break even....” Between September and November 2021, Franchise Fastlane’s Franchise Director shared the recording of the August 2021 Introductory Call with at least ten other prospective franchisees.

b. On a recorded Introductory Call from the Spring of 2022, Franchise Fastlane's Franchise Director said that "average break even to [sic] cash positive is month 3 open." The recording was forwarded by Franchise Fastlane to other prospective franchisees.

c. In a recorded Introductory Call from January 2021, Franchise Fastlane's Franchise Director said to a potential franchisee, "Average break even to cash flow positive is month number four open. So if somebody were to open this September, by Thanksgiving or Christmas you're profitable. And it's quick because we have a two to three month pre sales program where your manager's solidifying dozens of founding students before you even open your doors. I don't know if dozens means 36 or 48 or 60. It will land somewhere in there. But the most important thing to note [prospective franchisee] is you only need 65 to 75 students to break even."

d. In the Summer of 2021, on two different Introductory Calls, Franchise Fastlane's Franchise Director told prospective franchisees that the average break even to cashflow positive for PMA franchisees is "months number two and a half."

126. In March 2021, after the 2021 FDD was released, Franchise Fastlane's Franchise Director emailed a video update to all "mid-process" prospective franchisees, "later stage candidates," as well as the 11 prospective franchisees attending Discovery Day that week, about the new FDD. In the video update, he said, "many of you will only need 75, 75 to 80 students to break even.... Our average that we've previously talked about of the four month mark [to profitability], you can see that shrinking. These new franchisees are lifting the bar on getting to profitability quicker." The cover email to the video made similar claims, "Average among 24 new schools Pre-Sold Students – 99 (often need just 75-90 students to break even), top 6 Pre-Sales ranged from 140-174 students."

127. Starting around and after March 2022, the Introductory Video that was routinely shown to and, at times, required to be watched by prospective franchisees mentioned break even rates. Specifically, Franchise Fastlane's Franchise Director stated that "We talk about break even on average being between month three and month four after grand opening."

128. The 2020, 2021, and 2022 FDDs did not contain any data regarding how quickly a prospective franchisee could break even.

129. PFG and Franchise Fastlane also made financial performance representations about individual studio earnings that were not contained in the 2020, 2021, or 2022 FDDs.

130. For example, on an April 2021 Leadership call, Barry Van Over said, "[W]e have schools that are that will be in \$50, \$60, \$70,000 a month gross revenue. One of my own corporate owned studios, it's the 20th or 21st of the month, it has – it's 1,200 square feet and it's already done \$55 grand this month in gross revenue."

131. In another example, on calls between current franchisees and new owners that were arranged by Defendants and hosted by Franchise Fastlane, the owners reported their earnings. For example, on a September 2021 call, a Legacy owner said that he operated three studios and "he should make \$350,000 this year."

132. In addition, a blog post on the PMA website states "It is easier now to convince people because we have the proof that this works. PMA has one school owner who recently grossed \$90,000 in one month. We have another who once did \$127,000 in a month." The blog post was posted on the PMA website on March 3, 2020, and remained active on the website in July 2026. The PMA website states that this blog post is one of the "most popular."

133. The 2020, 2021, and 2022 FDDs did not contain any data about the gross or net income of individual studios.

**Defendants Misrepresented that PMA Was a
Profitable Semi-Absentee Franchise Opportunity**

134. Between at least January 2020 and at least May 2022, Defendants told prospective franchisees, who were not martial artists, that they could profitably operate the PMA franchise opportunity as a semi-absentee opportunity. In many instances, Defendants described the semi-absentee model as requiring 8-12 hours a week or 10-15 hours a week. At times, Defendants told prospective franchisees that they could start operating on a semi-absentee basis almost immediately.

135. For example, in the Introductory Video that was routinely shown to and, at times, required to be watched by prospective franchisees between 2020 and 2022, Franchise Fastlane's Franchise Director said that "most of you will probably look at semi-absentee, which is really just 10 hours a week or so, looking at financials, having one on ones with the managers, participating in the Facebook owners group, and making sure there's no student – um – parent type of issues." As part of that video, prospective franchisees were also shown a video slide that said "**Semi-Absentee owners** will spend 10+ hours a week reviewing key financial metrics, checking in with the manager, participating on the Facebook owners' page and ensuring there are no customer service issues" (emphasis in original).

