

FRANCHISE DISCLOSURE DOCUMENT



Los Campeones Franchising LLC
A Minnesota limited liability company
2721 E. Franklin Ave.
Minneapolis, Minnesota 55406
612-850-0029

Los Campeones Franchising LLC offers individual unit franchises for the development and operation of a Los Campeones® gym business offering certain fitness services and related products (each a “Los Campeones business”).

The total investment necessary to begin operation of a Los Campeones business ranges from \$193,500 to \$2,396,500. This includes \$50,000 that must be paid to us or our affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Benjamin Loehrer at 2721 E. Franklin Ave., Minneapolis, Minnesota 55406, or 612-850-0029.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “[A Consumer’s Guide to Buying a Franchise](#),” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 2, 2023

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Los Campeones business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Los Campeones franchisee?	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit D.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Minnesota than in your own state. Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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EXHIBIT D	List of State Administrators; Agents for Service of Process
EXHIBIT E	State Addenda
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EXHIBIT G	List of Franchisees
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EXHIBIT I	State Effective Dates & Receipt Pages

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “we” means Los Campeones Franchising LLC, the franchisor. “You” means the person who buys the franchise. “You” also may refer to your shareholders if you are a corporation, your partners if you are a partnership, or your members if you are a limited liability company.

The Franchisor

We are a Minnesota limited liability company formed on June 16, 2020. Our principal place of business is at 2721 E. Franklin Ave., Minneapolis, Minnesota 55406, and our telephone number is 612-850-0029. Our agents for service of process are disclosed in **Exhibit D**.

We grant individual unit franchises for the operation of a Los Campeones® gym business under the name “Los Campeones” offering certain fitness services and related products (each a “Los Campeones business”). We began offering franchises for Los Campeones businesses under this disclosure document in December 2020. Except for our operation of the Los Campeones business in Tempe, AZ (as further described below), we have never operated the type of Los Campeones business that you will operate.

We have not sold and do not sell franchises in any other line of business and, except as provided in this disclosure document, we have not and are not otherwise engaged in any other business activity.

Our Predecessors and Affiliates

Our predecessor and affiliate is Los Campeones Gym, LLC (“Affiliate”), which has the same principal address as ours. Affiliate assisted in developing the Los Campeones concept and began operating Los Campeones businesses in January 2010. As of the issuance date of this disclosure document, Affiliate operates 4 Los Campeones businesses in Minnesota. Affiliate also owns the Los Campeones® trademark. As further described in Item 13, Affiliate has granted to us a license to use and sublicense the use of the Los Campeones® trademark, as well as certain other trademarks, service marks, trade names, domain names, logos and commercial symbols (the “Marks”) to franchisees. Pursuant to the minimum payment exemption under the FTC Franchise Rule and as part of a “test” program, Affiliate also sold one franchised Los Campeones business to a franchisee in Tempe, AZ in November 2018, but no longer offers or sells any franchises. Affiliate subsequently assigned the franchise agreement for this business to us in December 2020, and we then reacquired this business in October 2022, and as of the issuance date of this disclosure document, our affiliate, Los Campeones NE, LLC (“Los Campeones NE”), which has a principal address of 1324 Quincy St NE, Minneapolis, MN 55413, operates this business. In addition, as of the issuance date of this disclosure document, Los Campeones NE also operates one Los Campeones business in Minnesota, and has done so since June 2019. Except as described above, neither Affiliate nor Los Campeones NE has not otherwise engaged in any other business activity.

Except as otherwise described in above, we have no affiliates, predecessors or parents required to be disclosed in this Item 1.

Franchise Offered

You will sign a “Franchise Agreement” to receive the right to own and operate a single Los Campeones business (the “Business”) at a location to which we have consented, offering the “Products” and “Services” we approve, and using our formats, designs, methods, specifications, standards, operating

and marketing procedures and the Marks (collectively, the “System”). Los Campeones businesses are gyms that focus on strength and conditioning, but also offer standard fitness equipment and machinery, to members, and also lease space or otherwise authorize trainers (“Trainers”) to offer and provide exercise and fitness sessions to members and/or non-members within the Business.

Market and Competition

Los Campeones businesses offer health and fitness services and related products. The Los Campeones customer base primarily consists of adults who are looking for muscle gain and general exercise in a no-frills environment outside the norm of traditional fitness centers. Los Campeones businesses have a hardcore vibe yet are inclusive to all types of people.

The market is well-developed, but still growing. Your competition will include other franchised and company-owned gyms, health clubs, fitness centers, personal trainers, and fitness coaches.

Laws and Regulations

Your Los Campeones business will be subject to national, state and local regulations that apply to all businesses, such as the Americans With Disabilities Act, wage and hour laws, and business licensing requirements. Because you will accept credit cards, you will also have to comply with any general laws and regulations relating to the acceptance of credit cards, including the Payment Card Industry (“PCI”) Data Security Standard (“DSS”). Compliance with the PCI DSS is your responsibility. You must also comply with data privacy laws that affect the safekeeping of member information, and regulations that apply to electronic marketing, like faxes, emails, text messaging and telemarketing.

There are no national regulations that apply specifically to the operation of fitness centers. However, many states, and some municipalities, have laws and regulations that apply specifically to membership contracts, operations and licenses. Many states limit the length of your customer contracts, provide for specific provisions to be included in those contracts, prescribe the format or type size for the contract, and/or provide customers the right to terminate their contracts. State regulations may also require you to obtain a bond to protect pre-paid membership fees you collect. Some states and municipalities may also have enacted laws requiring fitness centers to have a staff person available during all hours of operation, and in some cases this person may be required to be certified in basic cardiopulmonary resuscitation, or have other specialized training. In addition, some states have laws requiring a fitness center to have an automated external defibrillator (“AED”) and other first aid equipment on the premises, and some may require you to take other safety measures. You must also ensure that each Trainer has all necessary and proper certifications in accordance with our mandatory System standards and specifications. There may also be special permits required for you to operate some or all of your business.

You should investigate whether there are other regulations and requirements that may apply in the geographic area in which you are interested in locating your Los Campeones business and should consider both their affect and cost of compliance. You are solely responsible for complying with all federal, state, and local laws, regulations, and requirements that apply to your Los Campeones business.

ITEM 2

BUSINESS EXPERIENCE

Benjamin Loehrer – President

Benjamin Loehrer has been our President since our inception in June 2020. Benjamin has also been the President of Affiliate in Minneapolis, MN since January 2010.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

The “Initial Franchise Fee” for a single Los Campeones business is \$50,000. You must pay the Initial Franchise Fee to us when you sign the Franchise Agreement and it is not refundable under any circumstances. The Initial Franchise Fee we charge is uniform. In 2022, we collected one \$15,000 Initial Franchise Fee.

ITEM 6

OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Royalty Fee	6% of Gross Sales	You must pay us the Royalty Fee on or before the 10 th calendar day of each month via electronic funds transfer.	(See Note 2)
Technology Fee	Then-current fee. Currently, \$0	Once established, at the same time and in the same manner as the Royalty Fee.	We may establish and require that you pay to us a monthly Technology Fee associated with maintaining, developing, and/or updating any technology used in connection with the System as we deem appropriate, upon 30 days' prior written notice to you. Once established, we may increase the Technology Fee on an annual basis upon written notice to you.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Initial Training Program	Our then-current fee	When incurred	If you appoint a new Operating Principal or general manager, such individuals must attend our initial training program. We may charge you a reasonable fee for those new individuals. You must also pay any related travel, room and board expenses.
Supplemental or Refresher Training	Our then-current fee	When incurred	We may require your Operating Principal and any general manager to attend all supplemental and refresher training programs that we designate for up to 3 days each calendar year. Upon your reasonable request, we may also provide additional onsite assistance to you. You must also pay any related travel, room and board expenses.
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Business is located, as well as any assessment on fees and any other income we receive from you.	When applicable, payable 15 days after invoiced by us	Only imposed if state collects these taxes or assessments
Approved Supplier/Product Testing	Our reasonable costs and expenses	Payable when you request our approval of a proposed supplier or product	We may require you to pay the actual cost of the inspection and evaluation, including the cost of our time spent evaluating the alternative product or supplier.
Relocation Fee	\$2,000	Payable before we review the proposed new Business site	Payable only if you relocate the Business.
Transfer Fee	\$5,000	Before completion of transfer	You pay this fee upon the transfer of your business, the Business, substantially all or all of the assets of the Business, the Franchise Agreement, or any interest in you.
Renewal Fee	\$15,000	At least 30 days before the term of the Franchise Agreement expires	
Maintenance Expenses	Will vary under circumstances.	When incurred.	(See Note 3)
Costs and Attorneys' Fees	Will vary under circumstances	When incurred	We may recover costs and reasonable attorneys' fees if you lose in a dispute with us.
Audit	Cost of audit plus interest from due date	15 days after receipt of report	Payable only if audit shows an understatement of at least 2% of Gross Sales for any month
Late Fee	10% of total amount owed	When due	The late fee will apply if we do not receive the payment on or before the date due, or there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Interest on Late Payments	Lesser of 18% per year or the maximum rate permitted by law	When due	Payable if you do not timely pay Royalty Fees, Technology Fees or other amounts owed to us or our affiliates
Indemnification	Will vary under the circumstances	As incurred.	You must indemnify us, our affiliates and other related parties for any claims or liabilities in connection with your ownership and operation of the Business, or your breach of the Franchise Agreement.
Insurance	Cost of insurance, plus a 5% administrative fee	Payable before opening	If you fail to obtain and maintain required insurance, we may immediately obtain insurance and you must promptly reimburse us for the cost of the insurance, together with late charges and an administrative fee equal to 5% of the insurance premium.
Mystery Shopper or Compliance Assessment Program Expenses	Cost of third party mystery shopper or other compliance assessment services	When incurred	Payable if we establish a mystery shopper or compliance assessment program and seek reimbursement for third-party fees related to your Business.
Management Services	Will vary under circumstances	When incurred	If at any time the Operating Principal or general manager does not manage the Business, we immediately may appoint a manager to manage the Business for you and charge you a reasonable fee for these management services.
Post Termination and Associated Expenses	You must pay for all costs associated with ceasing to be our franchisee or the de-identification of the Business.	As incurred.	If you fail to perform certain post-term duties, like redecoration, we or our affiliates may, at our option, perform such duties at your expense.

Notes:

- (1) Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed.
- (2) “Gross Sales” means the aggregate amount of all sales of all Services and Products, all leasing or other fees paid by Trainers to you, and the sale of all other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Business, including off-premises sales and monies derived at or away from the Business. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee, the sale is made at the earlier of delivery of the service or product, or receipt of payment.
- (3) You must at, your expense, maintain the condition and appearance of the Business (including adjacent parking areas and grounds), and refurbish and modify its layout, decor and general theme, as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of Los Campeones businesses, as we may modify. You will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Business, adjacent parking areas and grounds, and periodically clean and redecorate the Business. If at any time in

our reasonable judgment, the general state of repair, appearance or cleanliness of the Business premises (including parking areas and grounds) or its fixtures, equipment, furniture or signs do not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency. If you fail, within 10 days after receipt of notice, to commence action and continue in good faith and with due diligence, to undertake and complete any required maintenance or refurbishing, we may (in addition to our termination rights under the Franchise Agreement) enter the Business premises and correct the deficiencies on your behalf, and at your expense.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (See Note 1)	Low Estimated Amount (See Note 2)	High Estimated Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee See Note 3	\$50,000	\$50,000	Lump Sum	When you sign the Franchise Agreement	Us
Rent and Security Deposit (3 months) See Note 4	\$25,000	\$300,000	As agreed upon	As incurred	Landlord
Leasehold Improvements See Note 5	\$20,000	\$800,000	As agreed upon	As incurred	Landlord, various third parties
Equipment See Note 6	\$60,000	\$900,000	As agreed upon	Before opening	Various suppliers
Fixtures, Furniture, Signage See Note 7	\$1,000	\$100,000	As agreed upon	Before opening	Various suppliers
Initial Inventory, Supplies, and Uniforms See Note 8	\$4,000	\$30,000	As agreed upon	As ordered	Various suppliers
Management System	\$2,000	\$8,000	As agreed upon	As ordered	Various suppliers
Initial Training Expenses See Note 9	\$1,000	\$3,500	As incurred	Before opening	Various third parties
Licenses, Permits and Professional Fees See Note 10	\$500	\$30,000	As incurred	Before opening	Local government agencies; various third parties
Insurance See Note 11	\$10,000	\$25,000	As incurred	Before opening	Various third parties
Additional Funds - 3 months See Note 12	\$20,000	\$150,000	As incurred	As incurred	Employees, suppliers
TOTAL See Note 13	\$193,500	\$2,396,500			

Notes:

- (1) The typical size of a Los Campeones business is approximately 2,500 to 12,000 square feet. For several items discussed below, your cost will increase as the number of square feet increases. A variety of factors may impact the size of your Business such as landlord, municipality or zoning board requirements or restrictions and availability and cost of leased or purchased space. This

Table reflects your estimated initial investment for a single Business operated under a Franchise Agreement. We do not offer direct or indirect financing for your initial investment.

- (2) Except where otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable.
- (3) You will pay us the Initial Franchise Fee as more fully described in Item 5.
- (4) Depending on the market conditions and other factors in your geographic area, the cost associated with the Business premises may vary from the estimates provided in this Item 7. Our estimates assume that you will lease the Business premises. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Business and other economic factors. If you purchase the land and building for your Business, you will incur significantly greater costs in developing your Business.
- (5) Assuming that you will lease the premises for your Business, you will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. We anticipate that you likely will negotiate the cost of leasehold improvements as part of your rental expense. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Business and other economic factors. The exact amount of rental expense will vary greatly, depending on the location of the Business premises, the size of the premises, the portion of rent representing the value of leasehold improvements at the Business premises, local market conditions and other factors. You will incur greater start-up costs if you cannot negotiate the cost of leasehold improvements as part of your rental expense. The low end of this estimate assumes that the premises does not require additional improvements, or that you are able to negotiate the cost of the improvements as part of your rental expense.
- (6) The cost of purchasing any equipment, machinery, and other items used in your Business may vary as a result of the characteristics of the Business site, price differences among suppliers and shipping distances from suppliers. The low estimate assumes that the size of your Los Campeones business is approximately 2,500 square feet, whereas the high estimate assumes that your Los Campeones business is approximately 12,000 square feet.
- (7) This amount includes estimated expenses for furniture, fixtures and signage required at your Business. Local sign codes will dictate the type of exterior signage that is allowed on certain properties and in certain areas. Certain locations may not permit exterior signage. The low estimate assumes that the size of your Los Campeones business is approximately 2,500 square feet, whereas the high estimate assumes that your Los Campeones business is approximately 12,000 square feet.
- (8) We may be an approved supplier for certain items (see Item 8 for additional information.) This amount does not reflect amounts needed to replenish inventory during the initial stage of operation. You must also purchase uniforms for your staff members.
- (9) Estimated training expenses include salaries, benefits, lodging, meals and travel expenses for up to 2 people to attend the initial training program.

