

Neil E. Duke  
neduke@ober.com  
410-347-7398

Offices In  
Maryland  
Washington, D.C.  
Virginia

February 20, 2009

**VIA FACSIMILE**

Neal Tabachnick, Esquire  
Wolf, Rifkin, Shapiro,  
Schulman & Rabkin, LLP  
11400 West Olympic Boulevard, 9<sup>th</sup> Floor  
Los Angeles, California 90064-1582

Re: Ryan Hall/Lloyd Irvin, Jr.

Dear Counsel:

This correspondence is forwarded to you on behalf of Mr. Lloyd Irvin, Jr., who has retained the services of this firm regarding this matter. I am now in a better position to respond to your letter, dated February 5, 2009. In my last communication, I suggested to you that it was my general impression that Mr. Irvin had been remarkably generous toward your client. After reviewing the financial information and other assorted facts, my previous suggestion was an immense understatement.

As you may know, Mr. Irvin met your client in late 2003 or early 2004. At the time, Mr. Hall was a BJJ white belt training under one of Mr. Irvin's students in Arlington, Virginia. Inspired by Mike Fowler, your client approached Mr. Irvin and requested the opportunity to work directly under his tutelage. Mr. Hall explained that he had dropped out of school and wanted to train full time in BJJ, like Mike Fowler. Mr. Hall's self-expressed motivation was to become a World Champion, but he recognized that he needed Mr. Irvin to even aspire to such a goal.

As a result of Mr. Hall's personal plea, Mr. Irvin agreed to train your client. Mr. Irvin personally took your client under his wing and trained with him night and day, sharpening Mr. Hall's skills and developing a game plan that would ultimately prove to be successful. Moreover, since Mr. Hall was a promising student and seemed eager to learn, Mr. Irvin decided to provide him with the additional benefit of marketing him throughout the BJJ community. This was accomplished at Mr. Irvin's own (significant) expense and started when your client was still relatively new to the sport. Through Mr. Irvin's marketing efforts, your client gained wide-

spread notoriety throughout the BJJ community, despite the fact that he was only a Blue-Belt at the time. You should recall that Mr. Irvin featured your client in web broadcasts, such as [www.thebjjexperiment.com](http://www.thebjjexperiment.com) and [www.ryanhallgameplan.com](http://www.ryanhallgameplan.com), as a means of enhancing Mr. Hall's name recognition. It goes without saying that there were many talented blue and purple belts training throughout the country at the time. However, few of them achieved your client's level of name recognition, which is largely attributable to Mr. Irvin's concentrated marketing efforts and training of your client.

Eventually, through hard work and unrelenting training with Mr. Irvin, your client developed an expertise in triangle choke submissions. This became the focus of marketing efforts. Mr. Irvin served as your client's personal/financial sponsor, sending Mr. Hall to multiple tournaments, taping videos of his matches, coaching him, training him and flying him around the country to compete. Mr. Irvin bore the costs for all of these benefits that were provided to your client, never once asking to be reimbursed for his expenses. Those expenses were significant. I would project, on the low end, that over the course of the first few years of your client's training under Mr. Irvin that the fair market value of all of the benefits your client received from Mr. Irvin greatly exceeded six figures.

The trips, sponsorships, training and the like were not the only benefits your client received from Mr. Irvin. When, earlier in the relationship, Mr. Hall suggested to Mr. Irvin that he wanted to move to a location closer to Mr. Irvin's martial arts academy to better facilitate his training regimen, Mr. Irvin made those arrangements. Specifically, Mr. Irvin paid over \$11,000.00 to renovate the home of one of his other instructors so that your client could move into that space. Further, when your client moved into that space, he did so without having to pay rent. It was Mr. Irvin who paid your client's rent at a cost of \$500.00/month. Taking it a step further, Mr. Irvin also gave your client an American Express credit card for his personal use. A review of the American Express billing history discloses that between 2006 and 2008, your client spent over \$29,000.00 on personal expenses on the credit card. Mr. Irvin also paid hundreds of dollars every month for your client's food and transportation expenses. Again, Mr. Irvin never requested, nor expected reimbursement for any those expenses from your client.