08

ARE YOU FIT TO BE A FRANCHISE PARTNER?

	Single Unit	Multi-Unit
NET WORTH:	\$150,000	\$300,000
AVAILABLE CAPITAL:	\$75,000	\$150,000

Owner Operators who are running the school every day generally will review new leads in software program, confirm appointments, oversee marketing and results, review owner FB page, oversee general business needs, manage KPI's.

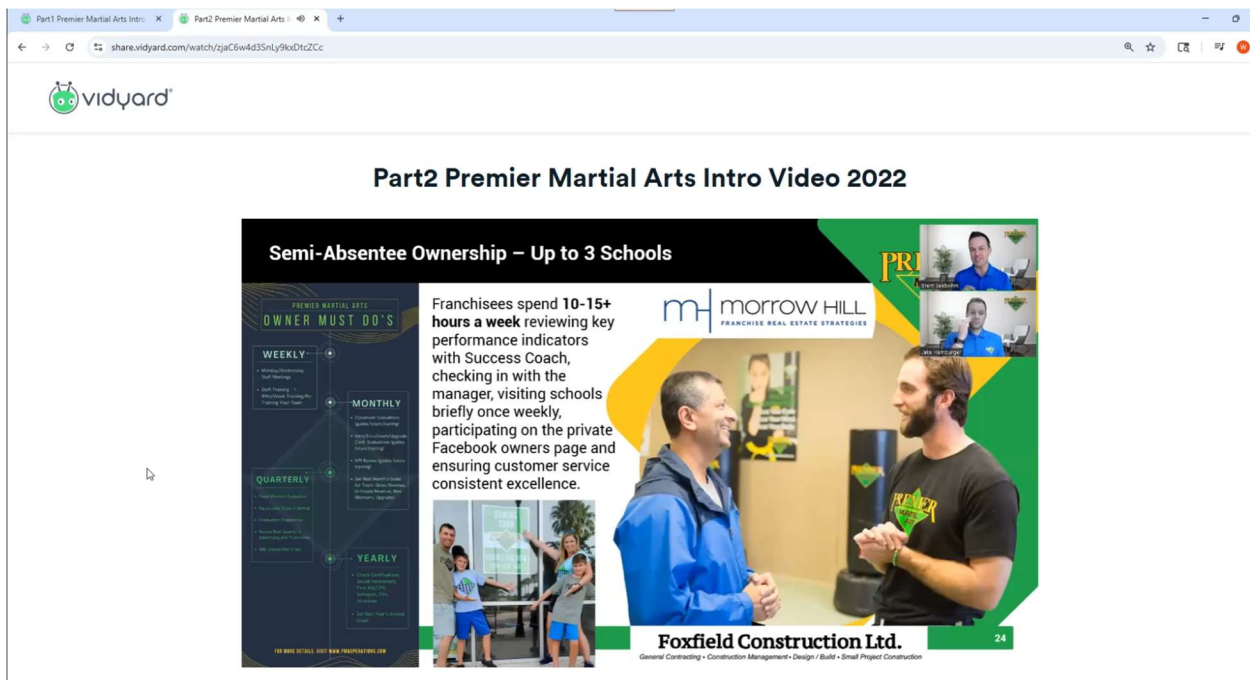
Semi-Absentee owners will spend 10+ hours a week reviewing key financial metrics, checking in with the manager, participating on the Facebook owners page and ensuring there are no customer service issues.



FRANCHISE INFORMATION REPORT

136. The Introductory Video was prepared by Franchise Fastlane, in conjunction with PFG. PFG also approved the video.

137. The Introductory Video was updated in or around March 2022. In the updated Introductory Video, prospective franchisees were told, “[PMA] is truly semi-absentee from the beginning. What I mean by that is that consultants can introduce you to plenty of brands where they say that you need to work 12-15 hours a month, but for the first few months, you must put in 40-50 a month to get this moving. And that is not us.” A slide in the background of the video said that “[f]ranchisees spend **10-15+ hours a week**” working.