- (10) This amount includes expenses related to legal and financial advisor fees, and local license and permit fees. The low end of this estimate assumes that you may already possess any required licenses or permits and do not require assistance from legal and financial advisors.
- (11) This amount estimates the expenses you will incur for insurance premiums from the time you sign your lease through the first 3 months of Business operations.
- (12) This amount estimates the expenses you will incur during the first 3 months of Business operations, including initial wages and fringe benefits (for staff only), taxes, repairs, utilities, bookkeeping services that you must purchase from our designated supplier (which we estimate will cost between \$50 to \$200 per month), and interest payments on any business loans as well as on any interim financing or construction loans. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for the Los Campeones business concept and products, the prevailing wage rate, competition, the amount of the initial investment you decide to finance, and the sales level reached during the initial period.
- (13) This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of Business operations. This total is based on our experience in opening and operating Los Campeones businesses in and around Minneapolis, MN. You should review this amount carefully with a business advisor before deciding to purchase the franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting or operating your Los Campeones business.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of Products and Services throughout the System, you must maintain and comply with our quality standards.

Designated Products and Services

You must purchase for use or sale at your Business those authorized products and services used in or sold at or from Los Campeones businesses, and any other services or products we designate, from us, our designees or from other suppliers we approve. For example, as of the issuance date of this disclosure document, you must purchase and use in the operation of your Business bookkeeping services from our designated supplier. See Item 7, Note 12 for further information. We, or our affiliates or designees may be the designated or sole source of supply for certain services and products. As of the issuance date of this disclosure document, however, neither we nor our affiliates are the designated or sole source of supply for any products or services, although we and our affiliates reserve the right to become the designated or sole source of supply for any products or services in the future.

Location of your Business

You must locate a site for your Business that we consent to, and you may not sign a lease or enter into a purchase agreement to acquire any land or building for the site until we have given our consent in writing. We approve locations on a case-by-case basis, considering items such as size, appearance and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics, such as purchase price and financing if

you are acquiring the land and buildings and rental obligations and other lease terms (including those that we require be in the lease) if you lease the premises for your Business. You are not required to purchase, lease or sublease the Business premises from us or our affiliate.

Building Construction; Fixtures, Equipment, Furniture and Signs

You must satisfy our specifications and standards in constructing and developing your Business. We recommend that you use a site location specialist to assist you in finding potential sites for your Business. We may, but are not required to, furnish to you prototypical drawings and specifications for your Business reflecting any requirements for dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor. You must submit any to us for approval any proposed plans and specifications of the construction, design and layout of the premises for the Business. You must ensure that the plans and specifications comply with the Americans with Disabilities Act and all other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. In developing and operating your Business, you may purchase only the types of construction and decorating materials, fixtures, equipment, furniture and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. We or our affiliate, may be an approved supplier of one or more of these items.

Computer Hardware and Software

We currently require you to purchase the Management System we designate (including the Proprietary Software) from our designated third-party supplier (currently, Twins Oaks Software) or other approved suppliers (if any). See Item 11 for further information.

Insurance

You must purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and having an A.M. Best rating of A or higher; (2) name us and our affiliates, and their respective officers, directors and employees, and any other person or entity we designate as additional insured; (3) contain a waiver of the insurance company's right of subrogation against us and our affiliates, and any other person or entity we designate as an additional insured; (4) require your insurance to be "primary" and "non-contributory" with any insurance carried by us or our affiliates, or any other person or entity we designate as an additional insured; (5) contain the above-mentioned insurance coverage for each Business that you operate; and (6) provide that we will receive 30 days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and as we may approve).

Your insurance policies must currently include the following minimum requirements:

1. Commercial general liability insurance with limits not less than \$1,000,000 each occurrence and \$3,000,000 in the aggregate;
2. Umbrella liability insurance with a limit not less than \$2,000,000; (iii) professional liability (errors and omissions) insurance, which must include coverage for contingent bodily injury, in an amount not less than \$1,000,000 per claims and \$1,000,000 in the aggregate;
3. Workers compensation which meet the statutory limits in the state(s) where you are located and/or doing business; and

4. Any other insurance coverages or amounts as required by law or other agreement related to the Business.

We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to provide satisfactory evidence of such coverage, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, all premiums and other costs we incur, together with an administrative fee equal to 5% of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least 2 weeks before you take possession and commence development of the Business premises and at such other times as we may require.

You must also ensure that each Trainer: (i) has personal injury, property damage, and general liability insurance coverage; and (ii) names you and us, and our respective affiliates, and any other person or entity you or we designate as an additional insured, as additional insured; and (iii) provides documentation evidencing current certifications and insurance coverages.

Advertising and Promotional Approval

We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Business or otherwise develop, and obtain our advance written approval for, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Business.

Supplier and Product Approval

We will provide you with lists of designated and approved manufacturers, suppliers and distributors (“Approved Suppliers List”), and designated and approved products and services, including bookkeeping services, other inventory items, fixtures, furniture, equipment, signs, supplies and other items or services necessary to operate your Business (“Approved Supplies List”). The Approved Suppliers List may specify the specific manufacturer of a specific product or piece of equipment, in which case you can purchase those products only from a source identified on the Approved Suppliers List. We, an affiliate of ours or a third-party vendor or supplier periodically may be the only designated or approved supplier for certain products. The lists specify the suppliers and the products and services that we have designed or approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable. If you propose to use any product, services, material, fixture, equipment, sign or other item that we have not approved, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must provide us with sufficient information, specifications, samples, photographs, drawings or other information to permit us to determine whether the product, service, material, fixture, equipment, sign or other item (or brand of such item) complies with our specifications, or the supplier meets our approved supplier criteria. We will notify you of our decision within a reasonable time following our receipt of all information requested. We reserve the right to charge you for the reasonable cost of the inspection and evaluation and the actual cost of the test we conduct. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier failing to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark use, and indemnification. Notwithstanding the above, for designated products, services, materials, fixtures, furniture, equipment, signs and other items, or for items for which we have designated the supplier or suppliers you must use,

you may not request an alternative item or an alternative supplier for that item. We do not provide material benefits to you based on your use of designated or approved sources of supply.

We apply certain general criteria in approving a proposed supplier, including the supplier’s quality and pricing of products, ability to provide products/services that meet our specifications, responsiveness, quickness to market with new items, financial stability, credit program for franchisees, freight costs, and the ability to provide support to the System (merchandising, field assistance, education and training respecting sales and use of products and services). If we establish specific supplier approval criteria, such criteria will be available to franchisees upon request. We will notify you in writing if we elect to revoke our approval of a supplier.

During our fiscal year ended December 31, 2022, neither we nor our affiliates received any revenues from franchisees as the result of required purchases or leases from us or our affiliates.

One or more of our officers have an interest in us and our affiliates. No officer owns a material interest in any other supplier.

Miscellaneous

We may negotiate prices for numerous products for the benefit of the System, but not for any individual franchisee. There is no purchasing or distribution cooperative in the System. We may, however, attempt to receive volume discounts for the System.

We (directly or through an affiliate) may derive revenue directly or in the form of rebates or other payments from suppliers, based directly or indirectly on sales of products, advertising materials and other items to franchisees, and from other service providers, which may or may not be reasonably related to services we or our affiliates provide to these third parties. These payments may range from less than 1% up to 10% or more of the total purchase price of those items. We and our affiliates will retain and use any such payments as we deem appropriate or as required by a particular manufacturer, supplier or distributor.

We estimate that the purchase or lease of products, equipment, software, signs, fixtures, furnishings, supplies, advertising and sales promotions materials and other items meeting our specifications will represent approximately 50% to 80% of the cost to develop the Business and 50% to 80% of the cost to operate your Business.

ITEM 9

FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and other items of this disclosure document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2 and 6 of the Franchise Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Section 6 of the Franchise Agreement	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 6 and 7 of the Franchise Agreement	Items 8 and 11

Obligation	Section in Agreement	Disclosure Document Item
d. Initial and ongoing training	Sections 1, 3, 7, 14 and 15 of the Franchise Agreement	Item 11
e. Opening	Sections 6 and 7 of the Franchise Agreement	Items 5 and 11
f. Fees	Sections 3, 4, 6, 7, 9, 11, and 14 of the Franchise Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/ Operations Manual	Sections 3, 5-9, 14, and 15 of the Franchise Agreement	Items 11, 12 and 16
h. Trademarks and proprietary information	Sections 1, 6, 8, 9, and 12 of the Franchise Agreement	Items 13 and 14
i. Restriction on products/services offered	Sections 2 and 9 of the Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 9 the Franchise Agreement	Items 11 and 16
k. Territorial development and sales quotas	N/A	N/A
l. Ongoing product/service purchases	Sections 6 and 9 of the Franchise Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Section 9 of the Franchise Agreement	Items 8 and 11
n. Insurance	Section 9 of the Franchise Agreement	Items 6, 7 and 8
o. Advertising	Sections 5 and 9 of the Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 18 of the Franchise Agreement	None
q. Owner's participation/management/staffing	Section 9 the Franchise Agreement	Items 11 and 15
r. Records and reports	Section 10 of the Franchise Agreement	Item 6
s. Inspections and audits	Section 11 of the Franchise Agreement	Item 6
t. Transfer	Section 14 of the Franchise Agreement	Items 6 and 17
u. Renewal	Section 3 of the Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Sections 13 and 17 of the Franchise Agreement	Item 17
w. Non-competition covenants	Section 13 of the Franchise Agreement	Item 17
x. Dispute resolution	Section 19 of the Franchise Agreement	Item 17

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Assistance. Before you open your Business, we will:

1. Provide you with reasonable assistance in connection with the selection and evaluation of proposed Business sites, as we deem appropriate (Franchise Agreement – Section 6(A) and Exhibit C).
2. Provide the initial training program described below to your “Operating Principal,” (as defined in Item 15) and general manager (Franchise Agreement – Section 7(B)).
3. Provide you with access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7(E)).
4. Make available to you the Management System that we have selected for the System as described further below (Franchise Agreement – Section 6(E)).
5. Provide you with lists of approved suppliers and approved products, equipment, or services necessary to operate your Business (Franchise Agreement – Section 6(C)).
6. We may, but are under no obligation to, provide you with the services of one of our representatives to assist you in the opening and initial operations of the Business. If we elect to provide such assistance, we have the right to determine the duration, time, and method (in person or through electronic means) at which our representative is available to you. (Franchise Agreement – Section 7(C)).

We are not required to provide you any assistance with conforming your Business to any ordinances or codes, hiring any employees, or providing you with any necessary equipment, signs, fixtures, opening inventory, and supplies.

Ongoing Assistance. During the operation of your Business:

- (1) We will provide advisory services relating to Business operations, including Products and Services offered for sale, selecting, purchasing and marketing other approved materials and items, marketing assistance and, and general administrative and operating procedures (Franchise Agreement – Section 7(C)).
- (2) We will periodically provide you with updated and revised materials for the Operations Manual (Franchise Agreement – Section 7(D)).
- (3) We may offer further training programs and/or refresher courses at your expense, some of which may be mandatory. (Franchise Agreement – Section 7(B)).
- (4) We may periodically make suggestions to you with regard to your pricing policies. You may decide whether or not to follow these suggestions. We also have the right to establish maximum prices and/or minimum prices to be charged by you for the Products and Services you offer at the Business, to the extent permitted by law. (Franchise Agreement – Section 9(O)).

Site Selection.

If you already have a potential site for the Business, you may propose the location to us. We may consent to the site after we have independently evaluated it. The site for the Business will be identified in Exhibit A to the Franchise Agreement. If you do not have a proposed site, you will sign Exhibit C to the Franchise Agreement and will have 6 months following the date of the Franchise Agreement to identify a Business site acceptable to us. You are solely responsible for locating and obtaining a site which meets our standards and criteria and that is acceptable to us. We may, but are not required to, provide you with our general site selection and evaluation criteria. We recommend that you use a site location specialist to assist you in finding potential sites for your Business. If you sign Exhibit C to the Franchise Agreement and we cannot agree on a site for a Business within the 6-month period, we can terminate your Franchise Agreement.

You must submit to us a complete site report (containing information that we may reasonably require) for the proposed Business site. The general site and evaluation criteria which you should consider include demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses (including other Los Campeones businesses), and other commercial characteristics, and the proposed location, size of premises, appearance and other physical characteristics. We will notify you in writing within 30 days after we receive your complete site report and other materials we request whether the proposed site satisfies our site selection criteria. Our review of a site for the Business does not represent any recommendation or guaranty as to the success of the proposed site. If you and we are unable to agree on a site for the operation of the Business, the opening of your Business may be delayed.

Development Time.

The typical length of time between our acceptance of the Franchise Agreement and the opening of your Business is expected to vary from 6 to 12 months. This period may be longer or shorter, depending on the time of year, availability of financing, local construction delays, how soon you can attend training or other factors.

If you do not obtain a site acceptable to us within 6 months, or open your Business within 6 months following the date in which we consent to the site for the Business, then we may terminate the Franchise Agreement.

Advertising.

All advertising and promotion by you in any medium must be conducted in a professional manner and must conform to our standards and requirements as set forth in the Operations Manuals or otherwise. We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Business or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only approved advertising and promotional materials in promoting the Business. If you desire to use any advertising or promotional materials in promoting the Business which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within 5 days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time.