Given the above-described facts, Mr. Irvin was greatly disappointed by the demands outlined in your February 5<sup>th</sup> letter.

In or around May 2008, your client suggested that he would like to form a professional (and financial) relationship with Mr. Irvin. In a lengthy letter, your client proposed a compensation scheme whereby he would be placed on salary in addition to his receipt of "20%"<sup>1</sup> of the gross income from any product" he created; namely the "How to Master the Triangle Choke" product. In his letter, your client conceded that marketing of the product was critical and offered his own forecast of expected sales. Here is where I believe wishful thinking replaced economic reality. In his letter, your client projected that the potential sales for the "How to Master the Triangle Choke" product would be 2,000 units. Further extrapolating and describing his projections as "low-ball" numbers, your client predicted that if 2,000 units were sold for \$295 apiece, the triangle course would turn a gross profit of \$590,000.00. He then self-admitted that

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<sup>1</sup> Curiously, in your February 5<sup>th</sup> letter, among other things, your client now demands 50% of the profits realized by the triangle course product.

his past travel expenses amounted to \$40,000.00 and offered (what he described as a “high-ball” figure), that “overhead” for the project would cost \$50,000.00. Deducting his travel expenses (\$40,000.00) and “overhead” (\$50,000.00), from the projected \$590,000.00 “gross profits,” your client reasoned that his 20% take of the gross profits would amount to \$118,000.00. He further offered that Mr. Irvin’s 80% share of the triangle course product would net him \$382,000.00. Your client concluded his letter by pledging his unwavering support of Team Lloyd Irvin and promising his long-term commitment.

Needless to say, Mr. Irvin did not accept the financial terms offered by your client. As you will read further, your client’s demand has no basis in fact or reality. But, before delving into the economics of this affair, I must re-emphasize my prior comment to you that Mr. Irvin has no intention of promoting your client in any form or media going forward. As they say, that ship has sailed. As such, the various concerns noted in your February 5<sup>th</sup> letter, related to the topics of “publicity rights,” “approval rights,” and/or issues related to the video quality of the “How to Master the Triangle Choke Home Study Course” are moot points that do not require further debate.<sup>2</sup>

With respect to the issue of the release of “Purple Belt Video,” it is my understanding that in early February 2009, Mr. Irvin informed your client of his intention to market and promote that particular video set. When your client did not immediately respond to Mr. Irvin’s courtesy, Mr. Irvin began publicizing the product. On February 3, 2009, your client objected (in writing) to Mr. Irvin’s promotional activities as it related to the video series, declaring that he had not been involved in the editing, production or review of the material, and, accordingly, would not authorize or support its release. Rather than engage in any acrimony, Mr. Irvin promptly responded in writing on February 4, 2009, that it would not be a problem and that he would disengage from promoting or releasing the instructional. Again, given the fact that Mr. Irvin has no further interest in collaborating with your client to promote and market the “Purple Belt Video” series, there is absolutely no need to discuss this issue any further.

As previously explained, your February 5<sup>th</sup> letter primarily demands compensation from the net profits generated from the “triangle course” material. In your words, since your client “believes that [since] he was solely responsible for the complete development of all the Triangle Course written and video materials, that he should receive at least fifty percent (50%) of the net profits from the Videos.” You also inquire “what sort of percentage of revenues or net profits” the sum of \$13,500.00 represents (which, of course, was paid to and accepted by your client).