138. During Franchise Fastlane’s Introductory Calls with prospective franchisees, in many instances, prospective franchisees were told that they could work fewer than 15 hours per week from the beginning. For example, Franchise Fastlane’s Franchise Director said on a January 2021 Introductory Call to a prospective franchisee that “This is not an owner operator, 30 or 40 [hours] a week model.... This is built to be 8 to 12 - maximum 15 hours - a week. Um. So it’s truly semi absentee from the beginning. And what I mean by that is [your franchise broker] can introduce you to a good number of brands that would say yeah semi absentee, but for the first nine months you better put in 40 hours to get this thing humming. And that’s just not us....” Similarly, he said on another Introductory Call from August 2021 that “the CEO wants – you know – he wants business people who want to have their fingerprints all over this and create a legacy and do it semi absentee, you know, eight, 10, 12 hours a week.... One thing I love [about PMA] is it is truly semi absentee from the beginning. And what I mean by that is [your franchise brokers] could show you plenty of brands that would say ‘yeah [] you know 10-12

maybe 15 hours a week, you're good, but for the first nine months you better put in 40 or 50 hours to get this thing moving.' That's not us at all."

139. Barry Van Over and others at PFG, in at least some instances, also told prospective franchisees that PFG is a semi-absentee business opportunity that will require only limited hours of work per week.

140. For example, in September 2020, on a Leadership Call with prospective franchisees, Barry Van Over said that "Overwhelmingly, 95% [of New Franchisees] are looking for semi absentee. But semi absentee means that you still have to work, you know, 12-15 hours on your business. And to me the most important thing is understanding how important your staff is, building really good relationships with your team, leading and guiding your team, holding them accountable yes, but building a real team."

141. Similarly, in January 2021, Barry Van Over told prospective franchisees that they could have three locations and be semi absentee – "meaning you're spending 8, 10, 12 hours a week working on your Premier Martial Arts schools." If they open more than three studios, "it naturally is going to take more time and can - you know [sic]- 3-5 locations can quickly become a career for an owner."

142. On an April 2021 Leadership Call with prospective franchisees, Barry Van Over stated, "So some of our owners are in this for, you know, semi absentee. So they're going to be a, a little more intense on the hours spent on the business until they learn the the [sic] systems themselves. And then you know you could reasonably run your studios on you know 10, 12 hours a week."

143. These and other representations, until at least May 2022, conveyed to prospective franchisees that they could operate a profitable PMA franchise on a semi-absentee basis, which would take less than 15 hours a week.

144. Defendants' semi-absentee claims about profitability are material to prospective franchisees' purchase decisions.

145. By at least June 2021, Defendants knew that at least some prospective franchisees believed that they could work the PMA opportunity on a semi-absentee basis for less than 15 hours a week.

146. Between 2018 and mid-2020, no New Franchisees had opened a new studio. All of the studios in operation were run by Legacy Franchisees who had existing studios that they opened as owner operators.

147. Defendants had no evidence, empirical or otherwise, regarding whether New Franchisees could profitably run a 1,200 to 1,600 square foot studio working less than 15 hours a week.

148. Defendants could not have known whether New Franchisees, who had no martial arts background and often wished to run the business on a semi-absentee basis, would be able to profitably run a new franchise studio (or multiple new franchise studios) working less than 15 hours a week. Furthermore, Defendants had no evidence, empirical or otherwise, to make these representations.

149. While some New Franchisee studios had opened by mid-2020, at least some New Franchisees were not able to operate their new studio working less than 15 hours a week. According to consumer complaints, at least some were required to work many more hours than they expected. For example, as one franchisee told Barry Van Over in February 2022, "My

expectation: ‘Semi-Absentee owners will spend 10+ hours a week reviewing key financial metrics, checking in with the manager, participating on the Facebook owners’ page and ensuring there are no customer service issues.’ Reality: Semi-absentee owners without martial arts experience will spend 40 hours training sales to their team weekly, etc. etc. etc., so the realism of the situation isn’t even close.”

150. Defendants lacked a reasonable basis for their claims that New Franchisees could profitably operate the franchise on a semi-absentee basis, as those claims are described above, at the time they were made.