You are not required to spend any minimum amount on advertising or marketing your Business. However, you must use your best efforts to promote and advertise your Business and must participate in all

advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of any gift card and/or loyalty program that we have established or may establish. You also must honor all coupons, discounts and gift certificates as we may reasonably specify in the Operations Manual or otherwise in writing. You must also participate in any mystery shopper program or compliance assessments we require.

You are also not required to contribute to any marketing fund, and we currently do not intend to establish or maintain a marketing fund. We are also not required to conduct any advertising for the franchise system or within your Protected Territory.

You will not be required to participate in a local or regional advertising cooperative. As of the issuance date of this disclosure document, we do not have an advertising council composed of franchisees.

Website.

We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. We may, but are not required to, grant you the right to access and participate in our website or other online presence. We also reserve the right to create interior pages on our website that contain information about your Business and other franchised businesses. If we do create such pages, we may require you to prepare all or a portion of the page for your Business, at your expense, using a template that we provide and/or by paying our designated supplier. Any updates or modifications to such pages, whether required by us or requested by you, will be at your sole expense. All such information, updates, or modifications will be subject to our approval prior to posting.

We and/or our affiliates are the lawful, rightful and sole owner of the Internet domain name loscampeonesgym.com, as well as any other Internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any Internet domain names colorably similar thereto. You may not register any Internet domain names in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

With our prior written consent, which we have the right to deny, you may establish or maintain a separate profile on Facebook, Twitter, LinkedIn, YouTube, Pinterest, Instagram, Snapchat, or any other social media and/or networking site for your Business. If we grant such approval, you must: (i) provide us with each applicable domain name and/or social media profile; (ii) establish and operate such profile, site or presence in accordance with our mandatory System standards and any other mandatory policies we designate in the Operations Manual or otherwise in writing from time to time; and (iii) utilize any templates that we may provide to you to create and/or modify any such profiles, sites or presences.

Except as we set forth in the Operations Manual or in writing, you may not, without our prior written consent, (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Products or Services or similar products or services on the Internet (or any other existing or future form of electronic communication); or (3) use additional email addresses in operating the Business beyond those we have authorized.

Management System.

You will use in the Business the client management and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we have developed or selected for the System (the "Management System"). The Management System may include one or more proprietary or other software programs developed or customized for us (the "Proprietary

Software”). You must use the Proprietary Software from us or our designated third party supplier. The Proprietary Software will remain the confidential property of us or our third party supplier. You may be required to enter into our or our designee’s standard form software license agreement in connection with your use of any Proprietary Software. We reserve the right to charge you a license fee related to your use of the Proprietary Software. You will pay the then-current fee (if any) for the Proprietary Software at or before the Proprietary Software is delivered to you.

As of the issuance date of this disclosure document, the required Management System includes: basic computer hardware, Microsoft Office 365, designated gym software (currently, Twin Oaks Software), QuickBooks, and such other hardware and software that we may designate in the future. We estimate that initial cost for the Management System will range from \$2,000 to \$5,000. You must also pay any ongoing fees associated with our designated gym software, which may be based upon the number of members or visitors that your Business has.

You must have Internet access with a form of high-speed connection as we require. You will use an e-mail address we designate for communication with us. We have the right to designate a single source from which you must purchase the Management System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the Management System, including any additions or modifications to any Proprietary Software. We also may independently access financial information and customer data produced by or otherwise located on your Management System (collectively the “Client Data”). The Client Data is our sole and exclusive property, although you will be responsible for obtaining all customer consents necessary to allow us to use the Customer Data for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You cannot use the Customer Data for any purpose other than the operation of the Business consistent with our standards of use. There are no contractual limitations on our right to access the information and data.

You may be required to obtain ongoing maintenance and repairs respecting the Management System, as well as upgrades or updates respecting the Proprietary Software. We estimate the cost of optional or required maintenance, updates and upgrades will be \$0 to \$500 per year. There are no contractual limitations on the frequency and cost of additional maintenance or repair. You must incorporate these upgrades and updates to the Management System. We, our affiliates, and third-party suppliers are not currently required to provide any ongoing maintenance, repairs, upgrades or updates to you.

Training.

Before you open your Business, your Operating Principal and general manager must attend our initial training program at a location we designate. We currently plan to offer the initial training program once or more each calendar quarter, or as we determine is necessary during the upcoming year. The initial training program may include online, classroom and on-the-job modules. The initial training program includes instruction relating to Business operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs and methods of controlling operating costs. The Operating Principal and general manager may be the same person.

You may not open your Business unless the Operating Principal and general manager complete the initial training program to our satisfaction. If we determine that the proposed Operating Principal or general manager is not qualified to manage the Business, we will allow you to select a substitute Operating Principal or general manager to complete the initial training program at an additional expense to you.

As of the issuance date of this disclosure document, the initial training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Operations manual	4		Minneapolis, MN or another location we designate
In-gym sales and operations		12	Minneapolis, MN or another location we designate
in-gym management practices		12	Minneapolis, MN or another location we designate
General in-gym cleaning/maintenance		12	Minneapolis, MN or another location we designate
Training comprehension debrief	2-4		Minneapolis, MN or another location we designate
Total	6-8	36	

The instructional materials for all training programs include the Operations Manual, handouts and visual aids, and will include lecture, classroom discussion, hands-on demonstration and/or practice training at a Los Campeones business.

Benjamin Loehrer oversees the initial training program. Benjamin has been our President since our inception, and has 18 years of experience in the fitness industry.

We do not charge a fee for your initial Operating Principal and general manager to attend the initial training program. You are, however, responsible for travel and living expenses that your Operating Principal and general manager incur while attending the initial training program. Additional general managers of the Business and other employees you designate may, but are not required, to attend our initial training program, provided that they attend the initial training program at the same time as the Operating Principal

In addition, all new Operating Principals and general managers must complete our designated initial training program. We may charge you a reasonable fee for those new or additional individuals who attend the initial training program.

We may require that the Operating Principal and any general manager attend all supplemental and refresher training programs that we designate for up to 3 days each calendar year. We may decide the time and place of training and may charge you a reasonable fee for these supplemental and refresher training programs. Upon your reasonable request, and subject to our availability, we may provide additional onsite assistance to you, and we may charge you a reasonable fee for this onsite assistance. We may also require you to pay any related travel, room and board expenses that we incur in providing onsite assistance to you.

You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the initial training program, and supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for you and your employees, while you and your employees attend training or any franchise conventions or meetings.

Operations Manual.

During the term of the Franchise Agreement, we will allow you to access our Operations Manual (the “Operations Manual”). The Operations Manual is currently 85 pages, and its table of contents is attached hereto as **Exhibit C**.

ITEM 12

TERRITORY

You will receive a “Protected Territory” surrounding the location of your Los Campeones business,

The size of your Protected Territory will generally consist of a 5-mile radius from your Los Campeones business. The Protected Territory may be larger or smaller if your Los Campeones business is located in a less populated rural area or a densely populated urban area, respectively.

During the term of the Franchise Agreement, if you are complying with the provisions of the Franchise Agreement, we will not establish any other franchised or company-owned Los Campeones businesses in the Protected Territory.

The location of the Business and the Protected Territory will be identified in Exhibit A to the Franchise Agreement. If you do not have a site for your Business when you sign the Franchise Agreement, you will sign Exhibit C to the Franchise Agreement and will have 6 months after the date of the Franchise Agreement to find a site for the Business (acceptable to us) within the designated geographic area. Our designation of the geographic area in Exhibit C to the Franchise Agreement does not confer any territorial rights upon you during the period in which you are attempting to identify and receive our approval of a site for the Business, and we and our affiliates reserve, during that period, all territorial rights within the geographic area, including without limitation the right to directly operate, or grant to other persons or entities the right to operate, Los Campeones businesses within the geographic area. Once we approve a location within the geographic area established in Exhibit C, we and you will then sign Exhibit A (which identifies the Protected Territory for your Business). Maintenance of your Protected Territory is not dependent upon achieving certain sales volumes, market penetration or other contingency. Your Protected Territory will not be altered during the initial term of your Franchise Agreement, although it may be altered upon renewal of your franchise.

You will not relocate the Business from the approved site without our prior written consent. If you relocate the Business, the “new” franchised location of the Business to which we consent, including the real estate and building, must comply with all applicable provisions of the Franchise Agreement and with our then-current specifications and standards for Los Campeones businesses. We will not unreasonably withhold our consent to the proposed relocation, provided we have received at least 90 days’ written notice prior to the closing of the Business at the existing approved site, you have obtained a site to which we have consented, and you agree to open the new approved site for the Business within 5 days after you close the Business at the prior approved site and comply with any other conditions that we may require. If you must relocate the Business because the Business was destroyed, condemned or otherwise became untenable by fire, flood or other casualty, you must reopen the Business at the new approved site in the Protected Territory within 12 months after you discontinue operation at the existing approved site. In addition, we will require you to pay us a fee equal to \$2,000 for services we will provide in connection with any relocation of the Business before we will review a proposed new approved site. There is no guarantee that an acceptable location will be available for relocation, and if you cannot relocate your Business within the Protected Territory and reopen your Business within the required time periods, the Franchise Agreement will terminate.

We (for ourselves and our affiliates) reserve all rights not expressly granted to you in the Franchise Agreement, without compensation to you, including:

1. To directly operate, or to grant other persons the right to operate, Los Campeones businesses at locations outside the Protected Territory;
2. To promote, sell and distribute anywhere the Services and the Products authorized for sale at Los Campeones businesses under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;
3. To promote, sell, distribute and license the Services and the Products authorized for sale at Los Campeones businesses as well as ancillary services and products under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service Los Campeones businesses), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;
4. To acquire exercise or fitness-related businesses or systems and operate such businesses or systems regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party which operates exercise or fitness-related businesses or systems regardless of whether such businesses or systems are located within or outside the Protected Territory; and
5. To promote the System and Los Campeones businesses generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

We recommend that you concentrate all advertising and other solicitation of customers inside the local geographic area of your Business. You may not offer, promote or sell any Products or Services through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not have the right to subfranchise or sublicense any of your rights under the Franchise Agreement.

We do not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

Except as disclosed, neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the Products and Services authorized for sale at a Los Campeones business under any other trademark or service mark.

ITEM 13

TRADEMARKS

The Franchise Agreement licenses you to use the Marks, which include the trademark Los Campeones®, as well as other trademarks, service marks, trade names, domain names, logos and other commercial symbols we and or Affiliate may use and register in the future for the System. We and Affiliate

also claim common law trademark rights for the Los Campeones® trademark, and will claim common law trademark rights in all other Marks.

The following schedule lists only the principal Marks that you are licensed to use, all of which are registered on the Principal Register of the United States Patent and Trademark Office: We or Affiliate has filed all required affidavits and renewals for the principal Marks.

Principal Trademark	Registration No.	Registration Date
LOS CAMPEONES	5744201	May 7, 2019
LOS CAMPEONES (and Design)	5744202	May 7, 2019
LOS CAMPEONES THE BEST GYM IN TOWN	5749502	May 14, 2019

Affiliate owns the Marks. Affiliate has licensed to us the right to use the Marks and to sublicense the use of the Marks to operate Los Campeones businesses under a trademark license agreement dated December 6, 2020 (the “Trademark License Agreement”). Affiliate may terminate the Trademark License Agreement if our misuse of the Marks materially impairs the goodwill associated with the Marks, if we violate any of Affiliate’s instructions concerning the quality of the Marks, or if we fail to perform any other obligation under the Trademark License Agreement, and we fail to cure such breach within 30 days. If the Trademark License Agreement terminates, any then-existing sublicenses (franchises) will continue for the term of the sublicenses, provided that the franchisees comply with all other terms of their Franchise Agreements. The Trademark License Agreement contains no other material limitations.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our and Affiliate’s exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website without our prior written approval.

There are currently no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our or Affiliate’s rights to use or license the use of any principal Marks in any manner material to the franchise.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any person other than us and Affiliate and our counsel regarding any infringement, challenge or claim. We and Affiliate may take any action we and Affiliate deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we and Affiliate may reasonably request to protect and maintain our and Affiliate’s interests in any litigation or other proceeding or to otherwise protect and maintain our and Affiliate’s interests in the Marks. We and Affiliate are unaware of any infringing uses or superior rights that could materially affect your use of the principal Marks.

You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior

use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and will, at your expense, cooperate in all respects with us and Affiliate in any court or other proceedings involving the Marks. Subject to our right of indemnification, we or Affiliate will pay the cost and expense of all litigation we and Affiliate incur, including attorneys' fees, specifically relating to the Marks. We and Affiliate and our legal counsel will have the right to control and conduct any litigation relating to the Marks. If we or Affiliate determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered or pending that are material to the franchise. We and Affiliate do claim copyright ownership and protection for the Operations Manual as well as our and its advertising copy and design, written training materials and for certain other written materials we provide to assist you in operating your Business. In addition, we treat certain portions of our training curriculum as trade secrets.

There are no currently effective determinations of the Copyright Office (Library of Congress), USPTO, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights.

We and Affiliate own certain proprietary or confidential information relating to the operation Los Campeones businesses, including information in the Operations Manual ("Confidential Information"). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost. During the term of your Franchise Agreement, you and we will have joint ownership of customer data stored on your Management System. As the customer data is Confidential Information, you must cease to use it when your Franchise Agreement expires or terminates. We will periodically establish policies respecting the Business customer data.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate an individual we approve and who successfully completes our required training to be the operating principal ("Operating Principal"). The Operating Principal is responsible for day-to-day Business operations. The Operating Principal assumes his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility or time commitments, or that otherwise may conflict with his/her obligations. In addition, at all times, the Business must be under the direct, on-site supervision of the Operating Principal or a general manager. The Operating Principal and general manager may be the same person. The Operating Principal and if applicable, any general manager, are not required to own an interest in you.

Each individual who owns any 10% or greater interest in the franchisee entity is considered a "Principal Owner" and must sign the Guaranty and Assumption of Obligations attached to the Franchise

Agreement. We may also require the spouse of any Principal Owner to sign the Guaranty Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17.