What is patently obvious to me from reading your February 5<sup>th</sup> letter is that either you and/or your client are under the misimpression that the triangle course has been a profitable venture for Mr. Irvin. To the contrary, the triangle course, which was released in November 2008, has been a “money pit” that has yet to turn a profit. That is not to suggest that the concept or business plan was not sound. Rather, the triangle course was always destined to be a long-term project that would require a sizable investment and a great deal of patience before it would

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<sup>2</sup> I will also not debate with you regarding your statement that your client reserves his “First Amendment” rights to broadcast any discontent. Given the fact that Mr. Irvin is not an agent of the state or federal government, and that the First Amendment only protects against the abridgment of the right to engage in “free speech” by government actors, I am not sure what you attempting to convey.

become profitable. Mr. Irvin assumed all of the financial risk associated with the project and bore all of the responsibility for marketing the course through various media. Unfortunately, your client has now elected to make an issue of his purported entitlement to “profits” for the triangle course when such “profits” have not been realized and were certainly not on the immediate horizon.

You will be interested to know that the net profit, to date, for the Triangle Course amounts to \$70,389.00, which represents the sale of roughly 387 units. However, that figure is quickly eclipsed by the costs and expenditures associated with the production, advertising and shipping of the product. Specifically, Mr. Irvin has invested a great deal of money in advertising the product. The following expenditures highlight these costs:<sup>3</sup>

- Costs paid to Ultimate Grappling Magazine for placement of ads: \$9,800;
- Costs paid to Google Adwords to increase web search “hits” for Triangle Course: \$15,429.27;
- Costs related to banner ads featured on Sherdog: Invoice No. 1 = \$2,573.48;
- Costs related to banner ads featured on Sherdog: Invoice No. 2 = \$2,573.83;
- Costs paid to vendor for drafting of a Sales Letter for Triangle Course: \$3,000;
- Costs paid to vendor for web hosting, over-traffic fees and renewal payments for Ryanhallgameplan and Ryangleuniversity.com: \$1,436.00;
- Costs paid to vendor for artwork contained in Triangle Course: \$1,800.00;
- Cost paid to fulfillment vendor for product assembly, freight, etc.: \$44,750.00
- Cost paid to vendor for artwork contained in Triangle Course: \$514.73

Including the \$13,500.00 payment to your client, the total expenditures for the Triangle Course (that I have been able to track), is \$95,377.31. Simple math underscores that costs have far exceeded revenues for the now aborted project. Please note that my review of the expenditures has been limited to the above-identified items. I strongly suspect that there are additional costs and expenditures that Mr. Irvin has not considered as yet. That will, of course, further drive up the costs associated with this project.

These are the economic realities of the matter. Of no less importance and on a more practical level, you should understand that BJJ instructional products only appeal to a small community of potential purchasers. As they say, the universe of buyers is fairly small, especially in these harsh economic times. You can confirm this reality in your discussions with many world champion black-belt practitioners who have attempted (many unsuccessfully), to sell their own instructional videos and assorted products. Moreover, the universe of potential buyers for a product featuring a purple or brown belt BJJ practitioner is arguably smaller. What gave the triangle course a chance to succeed, despite these realities, was Mr. Irvin’s marketing skills.

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<sup>3</sup> Your request for production of confidential customer listings and/or other proprietary information is strictly rejected as you have no basis to demand such disclosure. Further, since your client has announced his intention to open his own competing BJJ facility in the same geographical marketplace of Mr. Irvin’s studio, disclosing confidential and proprietary information related to Mr. Irvin’s business contacts and vendor services would be improvident and inappropriate.

In closing, please be advised that your client's demand is rejected. Simply stated, there are no profits to be shared. To the contrary, the project is still running at a deficit and Mr. Irvin has elected, at this time, to discontinue further efforts to market any product featuring your client. In fact, had Mr. Irvin realized ahead of time how financially draining the project was, he may have reached a different decision about gratuitously sending your client the check for \$13,500.00. That payment only further contributed to the deficit and, given the circumstances described, amounted to an unnecessary expenditure. Without question, Mr. Irvin has been remarkably generous toward your client. I hope that this response dispels any notion to the contrary.

This concludes Mr. Irvin's response to your February 5<sup>th</sup> letter. To the extent that you need further clarification regarding this matter, you are free to contact me at your convenience.

Very truly yours,

Neil E. Duke

NED/cks

cc: Lloyd Irvin, Jr.