Defendants Are Violating or Are About to Violate the Law

151. Based on the facts and violations of law alleged in this Complaint, the FTC has reason to believe that Defendants are violating or are about to violate laws enforced by the Commission, because, among other things:

- Defendants engaged in their unlawful acts and practices repeatedly over multiple years;
- Defendants engaged in their unlawful acts and practices knowingly;
- Defendants earned significant revenues from participating in these unlawful acts and practices;
- Through at least August 2026, Defendant PFG continues to advertise the Premier Martial Arts franchise opportunity on its website. Similarly, through at least May 2026, Unleashed Brands’ website proclaimed that “Premier Martial Arts is in rapid growth mode” and contains a button to “Learn More” about “Own[ing] a Premier Martial Arts”; clicking that button re-directs prospects to premiermartialartsfranchise.com; and

- As noted in paragraph 108, until at least August 2026, PFG’s website deceptively represented the earnings of franchisees, by stating that Average Gross Sales are \$548,345, but failed to disclose clearly and conspicuously that the earnings are those of the top 15 franchisees (almost all of which are Legacy Franchisees) and that those gross earnings are not representative of what a New Franchisee is likely to earn.
- As described in paragraph 132, until at least July 2026, PFG’s website also continues to make earnings claims that are not contained in its FDDs.
- Existing franchisees who signed franchise agreements after receiving Defendants’ deceptive representations continue to suffer harm, as they remain obligated to pay monthly royalties under those agreements, which typically run for 10 years from a studio’s grand opening and contain non-competition covenants, both during and after that 10-year term.
- Defendants maintain the means, ability, and incentive to continue their unlawful conduct at any time. PFG has stated that it intends to start selling the Premier Martial Arts franchise opportunity in the future; Franchise Fastlane is currently engaged in the marketing or selling of other franchise opportunities; and Defendant Franchise Fastlane continues to market franchises offering a semi-absentee model, which it describes on its website as typically requiring 15-20 hours per week.

VIOLATIONS OF THE FTC ACT

152. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce.”

153. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

Count I. Misleading Financial Performance Representation Claims (PFG)

154. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of the Premier Martial Arts franchise, as described in paragraphs 47-121, Defendant PFG represented, directly or indirectly, expressly or by implication, that prospective franchisees will earn or are likely to earn a specific range of gross or net income, profit, or EBITDA by participating in the franchise.

155. The representations set forth in paragraph 154 are false, misleading, or were not substantiated at the time the representations were made.

156. Therefore, Defendant PFG's representations as set forth in paragraph 154 constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count II. Misleading Claims Concerning Semi-Absentee Ownership (All Defendants)

157. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of the Premier Martial Arts franchise, as described in paragraphs 134-150, Defendants represented, directly or indirectly, expressly or by implication, that the PMA Franchise can profitably be run by New Franchisees on a semi-absentee basis, which will take less than 15 hours a week.

158. The representations set forth in paragraph 157 are false, misleading, or were not substantiated at the time the representations were made.

159. Therefore, Defendants' representations as set forth in paragraph 157 constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF THE FRANCHISE RULE

160. The FTC promulgated the Franchise Rule to prevent "deceptive and unfair practices [in the sale of franchises] through presale disclosure of material information necessary

to make an informed purchasing decision” and to prohibit “specified misrepresentations” in the sale of franchises. 72 Fed. Reg. 15444, 15448 (Mar. 30, 2007).

161. The Franchise Rule defines a “franchise” as any continuing commercial relationship or arrangement, whatever it may be called, in which the terms of the offer or contract specify, or the franchise seller promises or represents, orally or in writing, that: a) The franchisee will obtain the right to operate a business that is identified or associated with the franchisor’s trademark, or to offer, sell, or distribute goods, services, or commodities that are identified or associated with the franchisor’s trademark; b) The franchisor will exert or has authority to exert a significant degree of control over the franchisee’s method of operation, or to provide significant assistance in the franchisee’s method of operation; and c) As a condition of obtaining or commencing operation of the franchise, the franchisee makes a required payment or commits to make a required payment to the franchisor or its affiliate. 16 C.F.R. § 436.1(h).

162. Under the Franchise Rule, a “franchise seller” is a person that offers for sale, sells, or arranges for the sale of a franchise. The term encompasses the franchisor and the franchisor’s employees, representatives, agents, subfranchisors, and third-party brokers who are involved in franchise sales activities. It does not include existing franchisees who sell only their own outlet and who are otherwise not engaged in franchise sales on behalf of the franchisor. 16 C.F.R. § 436.1(j).

163. A “franchisor” means any person who grants a franchise and participates in the franchise relationship. 16 C.F.R. § 436.1(k).

164. A “financial performance representation” means any representation, including any oral, written, or visual representation, to a prospective franchisee, including a representation in the general media, that states, expressly or by implication, a specific level or range of actual or

potential sales, income, gross profits, or net profits. The term includes a chart, table, or mathematical calculation that shows possible results based on a combination of variables. 16 C.F.R. § 436.1(e).