If at any time the Operating Principal or an approved manager does not manage the Business, we immediately may appoint a manager to manage the Business for you and charge you a reasonable fee for these management services.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell in and from your Business all, and only, those products and services that we have approved. You must at all times maintain an inventory of approved Products and other items in such quantities and variety that we direct. We may add new Products or Services that you must offer at or use in your Business. Our right to modify the Products and Services to be offered at a Business is not limited. You must also honor any customer’s valid membership to any other Los Campeones business in accordance with our System standards and specifications. We may, upon written notice to you, establish, modify, or discontinue any policies or guidelines relating to reciprocity of members, memberships, or membership payments, and you must comply with such changes. Our right to modify the Products and Services to be offered at a Business is not limited.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement or Other Agreement	Summary
a. Length of the franchise term	Section 3	5 years.
b. Renewal or extension of the term	Section 3	If you are in good standing, you can renew the Franchise Agreement for 1 additional 5-year term.
c. Requirements for you to renew or extend	Section 3	Provide advance notice, comply with current franchise agreement, your Operating Principal and a Principal Owner satisfactorily completes any new/refresher training programs, sign our then-current form of franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement), remodel, provide proof you will maintain possession of the Business premises, pay renewal fee, and sign a general release of claims.
d. Termination by you	Section 16	Franchise Agreement: If you comply with the Franchise Agreement, and we fail to cure a material provision within 60 days after written notice.

Provision	Section in Franchise Agreement or Other Agreement	Summary
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 15	We may terminate only if you default.
g. "Cause" defined – curable defaults	Sections 15(A) and (B)	<p>Failure to conform to the material requirements of the System or the material standards of uniformity and quality for the Services and Products as described in the Operations Manual or as we have established under the System; failure to timely pay fees or any other obligations or liabilities due and owing to us or our affiliates, other Los Campeones businesses or suppliers, or any advertising cooperative obligations; failure to complete the initial training program or open and commence full operations of the Business within the required timeline; violation of any material provision or obligation of the Franchise Agreement; violation of any federal, state or local government health code in connection with the operation of the Business; or the result of an audit discloses an understatement of Gross Sales of 2% or more; etc.</p> <p>The cure period is generally 30 days, except you have only 10 days to cure a failure to pay amounts due, and you have only 72 hours to cure a health code violation (except as described in paragraph h below).</p>
h. "Cause" defined – non-curable defaults	Sections 15(A) and (B)	<p>Any material misrepresentation or omission in the application for the franchise; any of your managers (including the Operating Principal), directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or associated goodwill, or if we have proof that such person has committed such a felony, crime or offense; insolvency; any assignment for the benefit of creditors; abandonment of the Business; any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name "Los Campeones" or any of the Marks or the System; an unauthorized assignment or transfer; threat or danger to the public health or safety; the lease for the Business premises expires or is terminated; falsification of any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise; failure to comply with one or more material requirements of the Franchise Agreement on 3 separate occasions within any 12 month period; the nature of your breach makes it not curable; or you willfully and repeatedly deceive customers relative to the source, nature or quality of goods or services sold.</p>
i. Your obligations on termination/nonrenewal	Section 17 and 13(B)	<p>Cease operation of the Business and use of Marks, pay all amounts due us, stop using and return Operations Manual and other materials, assign to us the Business telephone number and telephone listing or (at our option) disconnect the telephone number, remove all signs and other materials containing any Marks, comply with obligations under any proprietary software license/access agreements, cancel all fictitious or assumed name filings, cease using Confidential Information, return all equipment leased and licensed from us or our affiliate in accordance with the terms of the Equipment Lease and License Agreement, and agree not to divert Business customers to any competing business for 2 years (also see paragraphs o and r below).</p>
j. Assignment of contract by us	Section 14(A)	Assignee must fulfill our obligations under the Franchise Agreement.

Provision	Section in Franchise Agreement or Other Agreement	Summary
k. "Transfer" by you-defined	Section 14(B)	Includes transfer of Business or its assets, or your interest in the Franchise Agreement or any ownership change.
l. Our approval of transfer by franchisee	Sections 14(B) and (C)	We have the right to approve all transfers, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 14(B)	New franchisee qualifies and completes training, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Franchise Agreement or (at our option) signs then-current agreement, we approve transfer agreement, transfer fee paid, lease assigned (if applicable), and you sign non-compete agreement and general release.
n. Our right of first refusal to acquire your business	Section 14(E)	We can match any offer for your Business.
o. Our option to purchase your business	Section 17(C)	When the Franchise Agreement expires or terminates, we may purchase assets at fair market value, less the value of any goodwill associated with our Marks and other intangible assets. We may also assume your lease for the Business.
p. Your death or disability	Section 14(C)	Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months.
q. Non-competition covenants during the term of the franchise	Sections 13(C) and (E)	No involvement in any business that offers or sells any fitness or exercise-related services, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to a Los Campeones business (a "Competing Business").
r. Non-competition covenants after the franchise is terminated or expires	Sections 13(D) and (E) and 17(A)	Franchise Agreement: No involvement in any Competing Business at the former site of the Business, or within a 5- mile radius of the former site of the Business or any other then-existing Los Campeones business, for a period of 2 years following the termination or expiration of the Franchise Agreement.
s. Modification of the agreement	Section 20(F)	No modifications generally, except in writing. We may modify Operations Manual, Marks, System and goods/services to be offered to your Business.
t. Integration/merger clause	Section 20(N)	Only the terms of the Franchise Agreement (is applicable) are binding (subject to applicable state law). Any representations or promises outside of this disclosure document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	Section 19	Except for actions we bring for monies owed, injunctive or extraordinary relief, or actions involving real estate, we may require that all disputes first be subject to non-binding mediation in the county where our headquarters is located.
v. Choice of forum	Section 20(D)	Litigation (to the extent permitted) must be in state or federal court in the in the county where our headquarters is located at the time the suit is commenced (subject to applicable law). We also have the right to file suit where the Business is located.
w. Choice of law	Section 20(E)	Laws of the state of Minnesota.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

This Item 19 presents data in the charts below for 5 Los Campeones businesses (4 company-owned businesses and 1 franchised business) (each, a "Gym"). Gyms 1-4 were open and operating for all of the 2021 calendar year, while Gym 5 was only open and operating from September to December 2021. However, Gyms 1-5 were all open and operating for all of the 2022 calendar year. Gyms 1-5 are operated in a substantially similar manner to the Business offered in this disclosure document.

This Item 19 excludes information from 2 Los Campeones businesses that were open and operating as of December 31, 2022 (1 company-owned business, owned and operated by Affiliate in Eden Prairie, MN, and one franchised business, owned and operated by a franchisee in Austin, TX). These 2 Los Campeones businesses were excluded because they opened during 2022 and were therefore not open and operating for the full 2022 calendar year. No Los Campeones businesses were permanently closed during the 2021 and 2022 calendar years.

Gyms 1-5 have the following characteristics:

"Gym 1" is located in Minneapolis, MN, opened in January 2010, and has been owned and operated by Affiliate (Los Campeones Gym, LLC). It contains a total of 15,000 square feet, which includes an outdoor area of 3,000 square feet where customers can exercise and use certain gym equipment.

"Gym 2" is located in Minneapolis, MN, opened in October 2014, and has been owned and operated by Affiliate. It contains a total of 11,000 square feet, which includes an outdoor area of 800 square feet where customers can exercise and use certain gym equipment.

"Gym 3" is located in Tempe, AZ and opened in November 2018. It was owned and operated by a franchisee until we reacquired it from the franchisee in October 2022, and has been owned and operated by our affiliate Los Campeones NE since we repurchased it. Gym 3 contains a total of 2,000 square feet, which includes an outdoor area of 500 square feet where customers can exercise and use certain gym equipment.

"Gym 4" is located in Minneapolis, MN, opened in June 2019, and has been owned and operated by Los Campeones NE. It contains a total of 12,000 square feet, which includes an outdoor area of 10,000 square feet where customers can exercise and use certain gym equipment.

“Gym 5” is located in Saint Paul, MN, opened in September 2021, and has been owned and operated by Affiliate. It contains a total of 28,000 square feet, which does not include an outdoor area where customers can exercise and use certain gym equipment.

Please carefully read all of the information in this Item 19, and all of the notes following the charts, in conjunction with your review of the historical data. You should conduct an independent investigation of the costs and expenses you will incur in managing your Business.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.

CHART A-1 TOTAL GROSS REVENUE DURING 2021 CALENDAR YEAR

	Gym 1	Gym 2	Gym 3	Gym 4	Gym 5 (September – December)
Total Gross Sales in 2021¹	\$733,987	\$606,097	\$121,650	\$668,047	\$82,193
<i>Membership Sales²</i>	\$505,371	\$454,391	\$45,332	\$456,166	\$40,723
<i>Non-Members Sales³</i>	\$98,775	\$71,721	\$70,322	\$104,739	\$24,332
<i>Products, Merchandise, and Accessories⁴</i>	\$129,861	\$79,985	\$5,996	\$98,142	\$17,138

CHART A-2 TOTAL GROSS REVENUE DURING 2022 CALENDAR YEAR

	Gym 1	Gym 2	Gym 3	Gym 4	Gym 5
Total Gross Sales in 2022¹	\$799,183	\$785,053	\$122,363	\$962,228	\$734,190
<i>Membership Sales²</i>	\$551,614	\$560,877	\$44,718	\$684,720	\$491,948
<i>Non-Members Sales³</i>	\$155,191	\$118,045	\$22,651	\$175,863	\$101,627
<i>Products, Merchandise, and Accessories⁴</i>	\$92,378	\$106,131	\$54,994	\$137,644	\$140,615

Notes to Charts A-1 and A-2:

1. “Total Gross Sales” means the aggregate amount of all sales of all Services and Products, all leasing or other fees paid by Trainers, and the sale of all other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Gym, including off-premises sales and monies derived at or away from the Business. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales.
2. “Membership Sales” means the portion of Total Gross Sales that was derived from membership fees paid by members of that Gym.

3. “Non-Membership Sales” means the portion of Total Gross Sales that was derived from non-members of the Gym that paid for daily, weekly, or monthly passes to use the Gym, as well as the amount that Trainers paid the Gym.
4. “Products, Merchandise, and Accessories” means the amount of Total Gross Sales that was derived from the sale of Products, including merchandise, food and beverage products, and general accessories sold at the Gym.

CHART B-1 AVERAGE AND MEDIAN NUMBER OF TRAINERS PER MONTH FROM JANUARY 2021 TO DECEMBER 2021

	Gym 1 ²	Gym 2 ²	Gym 3	Gym 4 ²	Gym 5 ²
Average Number of Trainers Per Month in 2021¹ <i>(Median Number of Trainers per Month in 2021 – January to December)</i>	18 (19)	15 (17)	8 (8)	21 (93)	4 (4)

CHART B-2 AVERAGE AND MEDIAN NUMBER OF TRAINERS PER MONTH FROM JANUARY 2022 TO DECEMBER 2022

	Gym 1 ²	Gym 2 ²	Gym 3	Gym 4 ²	Gym 5 ²
Average Number of Trainers Per Month in 2022¹ <i>(Median Number of Trainers per Month in 2022 – January to December)</i>	16 (15)	14 (14)	5 (7)	24 (22)	20 (15)

Notes to Charts B-1 and B-2:

1. “Number of Trainers” means the number of Trainers that each Gym leased space to or otherwise authorized to offer services at the Gym at any point during a calendar month.
2. Any Trainer that leases space at Gyms 1, 2, 4 or 5 is permitted to offer services at Gyms 1, 2, 4 and 5 without having to pay an additional fee. For purposes of calculating the Number of Trainers for Gyms 1, 2, 4 and 5, each Trainer was only calculated once based upon the Gym that they frequented the most often in 2021 (Chart B-1) or 2022 (Chart B-2).

CHART C-1 MONTHLY GROSS SALES IN JANUARY 2021 TO DECEMBER 2021

Total Gross Sales¹ by Month					
Month	Gym 1	Gym 2	Gym 3	Gym 4	Gym 5
January 2021	\$85,980	\$68,711	\$11,288	\$71,760	N/A
February 2021	\$51,811	\$38,983	\$8,698	\$41,553	N/A
March 2021	\$59,952	\$43,797	\$7,010	\$46,849	N/A
April 2021	\$61,661	\$45,367	\$9,811	\$44,436	N/A
May 2021	\$63,440	\$50,989	\$9,250	\$76,179	N/A
June 2021	\$66,094	\$52,036	\$8,835	\$59,243	N/A
July 2021	\$65,383	\$51,318	\$11,014	\$54,121	N/A
August 2021	\$65,804	\$52,565	\$9,724	\$58,208	N/A
September 2021	\$61,474	\$54,297	\$8,809	\$61,192	\$9,356
October 2021	\$57,979	\$54,995	\$10,158	\$67,807	\$14,922
November 2021	\$66,423	\$53,900	\$11,340	\$71,884	\$28,029
December 2021	\$60,787	\$54,517	\$15,088	\$65,331	\$29,923

CHART C-2 MONTHLY GROSS SALES IN JANUARY 2022 TO DECEMBER 2022

Total Gross Sales¹ by Month					
Month	Gym 1	Gym 2	Gym 3	Gym 4	Gym 5
January 2022	\$ 95,314	\$ 82,816	\$ 17,440	\$105,676	\$ 43,878
February 2022	\$ 60,498	\$ 57,598	\$ 13,271	\$63,366	\$ 36,492
March 2022	\$ 61,061	\$ 58,928	\$ 10,602	\$77,739	\$ 47,191
April 2022	\$ 57,605	\$ 58,179	\$ 15,456	\$69,747	\$ 55,806
May 2022	\$ 64,504	\$ 59,318	\$ 7,290	\$82,723	\$ 59,269
June 2022	\$ 64,765	\$ 70,570	\$ 12,506	\$78,894	\$ 63,089
July 2022	\$ 59,738	\$ 58,725	\$ 15,202	\$82,898	\$ 60,995
August 2022	\$ 64,444	\$ 61,152	\$ 14,926	\$ 75,473	\$ 68,412
September 2022	\$ 62,404	\$ 61,154	\$ 12,095	\$ 74,558	\$ 64,879
October 2022	\$ 67,815	\$ 64,423	\$ 1,254	\$ 82,570	\$ 72,777
November 2022	\$ 69,398	\$ 69,154	\$ 6,389	\$ 84,505	\$ 78,426
December 2022	\$ 70,964	\$ 80,663	\$ 5,729	\$ 83,790	\$ 81,966

Notes to Charts C-1 and C-2:

1. "Total Gross Sales" has the same meaning as described in Charts A-1 and A-2.