165. The Franchise Rule outlines the information that must be contained in the FDDs. The Franchise Rule requires a franchisor to provide prospective franchisees with a FDD containing twenty-three categories (or “Items”) of information. 16 C.F.R. § 436.5(a)-(w).

166. Franchisors must disclose in Item 2 of the FDD the franchisor’s principal officers and other individuals with management responsibility for the sale or operation of franchises, along with each officer’s or other individual’s principal positions and employers during the preceding five years. 16 C.F.R. § 436.5(b).

167. The Franchise Rule permits, but does not require, a franchisor to include a financial performance representation in Item 19. “If the franchisor makes any financial performance representation to prospective franchisees, the franchisor must have a reasonable basis and written substantiation for the representation at the time the representation is made and must state the representation in the Item 19 disclosure.” 16 C.F.R. § 436.5(s)(3). The franchisor must also disclose in the Item 19 “whether the representation is an historic financial performance representation about the franchise system’s existing outlets, or a subset of those outlets, or is a forecast of the prospective franchisee’s future financial performance.” 16 C.F.R. § 436.5(s)(3)(i).

168. In addition, the franchisor must disclose, “if the representation relates to past performance of the franchise system’s existing outlets, the material bases for the representation, including (A) Whether the representation relates to the performance of all of the franchise system's existing outlets or only to a subset of outlets that share a particular set of characteristics (for example, geographic location, type of location (such as free standing vs. shopping center),

degree of competition, length of time the outlets have operated, services or goods sold, services supplied by the franchisor, and whether the outlets are franchised or franchisor-owned or operated); (B) The dates when the reported level of financial performance was achieved; (C) The total number of outlets that existed in the relevant period and, if different, the number of outlets that had the described characteristics; (D) The number of outlets with the described characteristics whose actual financial performance data were used in arriving at the representation; (E) Of those outlets whose data were used in arriving at the representation, the number and percent that actually attained or surpassed the stated results; and (F) Characteristics of the included outlets, such as those characteristics noted in paragraph (3)(ii)(A) of this section, that may differ materially from those of the outlet that may be offered to a prospective franchisee.” 16 C.F.R. § 436.5(s)(3)(ii).

169. Finally, the franchisor must include in Item 19 “a clear and conspicuous admonition that a new franchisee’s individual financial results may differ from the result stated in the financial performance representation” and “a statement that written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.” 16 C.F.R. § 436.5(s)(3)(iv), (v).

170. In addition, franchise sellers may not “disseminate any financial performance representations to prospective franchisees unless the franchisor has a reasonable basis and written substantiation for the representation at the time the representation is made, and the representation is included in Item 19 of the franchisor’s disclosure document.” 16 C.F.R. § 436.9(c).

171. Pursuant to Section 18(d)(3) of the FTC Act, 15 U.S.C. 57a(d)(3), and subparts B, D, and F, 16 C.F.R. § 436.2, § 436.6(a), and § 436.9, violations of the Franchise Rule constitute

unfair or deceptive acts or practices in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

172. The Premier Martial Arts opportunity sold by Defendants is a “franchise” pursuant to the Franchise Rule.

173. Defendant PFG is a “franchisor” pursuant to the Franchise Rule.

174. Defendants Franchise Fastlane and PFG are “franchise sellers” pursuant to the Franchise Rule.

175. Defendants had knowledge of the requirements of the Franchise Rule as evidenced by the fact that they provided an FDD to prospective franchisees.

COUNT III. Failing to Disclose Required Information Relating to Financial Performance Representations in the 2020 FDD and 2021 FDD (Defendant PFG)

176. The financial performance representations in the PMA 2020 FDD and 2021 FDD included statements concerning the past gross and net income of the franchise system’s existing outlets.

177. As described in paragraphs 47-101, PFG failed to disclose the material bases for these representations in the 2020 FDD and 2021 FDD. For example:

- a. PFG failed to disclose that the representations related to the performance of only a subset of franchisees, the Legacy Franchisees, who had characteristics that differ materially from the outlets that were being offered to all New Franchisees. For example, the FDDs did not disclose that Legacy Franchisees had a martial arts background, that many of the studios operated by the Legacy Franchisees had significantly larger square footage than the studios New Franchisees were required to open, and that the Legacy Franchisees did not have to comply with all

franchise requirements, such as the requirement to adhere to the PMA-mandated curriculum.