The financial information we used in preparing the preceding financial performance representations was based entirely upon unaudited information reported to us by each affiliate or franchisee that operates the respective Gym. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form.

Written substantiation of all financial performance information presented in this financial performance representation will be made available to you in our main office upon reasonable request.

Other than the preceding financial performance representation, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Benjamin Loehrer at Los Campeones Franchising LLC, 2721 E. Franklin Ave., Minneapolis, Minnesota 55406, 612-850-0029, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Business Summary(1)(2)
For Years 2020-2022

Business Type	Year	Businesses at the Start of the Year	Businesses at the End of the Year	Net Change
Franchised(1)	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
Company-Owned(2)	2020	3	3	0
	2021	3	4	4
	2022	4	6	+2
Total Businesses	2020	4	4	0
	2021	4	5	1
	2022	5	7	+2

TABLE NUMBER 2
Transfers of Businesses From Franchisee to New Owners (Other than the Franchisor)
For Years 2020-2022

State	Year	Number of Transfers
TOTAL	2020	0
	2021	0
	2022	0

TABLE NUMBER 3
Status of Franchised Businesses(1)
For Years 2020-2022

State	Year	Businesses at the Start of the Year	Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Stores at the End of the Year
Arizona(1)	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	1	0	0
Texas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
TOTALS	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	1	0	1

TABLE NUMBER 4
Status of Company-Owned Businesses(1)(2)
For Years 2020-2022

State	Year	Businesses at the Start of the Year	Businesses Opened	Businesses Reacquired From Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at the End of the Year
Arizona(1)	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
Minnesota(2)	2020	3	0	0	0	0	3
	2021	3	1	0	0	0	4
	2022	4	1	0	0	0	5
TOTALS	2020	3	0	0	0	0	3
	2021	3	1	0	0	0	4
	2022	4	1	1	0	0	6

Notes to Tables 1 to 4 above

- (1) As further described in Item 1, this franchised Los Campeones business in Arizona was granted by Affiliate (Los Campeones Gym, LLC) as part of a “test” program and was assigned to us. In addition, on October 1, 2022, we reacquired this franchised Los Campeones business from the franchisee, and our affiliate Los Campeones NE has owned and operated it as an additional company-owned location since this date.
- (2) As further described in Item 1, 4 of the company-owned Los Campeones businesses identified in this Item 20 in Minnesota are owned and operated by Affiliate, and the remaining company-owned

Los Campeones business identified in this Item 20 in Minnesota is owned and operated by Los Campeones NE.

TABLE NUMBER 5
Projected Openings
As of December 31, 2022

State	Franchise Agreements Signed But Business Not Opened	Projected New Franchised Businesses in the Next Fiscal Year	Projected New Company-Owned Businesses in the Next Fiscal Year
Arizona	0	1	0
Colorado	0	0-1	0
Iowa	0	0-1	0
Minnesota(1)	1	1	0-1
North Dakota	0	0-1	0
Texas	0	1	0
TOTAL	1	3-6	0-1

Notes to Table 5 above

- (1) This Franchise Agreement for a Los Campeones business to be opened in Duluth, MN was signed relying on the isolated sales exemption under Section 80C.03(e) of the Minnesota Franchise Act.

Attached as **Exhibit G** is a list of all Los Campeones franchisees as of December 31, 2022. Also attached as **Exhibit G** is a list of the name, city, state and business telephone number (or, if unknown, the last known home telephone number) of every franchisee that had its franchise terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the franchise agreement for the period from January 1, 2022 to December 31, 2022, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

If you buy a Los Campeones business franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There is no trademark-specific franchisee association required to be disclosed in this Item.

ITEM 21

FINANCIAL STATEMENTS

Attached as **Exhibit A** are our audited financial statements for the periods ended December 31, 2020, December 31, 2021, and December 31, 2022. We were organized on June 16, 2020, and our fiscal year end is December 31. We have not been in business for 3 years or more and, as a result, we cannot include all the financial statements required under the FTC Franchise Rule.

ITEM 22

CONTRACTS

The Franchise Agreement (including the Personal Guaranty) is attached as **Exhibit B**. The State Addenda are attached as **Exhibit E**. The General Release Form is attached as **Exhibit F**. The Disclosure Acknowledgment Agreement is attached as **Exhibit H**.

ITEM 23

RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (**Exhibit I**). You should keep one copy as your file copy and return the second copy to us.

EXHIBIT A
AUDITED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022



Financial Statements

Los Campeones Franchising, LLC
Minneapolis, Minnesota

For the years ended December 31, 2022, 2021, and 2020



Edina Office

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office

14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

Los Campeones Franchising, LLC
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December 31, 2022, 2021, and 2020

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Member
Los Campeones Franchising, LLC
Minneapolis, Minnesota

We have audited the accompanying financial statements of Los Campeones Franchising LLC (the Company), which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of operations and changes in member's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements (collectively, "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021, and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Abdo
Minneapolis, Minnesota
February 28, 2023



FINANCIAL STATEMENTS

Los Campeones Franchising LLC

Balance Sheets

December 31, 2022, 2021, and 2020

	2022	2021	2020
Assets			
Current Assets			
Cash and cash equivalents	\$ 13,365	\$ 8,844	\$ 1,000
Royalties receivable	4,612	-	-
Total Current Assets	17,977	8,844	1,000
Total Assets	\$ 17,977	\$ 8,844	\$ 1,000
Liabilities and Member's Equity (Deficit)			
Current Liabilities			
Accrued expenses	\$ 6,118	\$ -	\$ -
Due to related party	5,688	8,740	-
Deferred franchise revenue	8,000	6,000	-
Total Current Liabilities	19,806	14,740	-
Long-Term Liabilities			
Deferred franchise revenue, net of current portion	8,833	3,833	-
Total Liabilities	28,639	18,573	-
Member's Equity (Deficit)	(10,662)	(9,729)	1,000
Total Liabilities and Member's Equity (Deficit)	\$ 17,977	\$ 8,844	\$ 1,000

See Independent Auditor's Report and Notes to the Financial Statements.

Los Campeones Franchising LLC
 Statements of Operations and Changes in Member's Equity (Deficit)
 For the Years Ended December 31, 2022, 2021, and 2020

	2022	2021	2020
Revenues:			
Royalties	\$ 29,132	\$ 4,395	\$ -
Franchise fees	8,019	167	-
Total Revenues	37,151	4,562	-
General and Administrative Expenses	18,084	15,291	-
Net Income (Loss)	19,067	(10,729)	-
Member's Equity (Deficit), Beginning of the Year	(9,729)	1,000	-
Member contributions	-	-	1,000
Member distributions	(20,000)	-	-
Member's Equity (Deficit), End of the Year	\$ (10,662)	\$ (9,729)	\$ 1,000

See Independent Auditor's Report and Notes to the Financial Statements.

Los Campeones Franchising LLC
 Statements of Cash Flows
 For the Years Ended December 31, 2022, 2021, and 2020

	2022	2021	2020
Cash Flows from Operating Activities			
Net income (loss)	\$ 19,067	\$ (10,729)	\$ -
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Change in operating assets and liabilities:			
Royalties receivable	(4,612)	-	-
Accrued expenses	6,118	-	-
Due to related party	(3,052)	8,740	-
Deferred franchise revenue	7,000	9,833	-
Net Cash Provided by Operating Activities	24,521	7,844	-
Cash Flows from Financing Activities			
Member contributions	-	-	1,000
Member distributions	(20,000)	-	-
Net Cash Provided by (Used in) Financing Activities	(20,000)	-	1,000
Increase in Cash and Cash Equivalents	4,521	7,844	1,000
Beginning Cash and Cash Equivalents	8,844	1,000	-
Ending Cash and Cash Equivalents	\$ 13,365	\$ 8,844	\$ 1,000
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for:			
Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -

See Independent Auditor's Report and Notes to the Financial Statements.

Los Campeones Franchising, LLC

Notes to the Financial Statements
December 31, 2022, 2021, and 2020

Note 1: Summary of Significant Accounting Policies

Nature of Business

Los Campeones Franchising, LLC (the Company) was incorporated in 2020 under the laws of the State of Minnesota. The Company is engaged in the business of developing and franchising a system of Los Campeones gyms. As of December 31, 2022, 2021, and 2020, there were two, two, and one franchised gym locations, respectively, operating in Minnesota, Texas and Arizona.

	2022	2021	2020
Franchised Gyms Open at the Beginning of the Period	1	1	1
New Franchised Gyms Opened During the Period	1	-	-
Franchised Gyms Closed or Required During the Period	(1)	-	-
Franchised Gyms Open at the End of the Period	1	1	1

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

As a franchisor, the Company's revenue streams consist of franchise fees received from new and renewing franchisees and ongoing royalties from existing franchisees.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee. Generally, these services include assistance in site selection and training personnel, implementation of an accounting system, and design of a quality control program. These services are considered pre-opening services. In addition, the Company, as franchisor, is obligated by the franchise agreement to provide franchisees with the right to utilize their brand, marks, and proprietary processes over the term of the franchise agreement. These rights are referred to as the franchise license.

In recognizing revenue, the company has elected to apply the practical expedient to account for certain pre-opening services performed for franchisees as distinct from the franchise license itself, and also has made an accounting policy election to account for all such services as a single performance obligation.

Franchise fees are collected upfront upon signature of the franchise agreement and are recorded as deferred franchise revenue on the balance sheet. The portion of the initial franchise fee for new franchises pertaining to pre-opening services is recognized as revenue at the point-in-time when the franchisee's gym opens, which is when the Company has completed their performance obligation for these services. The portion of the initial franchise fee for new franchises pertaining to the franchise license is amortized into revenue over the life of the franchise agreement on a straight-line basis, as the performance obligation of the Company to provide such rights is satisfied over time. Franchise renewal fees pertain only to the continued use of the franchise license and are recognized in the same manner as franchise fees pertaining to the franchise license from new franchisees. As of December 31, 2022 and 2021, the Company had deferred franchise revenue, including both current and non-current portions, of \$16,833 and \$9,833, respectively, on the balance sheets. There were no deferred revenues as of December 31, 2020.

Los Campeones Franchising, LLC
Notes to the Financial Statements
December 31, 2022, 2021, and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

The Company collects royalty payments from franchisees based upon the gyms' previous months' gross revenues. Royalty revenue is recognized at the end of each month when billed. As of December 31, 2022, 2021, and 2020, the Company had royalties receivable of \$4,612, \$0, and \$0, respectively.

Variable Interest Entities

The Company has evaluated the following entities that are under common control with the Company and has determined that they all meet the specific criteria under ASU No. 2018-17 and therefore consolidation is not required. The entities and the related involvement in each are as follows:

- Los Campeones Gym, LLC – This entity has the corporate owned gyms in 4 separate locations in Minnesota. The Company does not do any business with this entity, however they are the model gyms that the Company is looking to sell to franchisees.
- Los Campeones NE, LLC - This entity has one corporate owned gym in Minnesota, and one corporate owned gym in Arizona. The Company does not do any business with this entity, however they are the model gyms that the Company is looking to sell to franchisees.
- Loehrer Acquisitions, LLC – This entity holds the debt of Los Campeones Gym, LLC and does not do business with the Company. The debt is not guaranteed by the Company.
- Quincy Holdings, LLC – This entity holds the debt of Los Campeones NE, LLC and does not do business with the Company. The debt is not guaranteed by the Company.

Income Taxes

The Company is a limited liability company that is treated as a partnership for income tax purposes and is not subject to income taxes. The taxable income or loss of the Company is includible in the individual income tax return of its member based upon its percentage of ownership. Consequently, no provision for income taxes is required in the accompanying financial statements.

The Company files income tax returns in the U.S. federal jurisdiction and the State of Minnesota. With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years beginning before 2020.

The Company has analyzed its filing positions with the Internal Revenue Service and the State of Minnesota. The Company does not anticipate any of its income tax filing positions would result in a material adverse effect on the Company's financial condition, results of operations, or cash flow as the Company believes its income tax filing positions and deductions would be sustained on audit. No liability has been recorded for uncertain tax positions.

The Company recognizes interest accrued related to unrecognized tax benefits, if any, as a component of general and administrative expenses. During the years ended December 31, 2022, 2021, and 2020, the Company did not recognize any interest or penalties.

Subsequent Events

The Company has evaluated subsequent events occurring through February 28, 2023, the date on which the financial statements were available to be issued, for events requiring recording or disclosure in the financial statement.

Los Campeones Franchising, LLC
Notes to the Financial Statements
December 31, 2022, 2021, and 2020

Note 2: Member's Interest

The Company's LLC Agreement has established one class of member's interest. Profits and losses are allocated based upon each member's ownership percentages in the Company, subject to the provisions of the LLC Agreement (one member owns 100% of the Company's membership interests).

Note 3: Related Party Transactions

During the years ended December 31, 2022 and 2021, Los Campeones Gym LLC, a related party through common ownership was billed for legal services provided to the Company. As a result, the Company recorded a due to related party on the balance sheet for the reimbursement of expenses paid on the Company's behalf. As of December 31, 2022 and 2021, the balance due to related a related party was \$5,688 and \$8,740. There were no related party transactions during the year ended December 31, 2020.

EXHIBIT B
FRANCHISE AGREEMENT

**LOS CAMPEONES®
FRANCHISE AGREEMENT**

YOU (FRANCHISEE)

EFFECTIVE DATE
(To be completed by us)

Los Campeones Franchising LLC
2023 Franchise Agreement

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EXHIBITS

A – BUSINESS LOCATION AND PROTECTED TERRITORY

B – OWNERSHIP AND MANAGEMENT ADDENDUM

C – BUSINESS LOCATION GENERAL AREA

D – BUSINESS LEASE ADDENDUM

E – GUARANTY AND ASSUMPTION OF OBLIGATIONS

F – EFT AUTHORIZATION FORM

LOS CAMPEONES® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into between Los Campeones Franchising LLC, a Minnesota limited liability company, with a principal place of business at 2721 E. Franklin Ave. Minneapolis, Minnesota 55406 (“we” or “us”), and _____, a _____ formed and operating under the laws of the State of _____ (“you”), and shall become effective on the “Effective Date,” as described in Section 20(N).

INTRODUCTION

A. We and our affiliate, Los Campeones Gym, LLC (“Affiliate”), as the result of the expenditure of considerable time, effort, skill and financial resources, have developed, and continue to develop, and own a “System” (as defined in Section 1(J)) relating to the development and operation of Los Campeones® gym businesses offering certain fitness services and related products (“Los Campeones businesses”).

B. Affiliate owns the Marks (as defined in Section 1(D)), including without limitation the Los Campeones® trademark and other trademarks and service marks used in connection with the System.

C. Affiliate has granted us the right to use and sublicense the right to use the Marks in connection with the development and operation of Los Campeones® businesses using the System.

D. We grant qualified entities the right to develop, own and operate a Los Campeones® business at a specific location.

E. You desire to obtain the right to develop and operate a Los Campeones® business using the System at a specific location and we, in reliance on your representations, have approved your franchise application.

AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

1. DEFINITIONS

A. “Business” means the Los Campeones® business developed and operated under this Agreement which offers the Services and Products.

B. “Confidential Information” means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, Customer Data (as defined in Section 6(D)), Operations Manual (as defined in Section 7(E)), systems, and knowledge of and experience in the operation and franchising of Los Campeones® businesses that we communicate to you or that you otherwise acquire in operating the Business under the System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

C. “Gross Sales” means the aggregate amount of all sales of all Services and Products, all leasing or other fees paid by Trainers (as defined in Section 9(E)) to you, and the sale of all other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the

Business, including off-premises sales and monies derived at or away from the Business. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee described in Section 4(B), the sale is made at the earlier of delivery of the service or product, or receipt of payment.

D. “Marks” means the Los Campeones® trademark and service mark, the related design logo, and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we own, or have a license from Affiliate to use and sublicense the right to use, and that we have designated, or may in the future designate, for use in the System, with the understanding that we may, subject to the terms of this Agreement, at any time modify, discontinue, add to or substitute the Marks used in connection with the System.

E. “Operating Principal” means the designated individual responsible for the day-to-day operation of the Business. We must approve the Operating Principal and the Operating Principal must successfully complete our initial training program and all mandatory follow-up training programs. If you are an individual, you may be the Operating Principal. Your Operating Principal is identified on the Ownership and Management Addendum attached as Exhibit B.

F. “Principal Owner” means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner. Your Principal Owner(s) are identified on the Ownership and Management Addendum attached as Exhibit B. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

G. “Products” means retail products, accessories, vending items and other products that we periodically may modify or otherwise approve for sale at the Business.

H. “Protected Territory” means the geographic area, identified in Exhibit A, which is an area surrounding the location of the Business that we determine.

I. “Services” means the fitness, training, and other related services authorized for Los Campeones® businesses, as we periodically may modify or otherwise approve for sale at the Business.

J. “System” means the Los Campeones® system which includes the sale of Services and Products for the individual consumer under the Marks at Los Campeones® businesses, using certain distinctive types of décor, products, equipment (including the Management System (as defined in Section 6(D))), supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

2. GRANT OF FRANCHISE

A. Grant of Franchise, Authorized Location and Protected Territory. Subject to the provisions contained in this Agreement, we grant you a franchise (the “Franchise”) to own and operate a Los Campeones® business (the Business) at a site we approve (the “Authorized Location”) and to use the Marks and other aspects of the System in operating the Business. The location of the Business and your Protected Territory are identified in Exhibit A, or alternatively, we and you will complete and sign

Exhibit C, in which we and you agree on a geographic area (“Area”) in which the location of the Business will be established, subject to our written consent. If we and you sign Exhibit C, you will have six (6) months after the Effective Date of this Agreement to select and obtain our consent to a location for the Business within the Area, purchase or sign a lease and the Business Lease Addendum attached as Exhibit C for the premises of that Business location, and sign Exhibit A, which we will revise to identify the Authorized Location of the Office and the Protected Territory. You do not receive any territorial rights upon designation of the Area on Exhibit C, and we and our affiliates reserve all territorial rights within the Area, including without limitation, the right to directly operate, or grant to other parties or entities the right to operate, Los Campeones® businesses within the Area.

B. Nature of Your Protected Territory. During the term of this Agreement (as described in Section 3), if you are in compliance with the terms of this Agreement, we will not directly operate or franchise other persons to operate any other Los Campeones® business within the Protected Territory. The license granted to you under this Agreement is personal in nature, may not be used at any location other than at the Business, and does not include the right to sell any Services or Products identified by the Marks at any location other than at the Business. This Agreement does not include the right to sell any Services or Products identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not open any other Los Campeones® business in the Protected Territory unless we permit you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under this Agreement. You will not use the Business for any purposes other than the operation of a Los Campeones® business.

C. Rights Reserved to us. We (for us and our affiliates) retain the right:

1. To directly operate, or to grant other persons the right to operate, Los Campeones® businesses at locations outside the Protected Territory;

2. To promote, sell and distribute anywhere the Services and the Products authorized for sale at Los Campeones® businesses under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;

3. To promote, sell, distribute and license the Services and the Products authorized for sale at Los Campeones® businesses as well as ancillary services and products under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service Los Campeones® businesses), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;

4. To acquire exercise or fitness-related businesses or systems and operate such businesses or systems regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party which operates exercise or fitness-related businesses or systems regardless of whether such businesses or systems are located within or outside the Protected Territory; and

5. To promote the System and Los Campeones® businesses generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

D. Additional Reservation of Rights. We and our affiliates reserve any and all rights not expressly granted to you under this Agreement.

3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of this Agreement will be for five (5) years commencing on the Effective Date of this Agreement.

B. Renewal Term. You will have the right to enter into a successor agreement for the Franchise for one (1) additional renewal term of five (5) years, provided you satisfy the following conditions respecting the renewal term:

1. You have given us written notice at least one hundred eighty (180) days but no more than three hundred and sixty (360) days before the end of the term of this Agreement of your intention to enter into a successor agreement;

2. You have complied with all of the material provisions of this Agreement and all other agreements between you and us or any of our respective affiliates, including the payment of all monetary obligations you owe to us or our affiliates, and have complied with our material operating and quality standards and procedures;

3. You provide documentation satisfactory to us that you have the right to maintain possession of the Business premises during the renewal term described in our then-current Franchise Agreement and have, at your expense, made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Business premises and to replace and modernize the décor, supplies, fixtures, signs, and equipment used in operating the Business so that the Business reflects the then-current physical appearance of new Los Campeones® businesses, or can secure a new location within the Protected Territory to which we have consented (such consent not to be unreasonably withheld) and agree to make all required improvements to the Business premises and install all required fixtures and equipment in compliance with our then-current standards and specifications for new Los Campeones® businesses;

4. Both a Principal Owner we approve and the Operating Principal complete, to our satisfaction, any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You have paid to us at least thirty (30) days before the term of this Agreement expires a Renewal Fee equal to Fifteen Thousand Dollars (\$15,000);

6. You sign our then-current standard Franchise Agreement which may differ materially from the provisions of this Agreement; provided that you will be required to pay the Renewal Fee in lieu of the Initial Franchise Fee stated in the then-current Franchise Agreement; and

7. You and each Principal Owner sign a general release, in form acceptable to us, of all claims against us and our affiliates, officers, directors, employees, and agents.

4. FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. You will pay us an “Initial Franchise Fee” of Fifty Thousand Dollars (\$50,000). The Initial Franchise Fee is payable when you sign this Agreement and is not refundable.

B. Royalty Fee. You will pay us a non-refundable monthly “Royalty Fee” equal to six percent (6%) of Gross Sales. The Royalty Fee is due and payable on or before the tenth (10th) day of each

calendar month based on Gross Sales for the immediately preceding calendar month, or as described in the Operations Manual.

C. Technology Fee. We reserve the right to establish and require that you pay to us a monthly technology fee (the “Technology Fee”) associated with maintaining, developing, and/or updating any technology used in connection with the System as we deem appropriate, upon thirty (30) days’ prior written notice to you. Once established, we may increase the Technology Fee on an annual basis upon written notice to you. Any applicable monthly Technology Fee will be due each month and payable at the same time and in the same manner as the Royalty Fee, or as we otherwise specify in writing.

D. Electronic Transfer of Funds. We will require you to sign electronic transfer of funds authorization attached as Exhibit F, and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all Royalty Fees and other amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. You must maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein. Further, in addition to interest charges on late fee payments, you must pay to us a service charge of up to ten percent (10%) of the total amount owed for each delinquent payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons: (1) we do not receive the payment on or before the date due; or (2) there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due.

E. Interest on Late Payments. All Royalty Fees and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) eighteen percent (18%) per year; or (2) the maximum contract rate of interest permitted by law in the state in which the Business is located.

F. Application of Payments. We have discretion to apply amounts due to us or any of our affiliates any payments received from you or any amount we owe you.

G. Withholding Payments Unlawful. You agree that you will not withhold payment of any Royalty Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under this Agreement or any related agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees or any other amounts due.

H. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales, and other taxes that the state in which the Business is located imposes as a result of your operation of the Business or the license of any of our intangible property in the jurisdiction in which the Business is located. If more than one Los Campeones® business is located in such jurisdiction, they will share the liability in proportion to their Gross Sales from the franchised business, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Royalty Fee payments described above.

5. ADVERTISING

A. Approved Advertising, Media Plans and Business Promotion Materials. All advertising and promotion by you in any medium must be conducted in a professional manner and shall conform to our standards and requirements as set forth in the Operations Manuals or otherwise. We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Business or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only approved advertising and promotional

materials in promoting the Business. If you desire to use any advertising or promotional materials in promoting the Business which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within five (5) days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time.

B. Participation in Certain Programs and Promotions. You must use your best efforts to promote and advertise your Business and must participate in all advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of any gift card and/or loyalty program that we have established or may establish and as we may modify, as further described in the Operations Manual. You also must honor all coupons, discounts and gift certificates as we may reasonably specify in the Operations Manual or otherwise in writing. You must also participate in any mystery shopper program or compliance assessments we require.

6. DEVELOPMENT AND OPENING OF THE BUSINESS

A. Site Selection; Lease for Business Premises. You are solely responsible for securing a site for the Business that we have approved. We will provide you with reasonable assistance in connection with the selection and evaluation of proposed Business sites, as we deem appropriate. We recommend that you use a site location specialist to assist you in finding potential sites for your Business. You must submit to us a complete site evaluation form (containing any information that we may require) for the proposed Business location. We will notify you in writing within thirty (30) days after we receive your complete site evaluation form and other materials we request whether we accept or reject the proposed Business location. If you enter into a letter of intent and/or lease for the Business premises, you must provide the proposed lease and, if applicable, the proposed letter of intent to us and receive our prior written approval of the proposed lease and proposed letter of intent (which will not be unreasonably withheld) before you sign it. We recommend that you hire an attorney to review and negotiate any letter of intent or lease. In addition, you and the landlord of the Business premises (“Landlord”) must sign a “Lease Addendum” in the form attached hereto as Exhibit D.

B. Your Development of the Business. Promptly after you sign a lease or acquire the premises for the Business, you will:

1. prepare and submit to us for approval any proposed plans and specifications of the construction, design and layout of the premises for the Business;
2. obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;
3. construct all required improvements to the Business premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with the plans and specifications we approve and in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
4. establish filing, accounting and inventory control systems complying with our requirements; and
5. follow any required inspection and approval timelines and procedures as established in the Operations Manual.

You will contract with a qualified, licensed, insured and bonded general contractor and a qualified construction project manager (if those services are not handled by the general contractor) to supervise the planning, permitting and construction of the Business.

C. Fixtures, Equipment, Furniture and Signs. You will use in constructing and operating the Business only those types of construction and decorating materials, fixtures, equipment (including computer hardware and software and fitness equipment), furniture, and signs that we have designated or approved for Los Campeones® businesses as meeting our specifications and standards for appearance, function and performance. You must purchase designated or approved types of construction and decorating materials, fixtures, equipment, furniture and signs from supplier we designate or approve (which may include us and/or our affiliates). If you propose to purchase any material, fixture, equipment, furniture or sign we have not then approved, or any items from any supplier we have not then approved, you must first notify us in writing and will provide to us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the material, fixture, equipment, furniture or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria, which determination we will make and communicate in writing to you within a reasonable time. Notwithstanding the above, for designated material, fixtures, equipment, furniture or signs, or for items for which we have designated the supplier or suppliers you must use, you may not request an alternative item or an alternative supplier for that item.

D. Membership Management System. You will use in the Business the membership management and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we have developed or selected for the System, which among other things will assist you with membership billing and credit card processing (the “Management System”). The Management System may include one or more proprietary or other software programs developed or customized for us or designated by us (the “Proprietary Software”). You must purchase any Proprietary Software from our designated third party supplier. The Proprietary Software will remain the confidential property of our third party supplier. You may be required to enter into our designee’s standard form software license agreement in connection with your use of any Proprietary Software. You will pay the then-current initial and/or ongoing fee (if any) for the Proprietary Software, and in the manner and frequency as determined by us or our third-party vendor. We reserve the right to replace any Proprietary Software. In such event, you may be required to enter into a separate computer software license agreement specified by the third party supplier of the Proprietary Software and pay any separate fees imposed under that agreement. You must participate in our designated Payment Card Industry (“PCI”) compliance program if we establish such a program and pay the then-current fee associated with such program. If we do not designate a separate PCI compliance program, you must take all necessary steps to comply with all applicable PCI data security standards. We also may access financial information and customer data—including names, contact information, membership information and history, and any other information concerning members and customers—that you collect, obtain, or is produced by or otherwise located on your Management System (collectively the “Customer Data”). You agree and acknowledge that all information on the Management System, including Customer Data (except for any credit card numbers, bank information or certain other customer financial data), is our sole and exclusive property. You will be responsible for obtaining all customer consents necessary to allow us to use the Customer Data for various purposes as we may identify. You must also make such Customer Data available for our inspection at any time upon our request. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach at or in connection with the Business. You will have at the Business Internet access with a form of high-speed connection as we require. You will use an email address we designate for communication with us. The computer hardware component of the Management System must comply with specifications we develop. We reserve the right to require the Management

System to be configured as a package unit. We have the right to designate a single source from which you must purchase the Management System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the Management System. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks.