- b. In the 2021 FDD, PFG also failed to disclose that two of the outlets whose data was used in arriving at the representations regarding 2020 earnings were not PMA franchisees.

178. Therefore, Defendant PFG has violated sections 436.5(s)(3)(ii) and 436.6(a) of the Franchise Rule, 16 C.F.R. §§ 436.5(s)(3)(ii) and 436.6(a), and Section 5(a) of the FTC Act.

COUNT IV. Failing to Disclose Required Information Relating to Financial Performance Representations in the 2022 FDD (Defendant PFG)

179. The financial performance representations in the PMA 2022 FDD included statements concerning the past gross income and EBITDA of the franchise system's existing outlets.

180. As described in paragraphs 40-46 and 102-121, PFG failed to disclose the material bases for these representations in the 2022 FDD:

- a. PFG failed to disclose that more than half of the outlets whose data was used in arriving at the representation were Legacy Franchisees.
- b. PFG failed to disclose that Legacy Franchisees had unique, shared characteristics that differ materially from the outlets being offered to all New Franchisees. For example, the FDDs did not disclose that Legacy Franchisees all had a martial arts background, that many of the studios operated by the Legacy Franchisees had significantly larger square footage than the model size for New Franchisee studios, or that the Legacy Franchisees did not have to comply with all franchise requirements, such as the requirement to adhere to the PMA-mandated curriculum.

181. Therefore, Defendant PFG has violated sections 436.5(s)(3)(ii) and 436.6(a) of the Franchise Rule, 16 C.F.R. §§ 436.5(s)(3)(ii) and 436.6(a), and Section 5(a) of the FTC Act.

COUNT V. Lack of Reasonable Basis for 2020 and 2021 Item 19 Financial Performance Representations (Defendant PFG)

182. “If the franchisor makes any financial performance representation to prospective franchisees, the franchisor must have a reasonable basis and written substantiation for the representation at the time the representation is made and must state the representation in the Item 19 disclosure.” 16 C.F.R. § 436.5(s)(3).

183. The financial performance representations in the 2020 FDD and 2021 FDD included statements concerning the past gross and net income of some of the franchise system’s existing outlets.

184. As outlined in paragraphs 40-83, Defendant PFG did not have a reasonable basis for the financial performance representations in the 2020 Item 19 and 2021 Item 19.

- a. The 2020 Item 19 and 2021 Item 19 reflected the earnings of some PMA Legacy Franchisee studios.
- b. PFG did not have a reasonable basis to know whether the Legacy Franchisee studios’ earnings were representative of what a New Franchisee studio could earn.
- c. The Legacy Franchisees had unique, shared characteristics that differ materially from the outlets being offered to all New Franchisees. For example, unlike New Franchisees, Legacy Franchisees all had a martial arts background and did not have to comply with all PMA franchise requirements, such as the requirement to adhere to the PMA-mandated curriculum. In addition, many of the Legacy Franchisees’ existing studios had significantly larger square footage than the studios New Franchisees were required to open.

185. In addition, or alternatively, as discussed in more detail in paragraphs 58-66, 84-88, PFG misrepresented typical Legacy Franchisee earnings from 2020 in the 2021 FDD.

- a. The 2021 FDD only reflected the earnings of 22 Legacy Franchisee studios.
- b. At the time it issued the 2021 FDD, PFG possessed 2020 financial data for another 25 Legacy Franchisee studios. PFG's analysis of this data showed that the 25 Legacy Franchisees studios generally earned materially less in net income than the 22 Legacy Franchisees that were included in the 2021 FDD.
- c. By omitting the earnings of the 25 Legacy Franchisee studios, PFG presented a misleading picture in the 2021 Item 19 of the earnings of a typical Legacy Franchisee studio.

186. Therefore, Defendant PFG has violated sections 436.5(s)(3) and 436.6(a) of the Franchise Rule, 16 C.F.R. §§ 436.5(s)(3) and 436.6(a), and Section 5 of the FTC Act.

COUNT VI. Lack of Reasonable Basis for 2022 Item 19 Financial Performance Representations (Defendant PFG)

187. The financial performance representations in the 2022 FDD for PMA included statements concerning the past gross income and EBITDA of some of the franchise system's existing outlets.

188. As outlined in paragraphs 40-46 and 102-121, Defendant PFG did not have a reasonable basis for these financial performance representations.