E. Business Opening. You must comply with any Business opening requirements we periodically describe in the Operations Manual. You will not open the Business for business without our prior written approval. You agree to complete the development and open the Business for business within six (6) months after the effective date of Exhibit A to this Agreement, which identifies the Authorized Location of the Business and the Protected Territory.

F. Relocation of Business. You will not relocate the Business from the Authorized Location without our prior written consent. If you relocate the Business under this Section, the “new” franchised location of the Business to which we consent (the “new” Authorized Location), including the real estate and building, must comply with all applicable provisions of this Agreement and with our then-current specifications and standards for Los Campeones® businesses. We will not unreasonably withhold our consent to the proposed relocation, provided we have received at least ninety (90) days’ written notice prior to the closing of the Business at the existing Authorized Location, you have obtained a site to which we have consented, and you agree to open the new Authorized Location for the Business within five (5) days after you close the Business at the prior Authorized Location and comply with any other conditions that we may require. If you must relocate the Business because the Business was destroyed, condemned or otherwise became untenable by fire, flood or other casualty, you must reopen the Business at the new Authorized Location in the Protected Territory within twelve (12) months after you discontinue operation at the existing Authorized Location. In addition, we will require you to pay us a fee equal to Two Thousand Dollars (\$2,000) for services we will provide in connection with any relocation of the Business before we will review a proposed new Authorized Location. There is no guarantee that an acceptable location will be available for relocation, and if you cannot relocate your Business within the Protected Territory and reopen your Business within the time periods described in this Section 6(F), this Agreement will terminate.

G. Minimum Capital Requirements. We reserve the right, as periodically described in the Operations Manual, to require you to directly invest (i.e., assets belonging to you or the Principal Owner(s) of a corporate entity) a minimum amount of capital in operating the Business.

7. TRAINING AND OPERATING ASSISTANCE

A. Development of Business. We may, but are under no obligation to, provide you with prototype drawings and specifications for the Business, reflecting our requirements for dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor. We may, but are under no obligation to, provide you with reasonable consulting services in connection with the selection and evaluation of the proposed Business site and development of the Business. You acknowledge that our assistance in site location and consent to the premises does not represent a representation or guaranty by us that the location will be a successful location for your Business.

B. Training. Before the opening of the Business, we will provide to the Operating Principal and your general manager an initial training program on the operation of a Los Campeones® business, provided at a place and time we designate. Your Operating Principal and at least one general manager must attend and successfully complete the initial training program to our satisfaction. The Operating

Principal may also be a general manager. Additional general managers of the Business and other employees you designate may, but are not required, to attend our initial training program, provided that they attend the initial training program at the same time as the Operating Principal.

We have the right to determine the length of our initial training program, but we anticipate it will be a minimum of forty (40) hours and take place over a period of several days. The initial training program may include online tutorials, classroom instruction and on-site training relating to Business operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs and methods of controlling operating costs. If, during the initial training program, we determine that your Operating Principal or one of your general managers is not qualified to manage the Business, we will notify you and you must select and enroll in the initial training program a substitute Operating Principal or a substitute general manager, as applicable, if no other general manager attended and successfully completed the initial training program to our satisfaction.

In addition, we have the right to require all new Operating Principals and general managers to successfully complete to our satisfaction our initial training program, at our request. We may charge you a reasonable fee for these new or additional individuals who attend the initial training program.

We have the right to require that the Operating Principal and any general managers attend all supplemental and refresher training programs that we designate for up to three (3) days each calendar year. We may charge you a reasonable fee for these supplemental and refresher training programs.

You are solely responsible for the compensation, travel, lodging and living expenses your employees incur in attending the initial training program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for your employees while they attend training.

C. Opening Assistance. We may, but are under no obligation to, provide you with the services of one of our representatives to assist you in the opening and initial operations of the Business. If we elect to provide such assistance, we have the right to determine the duration, time, and method (in person or through electronic means) at which our representative is available to you.

D. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Business as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Services and Products authorized for sale at Los Campeones® businesses;
2. selecting, purchasing and marketing products, equipment, and other approved materials and supplies;
3. marketing assistance and sales promotion programs; and
4. establishing and operating administrative, bookkeeping, accounting, inventory control, designated software, sales and general operating procedures for the proper operation of a Los Campeones® business.

We may provide such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone or electronic conversations, and/or meetings at our office or at the

Business in conjunction with an inspection of the Business. We will provide additional assistance for a fee.

E. Operations Manual. We will provide on loan to you, during the term of this Agreement, electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the “Operations Manual”) for Los Campeones® businesses. The Operations Manual may contain mandatory and suggested specifications, standards and operating procedures that we develop for Los Campeones® businesses and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. We may add to, and otherwise modify, the Operations Manual to reflect changes in authorized Services and Products, and specifications, standards and operating procedures of a Los Campeones® business at any time upon written notice to you. The master copy of the Operations Manual that we maintain at our principal office or on our website, and make available to you by hard copy or electronic access, will control if there is a dispute involving the contents of the Operations Manual.

8. MARKS

A. Ownership and Goodwill of Marks. You acknowledge and agree that the Marks are Affiliate’s valuable property and that Affiliate has licensed the use of the Marks to us with the right to sublicense to others. You further acknowledge that the Marks, System, Operations Manual, and all other information and items delivered to you by us pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, is our or Affiliate’s sole and exclusive property, and your right to use the same are contingent upon your continued full and timely performance under this Agreement. You acknowledge that you acquire no rights, interests, or claims to any of said property, except for your rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. You agree that the use of the Marks and any goodwill established exclusively benefits us and Affiliate, and that you receive no interest in any goodwill related to your use of the Marks or the System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Business, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or trade name or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. Except as otherwise described in this Agreement, we and Affiliate retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. We may, but are not obligated to, grant you the right to access and participate in our website or other online presence as further described in Section 9(N). We may, but are not obligated to, create interior pages on our website(s) that contain information about your Business and other franchised businesses. If we do create such pages, we may require you to prepare all or a portion of the page for your Business, at your expense, using a template that we provide and/or by paying our designated supplier. Furthermore, any updates or modifications to such pages, whether required by us or requested by you, will be at your sole expense. All such information, updates, or modifications will be subject to our approval prior to posting. Other than

these pages, you shall not establish or maintain, or have established or maintained on your behalf, either alone or in concert with others, any other digital or electronic medium or method of communication, including a website, home page, HTML document, Internet site, online directory, online business profile, web page, review and opinion page or site, or social media or social networking site, hashtag, profile, avatar, account or username, or applications, whether web-based or otherwise, in any event relating to or making reference to us or the Business (each, a “Social Media Presence”), unless otherwise approved by us in writing.

You acknowledge that we, Affiliate, and/or any other affiliate of ours are the lawful, rightful and sole owner of the Internet domain name loscampeonesgym.com, as well as any other Internet domain names registered by us, Affiliate, or any other affiliate of ours, and you unconditionally disclaim any ownership interest in such domain names and any Internet domain names colorably similar thereto. You agree not to register any Internet domain names in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

You may not offer, promote or sell any products or services or make use of any of the Marks, the Business or the System, via any Social Media Presence without our prior written approval, which we have the right to deny. You acknowledge and agree that we also may impose prohibitions on your posting or blogging of comments about us, the Business or the System. The foregoing prohibition includes personal blogs, common social networks like Facebook, Instagram, TikTok, Twitter, Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like Twitter and Snapchat; virtual worlds, metaverses, file, audio and video-sharing sites, and other similar social networking or media sites or tools. If we grant our prior written approval of a requested Social Media Presence, you must: (i) provide us with each applicable domain name and/or social media profile; (ii) establish and operate such profile, site or presence in accordance with our mandatory System standards and any other mandatory policies we designate in the Operations Manual or otherwise in writing from time to time; and (iii) utilize any templates that we may provide to you to create and/or modify any such profiles, sites or presences.

Except as otherwise specified herein or the Operations Manual, you may not, without our prior written consent, (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Products or Services or similar products or services on the Internet (or any other existing or future form of electronic communication); or (3) use additional email addresses in operating the Business beyond those we have authorized.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We and Affiliate may take any action we and Affiliate deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our and Affiliate’s interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

E. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and will, at your expense, cooperate in all respects with us and Affiliate in any court or other proceedings involving the Marks. Subject to our right of

indemnification (as described in Section 18(B)), we will pay the cost and expense of all litigation we incur, including attorneys' fees, specifically relating to the Marks. We and Affiliate, and our respective legal counsel, will have the right to control and conduct any litigation relating to the Marks.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. If in our or Affiliate's reasonable determination, the use of Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs our rights in the Marks, or it otherwise becomes advisable at any time in our sole judgment for us to modify, discontinue, or to use one (1) or more additional or substitute trademark or service marks, then upon notice from us, you will terminate or modify, within a reasonable period of time, such use in the manner prescribed by us. If we change the Marks in any manner, we will not reimburse you for any out-of-pocket expenses that you incur to implement such modifications or substitutions. In addition, we are not obligated to reimburse you for any loss of goodwill or revenue associated with any modified or discontinued Mark, nor are we responsible for reimbursing you for any other costs or damages.

9. BUSINESS IMAGE AND OPERATING STANDARDS

A. Condition and Appearance of Business/Remodeling of Business. You agree to maintain the condition and appearance of the Business (including adjacent parking areas and grounds), and refurbish and modify its layout, decor and general theme, as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of Los Campeones® businesses, as we may modify. You will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Business, adjacent parking areas and grounds, and periodically clean and redecorate the Business. If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Business premises (including parking areas and grounds) or its fixtures, equipment, furniture or signs do not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency. If you fail, within ten (10) days after receipt of notice, to commence action and continue in good faith and with due diligence, to undertake and complete any required maintenance or refurbishing, we may (in addition to our rights under Section 15) enter the Business premises and correct the deficiencies on your behalf, and at your expense.

You will, at your expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Business premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your Business so that your Business reflects the then-current physical appearance of new Los Campeones® businesses. We may require you to take such action: (i) as a condition to the transfer of any interest as further described in Section 14(B); (ii) as a condition of renewal; and (iii) otherwise during the term of the Agreement as further described in the Operations Manual. You acknowledge and agree that the requirements of this Section 9(A) are both reasonable and necessary to ensure continued public acceptance and patronage of Los Campeones® businesses and to avoid deterioration or obsolescence in connection with the operation of the Business.

If the Business is damaged or destroyed by fire or any other casualty, you will, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Business premises to its original condition before the casualty. If, in our reasonable judgment, the damage or destruction is of a nature or to an extent that you can repair or reconstruct the premises of the Business consistent with the then-current decor and specifications of a new Los Campeones® business without incurring substantial additional costs, we may require, by giving written notice, that you repair or reconstruct the Business premises in compliance with the then-current decor and specifications.

B. Business Alterations. You cannot alter the premises or appearance of the Business, or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Business without our prior written approval. We have the right to correct any alterations to the Business that we have not previously approved, at your sole expense.

C. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer at the Business any services or products we have not then authorized for use or sale for Los Campeones® businesses, nor will the Business or the premises which it occupies be used for any purpose other than the operation of a Los Campeones® business in compliance with this Agreement.

D. Your Hiring and Training of Employees. You will hire all employees of the Business, and be exclusively responsible for the terms of their employment, scheduling, benefits, disciplining, compensation, and all other personnel decisions. You will maintain at all times a staff of trained employees sufficient to operate the Business in compliance with our standards. You must ensure that all Business employees comply with all licenses and certifications respecting the Business and the services they provide to customers of the Business as we may require or as federal, state and/or local authorities may require. At all times, the Business must be under the direct, on-site supervision of the Operating Principal or a general manager.

E. Trainer Certifications and Insurance Coverage. We recommend that you have a written agreement with each trainer (each, a “Trainer”) that you lease space to or otherwise authorize to offer and provide exercise and fitness sessions to members and/or non-members within the Business. We may, but are not obligated to, provide a sample or template agreement in our Operations Manual. Regardless, you must ensure that each Trainer: (i) has all necessary and proper certifications in accordance with our mandatory System standards and specifications, and all applicable state and local laws and regulations; (ii) has personal injury, property damage, and general liability insurance coverage; and (iii) names you and us, and our respective affiliates, and any other person or entity you or we designate as an additional insured; as additional insured; and (iv) provides documentation evidencing current certifications and insurance coverages.

F. Authorized Products, Services, Supplies and Equipment. You agree to offer and sell at the Business all and only the Services and Products which we have designated or approved as being suitable for sale and meeting the standards of quality and uniformity for the System. In addition, you agree to use in the operation of the Business only such products, services, including bookkeeping services, supplies, equipment and other items which we have designated or approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have designated or approved (which may include us and/or our affiliates). We periodically may modify the lists of designated and approved products, supplies, equipment, brands and suppliers. If you propose to offer for sale or use in operating the Business any products, supplies or equipment which we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the brand and/or supplier to permit us to determine whether the brand complies with our specifications and standards and/or the supplier meets our approved supplier criteria. We reserve the right to charge you for the reasonable cost of the inspection and evaluation and the actual cost of the test we conduct. We will notify you within a reasonable time whether the proposed brand and/or supplier is approved. We may develop procedures for the submission of a request for approved brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by the approved supplier). We may impose limits on the number of suppliers and/or brands for any products, supplies or equipment sold or used in the Business or otherwise related to the Franchise, and we may require that you use only one supplier for any products, supplies or equipment. You agree that certain products, materials, and other items and supplies may only be available from one source, and we or our affiliates may be that source. Notwithstanding the above, for designated products,

services, supplies, equipment and other items, or for items for which we have designated the supplier or suppliers you must use, you may not request an alternative item or an alternative supplier for that item. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED POINT-OF-SALE SYSTEMS), SERVICES (INCLUDING ANY REQUIRED BOOKKEEPING SERVICES), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE DESIGNATE OR APPROVE FOR USE IN THE SYSTEM.