- a. Of the 59 franchisee studios whose data was reflected in the 2022 Item 19, 38 studios were operated by Legacy Franchisees. The remaining 21 studios were operated by New Franchisees.
- b. The Legacy Franchisees had unique, shared characteristics that differed materially from the outlets being offered to all New Franchisees. For example, unlike New

Franchisees, Legacy Franchisees all had a martial arts background and did not have to comply with all PMA franchise requirements, such as the requirement to adhere to the PMA-mandated curriculum. In addition, many of the Legacy Franchisees' existing studios had significantly larger square footage than the studios New Franchisees were required to open.

- c. As discussed in more detail above, PFG possessed data showing that, in 2021, its New Franchisees were generally earning less money than the Legacy Franchisees. For example, a New Franchisee studio earned on average \$17,584 in 2021. In comparison, the 2022 FDD stated that an average franchisee studio's EBITDA was, at best, \$75,950. In another example, while the 2022 FDD disclosed that the top 15 studios earned \$196,504 in EBITDA, on average, the top seven New Franchisee studios, at best, did not even come close to earning half of that amount: \$74,607.
- d. By combining the earnings of Legacy and New Franchisees together, the 2022 FDD painted a misleading portrayal of what New Franchisees were likely to earn from the PMA franchise opportunity.

189. Therefore, Defendant PFG has violated sections 436.5(s)(3) and 436.6(a) of the Franchise Rule, 16 C.F.R. §§ 436.5(s)(3) and 436.6(a), and Section 5(a) of the FTC Act.

**COUNT VII. Dissemination of Financial Performance Representations
Not Included in FDD (All Defendants)**

190. Section 436.9(c) of the Franchise Rule, 16 C.F.R. § 436.9(c), states that it is an unfair and deceptive practice in violation of Section 5 of the FTC Act for any franchise seller to “disseminate any financial performance representations to prospective franchisees” unless, among other things, the representation is included in Item 19 of the franchisor's FDD.

191. In connection with the offering for sale and sale of franchises, as “franchise” is defined in section 436.1(h) of the Franchise Rule, as discussed in paragraphs 122-133, in numerous instances, Defendants disseminated the following representations to prospective franchisees: (1) franchisees can break even at new studios within several months of opening; and (2) data about the earnings of particular franchisees.

192. These representations are financial performance representations as defined in 16 C.F.R. 436.1(e).

193. The representations described in paragraphs 122-133 were not included in the 2020, 2021, or 2022 Item 19s of the Premier Martial Arts FDDs.

194. Therefore, Defendants have violated section 436.9(c) of the Franchise Rule, 16 C.F.R. § 436.9(c) and Section 5(a) of the FTC Act.

COUNT VIII – Other Disclosure Violations (Defendant PFG)

195. In connection with the offering for sale and sale of franchises, as “franchise” is defined in 16 C.F.R. § 436.1(h), in numerous instances, Defendant PFG furnished prospective franchisees with FDDs that failed to include all the information required by 16 C.F.R. § 436.5(b), which requires that Franchisors disclose the name and position of the franchisor’s directors, trustees, general partners, principal officers, and any other individuals who will have management responsibility relating to the sale or operation of the franchises, as well as their principal positions and employers during the past five years, along with the starting date, ending date, and location for each position. 16 C.F.R. § 436.5(b).

196. For example, Defendant PFG failed to disclose the name and position of the individuals who worked for Franchise Fastlane, LLC who had management responsibility relating to the sale or operation of the PMA franchises, as well as their principal positions and

employers during the past five years, along with the starting date, ending date, and location for each position, as required by 16 C.F.R. § 436.5(b).

197. Therefore, Defendant PFG has violated sections 436.5(b) and 436.6(a), 16 C.F.R. §§ 436.5 and 436.6(a) of the Franchise Rule, and Section 5(a) of the FTC Act.

CONSUMER INJURY

198. Consumers are suffering, have suffered, and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act and the Franchise Rule. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers and harm the public interest.

PRAYER FOR RELIEF

Wherefore, the FTC requests that the Court:

- A. Enter a permanent injunction to prevent future violations of the FTC Act and the Franchise Rule;
- B. Award monetary and other relief within the Court's power to grant; and
- C. Award any additional relief as the Court determines to be just and proper.

Dated: 10/5/2026

Respectfully submitted,

/s/Melissa L. Dickey

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