G. Health Standards. You must comply with all applicable governmental health and sanitary standards in operating and maintaining your Business. You also must comply with any higher standards that we prescribe. In addition to complying with such standards, if the Business will be subject to any governmental sanitary or health inspection under which it may be rated in one or more than one classification, the Business will be maintained and operated so as to be rated in the highest available health and sanitary classification respecting each such inspection. If you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable health and sanitary standards, you will immediately notify us of such failure or noncompliance.

H. Business Operation. We will approve the days and hours of operation for the Business and you may not modify those hours of operation without our prior written consent.

I. Standards of Service. You must at all times give prompt, courteous and efficient service to your customers. You must ensure that you and all those working at the Business adhere to the highest standards of honesty, integrity and fair dealing, and provide courteous and professional services in all dealings with customers, suppliers, and the general public. You must handle all customer complaints and requests for returns and adjustments in a manner consistent with our standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by us.

J. Specifications, Standards and Procedures. You acknowledge that each and every detail of the appearance and operation of the Business is important to us and other Los Campeones® businesses. You agree to maintain the highest standards of quality and service in the Business and agree to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of a Los Campeones® business, which now, or in the future may, include without limitation:

1. type and quality of Services and Products and Product procurement;
2. methods and procedures relating to marketing and customer service;
3. the safety, maintenance, cleanliness, function and appearance of the Business premises, and its fixtures, equipment, furniture, décor and signs;
4. qualifications, dress, general appearance and demeanor of Business employees;
5. the style, make and/or type of equipment (including computer equipment) used in operating the Business;
6. use and illumination of exterior and interior signs, posters, displays, standard formats and similar items; and

7. Business advertising and promotion.

K. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Business, and must operate the Business in full compliance with all applicable laws, ordinances and regulations, including all labor and employment laws. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, or award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of you or the Business. You will not conduct any business or advertising practice which injures our business, the System or the goodwill associated with the Marks and other Los Campeones® businesses.

L. Management of the Business/Conflicting Interests. The Business must at all times be under the direct supervision of the Operating Principal or a general manager. The person who is responsible for the day-to-day supervision of the Business (i.e., the Operating Principal or a general manager) must at all times faithfully, honestly and diligently perform his or her obligations and continuously use best efforts to promote and enhance the business of the Business. The person who is responsible for the day-to-day supervision of the Business must assume his or her responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations.

If at any time the Operating Principal or a general manager is not managing the Business, we immediately may appoint a manager to maintain Business operations on your behalf. Our appointment of a manager of the Business does not relieve you of your obligations or constitute a waiver of our right to terminate the Franchise under Section 15. We are not liable for any debts, losses, costs or expenses you incur in operating the Business or to any of your creditors for any products, materials, supplies or services purchased by the Business while it is managed by our appointed manager. We may charge a reasonable fee for management services and cease to provide management services at any time.

M. Insurance. You agree to purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (2) will name us and our affiliates, and their respective officers, directors and employees, and any other person or entity we designate as an additional insured; (3) contain a waiver of the insurance company's right of subrogation against us and our affiliates, and any other person or entity we designate as an additional insured; (4) require your insurance to be "primary" and "non-contributory" with any insurance carried by us or our affiliates, or any other person or entity we designate as an additional insured; (5) contain the above-mentioned insurance coverage for each Los Campeones® business that you operate; and (6) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and approved by us). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to five percent (5%) of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least two (2) weeks before you take possession and commence development of the Business premises and at such other times as we

may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. Your obligation to obtain and maintain these insurance policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 18. Your insurance procurement obligations under this Section are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that you are required to purchase will provide you with adequate coverage. The insurance requirements specified in this Agreement are for our protection. You should consult with your own insurance agents, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits we require.

N. Participation in Internet Website. We will, in our sole judgment, determine the content and use of a Los Campeones® website and intranet system and will establish rules under which you may or will participate. As further described in Section 8(C), you must participate in any interior pages or other presence we create on our website that contain information about your Business. In addition, we require you to participate in any intranet system we control. We and Affiliate will retain all rights relating to the Los Campeones® website and intranet system and may alter or terminate the website or intranet system, and any pages or presence on our website relating to your Business upon thirty (30) days' notice to you. Your general conduct on the Internet and the Los Campeones® intranet system, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we or Affiliate may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information, including access codes and identification codes. We reserve the right to suspend or terminate your right to participate in or have interior pages on the Los Campeones® website or intranet system or otherwise use the Marks or the System on the Internet if you breach this Agreement or any other agreement with us, or otherwise violate our System standards and specifications. In any event, these rights will terminate when this Agreement expires or terminates.

O. Pricing Policies. We may periodically make suggestions to you with regard to your pricing policies. You may decide whether or not to follow these suggestions. We also have the right to establish maximum prices and/or minimum prices to be charged by you for the Products and Services you offer at the Business, but any exercise of that right will be specifically set forth in writing. You must honor all maximum prices and minimum prices we establish in accordance with this Section 9(O), subject to applicable state laws.

P. Reciprocity of Members and Memberships. Your Business will honor any customer's valid membership to any other Los Campeones® business in accordance with our System standards and specifications. We reserve the right, upon written notice to you, to establish, modify, or discontinue any policies or guidelines relating to reciprocity of members, memberships, or membership payments, and you agree to comply with such changes upon your receipt of our written notice to you.

10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, you will, at your expense, establish and maintain at the Business premises and retain for a minimum of five (5) years from the date of their preparation, an accounting and record keeping system we designate that will generate complete and accurate books, records, and accounts relating to the Business (the "Records"). The accounting and record keeping system will include accounting and reporting software that we reserve the right to periodically direct. The Records must be prepared in the form and manner we direct in the Operations Manual or otherwise in writing, and must include the following: (1) daily cash reports; (2) cash receipts

journal and general ledger; (3) cash disbursements journal and weekly payroll register; (4) monthly bank statements and daily deposit slips; (5) all payments to each of its Principal Owners; (6) suppliers' invoices (paid and unpaid); (7) dated Management System reports (detailed and summary); (8) monthly balance sheets and profit and loss statements; (9) any notices of delinquent bill or loan payments; (10) documents kept in the normal course of business; and (11) such other records and information as we periodically may request. You must preserve the Records, and submit reports electronically, consistent with our requirements described in Section 10(B) below. You will ensure that we have electronic access at all times to the Records and related reports. If at any time you fail to fully comply with your obligations under this Section 10, we may require that you engage, at your expense, a third party accounting firm or other service provider that we designate to satisfy the requirements of this Section 10.

B. Reports and Tax Returns. You will deliver or allow us access to the following: (1) daily statements relating to Gross Sales accompanying your payment of monthly Royalty Fees; (2) at our request, monthly income statements in a format we require; (3) at our request, profit and loss statements for the Business at such intervals as we periodically may require; (4) at our request, an annual profit and loss statement and source and use of funds statement for the Business for the year and a balance sheet for the Business as of the end of the year, reviewed by an independent certified public accountant; and (5) at our request, all tax returns relating to the Business and each of its Principal Owners. You are required to provide us copies of the Records that we specify in, and in accordance with, our Operations Manual or as we otherwise set forth in writing, and we reserve the right to require you to provide any or all other Records, information, or supporting documents as we may prescribe from time to time. All financial statements, reports and information must be on forms we approve and that you have signed and verified.

C. Our Use of Your Records and Reports. We have the right to share any Records, reports, financial statements and other information you provide to us with other Los Campeones® franchisees and to include your financial information in our franchise disclosure document ("FDD"). Except for this right, we will keep this information confidential, unless the information is: (1) requested by tax authorities; (2) used as part of a legal proceeding; or (3) included in a financial performance representation in Item 19 of our FDD.

11. INSPECTION AND AUDITS

A. Our Right to Inspect the Business. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Business, observe the provision of the Services, and test, sample, inspect and evaluate your supplies, equipment and Products as well as the storage of those items. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Business and to interview and otherwise communicate with employees and customers of the Business. If we establish a mystery shopper or compliance assessment program, we may require you to pay for the reasonable expense of mystery shopper visits or the completion of any compliance assessments at your Business.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records, Management System, and state and/or federal income tax records and returns of the Business and/or any Principal Owner. You must maintain all Records and supporting documents at all times at the Business premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any such information at the Business. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Our Right to Access Your Computer System. We may require that the Management System, any designated software, and/or the computer system that you use in connection with the Business be programmed to automatically transmit data and reports about the operation of the Business to us. We shall also have the right to, at any time without notice, electronically connect with the Management System, designated software, and/or the computer system that you use in connection with the Business to monitor or retrieve any data stored thereon, including, but not limited to, Customer Data, financial information related to the operation of the Business, and/or for any other purpose we deem necessary. There are no contractual limitations on our right to access the information and data. You shall deliver to us all access codes, static internet protocol (“IP”) addresses and other information to facilitate our access to the data described in this Section within thirty (30) days of opening the Business.

D. Result of Audit; Unreported Gross Sales. If any examination or audit discloses an understatement of Gross Sales, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees due on the amount of the understatement, plus interest (at the rate provided in Section 4(E)) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) an examination or audit is necessary because you failed to timely provide required information; or (2) any examination or audit results in a determination that Gross Sales for any month are understated by greater than two percent (2%). The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

12. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Business pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information, and any goodwill associated therewith, is our and Affiliate’s sole and exclusive property and trade secret, and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not at any time without our prior written consent make copies of, distribute, or disseminate any Confidential Information disclosed in written, electronic, or any other form; (4) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Business employees; and (5) will require the Operating Principal, general managers and others with access to Confidential Information to sign a Confidentiality Agreement in a form we approve.

The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, process methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of a Los Campeones® business or the System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Business, or any advertising or promotion ideas related to the Business (collectively, the “Improvements”) that you, the Principal Owners or your employees or agents conceive or develop during the term of this Agreement. You and your Principal Owners, agents and employees acknowledge and agree that: (1) all Customer

Data (except for any credit card numbers, bank information or certain other customer financial data) is our sole and exclusive property as further described in Section 6(D); and (2) any other Improvement immediately becomes our property. Whenever we request you to do so, you and your Principal Owners, agents or employees must execute all documents necessary to evidence the assignment of each Improvement to us without any additional compensation. These obligations shall continue beyond the termination or expiration of this Agreement. We may use the Improvement and disclose and/or license the Improvement for use by others. You must not introduce any Improvement or any additions or modifications of or to the System into the Business without our prior written consent. If a court should determine that we cannot automatically own certain of the Improvements that may be developed, then you hereby agree to grant us a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

13. COVENANTS

A. Organization. You and each Principal Owner covenants that:

1. You are organized and validly exist under the laws of the state where you were formed and are qualified and authorized to do business in the jurisdiction where the Protected Territory and Business is located;

2. Your articles of incorporation, bylaws, operating agreement or other organizational documents (“Authorizing Documents”) at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Business, unless you otherwise obtain our written consent;

3. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

4. You must provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

5. The names of all Principal Owners are accurately stated on the Guaranty attached hereto as Exhibit E; and

6. You will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners’ names, address and telephone numbers) at all times and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. Non-Solicitation of Customers. You covenant that, during the term of this Agreement, and for a period of two (2) years thereafter, you will not, directly or indirectly divert or attempt to divert any business, account or customer of the Business or any other Los Campeones® businesses or the System to any “Competing Business” (as defined below).

C. Covenant Not to Compete During Term. You (and the Operating Principal and each other Principal Owner) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or business: (i) divert or attempt to divert any business or customers of the Business to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any Competing Business (including any e-commerce or Internet-based

business), except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate agreement between you and us.

D. Post-Term Covenant Not to Compete. You (and the Operating Principal and each other Principal Owner) will not, for a period of two (2) years after this Agreement expires or is terminated or the date on which you cease to operate the Business, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (1) divert or attempt to divert any business or customers of the Business to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business which is located at the former site of the Business; or (3) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business that is located within a five (5) mile radius of the former site of the Business, or at or within a five (5) mile radius of any other then-existing Los Campeones® business; provided, however, that this Section 13(D) will not apply to: (i) other Los Campeones® businesses that you operate under separate Los Campeones® franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

E. Competing Business. “Competing Business” means any business that offers or sells any fitness or exercise-related services, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to a Los Campeones® business.

F. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section 13 in that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section 13. The covenants stated in this Section 13 will survive the termination or expiration of this Agreement.

14. ASSIGNMENT

A. By Us. This Agreement is fully assignable by us and benefits our successors and assigns. Any such assignment will require the assignee to fulfill our obligations under this Agreement. You acknowledge and agree that, following the effective date of any such assignment, you will look solely to the transferee or assignee, and not to us, for the performance of all obligations under this Agreement. Separately, we may assign or delegate to an affiliate or other third party certain of our obligations under this Agreement without assigning our interest in this Agreement. In such instance, we will remain the party ultimately responsible for the performance of such obligation(s).

B. Your Assignment or Sale of Substantially all of Your Assets. You understand that we have granted the Franchise under this Agreement in reliance upon the individual or collective character, aptitude, attitude, business ability and financial capacity of your Principal Owners.

1. Controlling Interest. You (and your Principal Owners) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, your business, the Business, substantially all or all of the assets of the Business, this Agreement or any controlling interest in you (“controlling interest” to include a proposed transfer of fifty percent (50%) or more of the common (voting) stock in a corporation or of the ownership interest in a limited liability company or partnership) unless you obtain our prior written consent. We will not

unreasonably withhold our consent to an assignment of this Agreement, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

- a. All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement and any other agreement between you and us;
- b. The transferee (or the Operating Principal, if applicable) is approved by us and demonstrates to our satisfaction that he/she meets our managerial, financial and business standards for new Los Campeones® businesses, possesses a good business reputation and credit rating, and has the aptitude and ability to operate the Business. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to ensure that the transferee meets our qualifications;
- c. The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of your term or, at our option, signs our then-current standard form of franchise agreement (which may contain materially different terms and conditions than this Agreement);
- d. The transferee, the new Operating Principal and the new general manager (if applicable) successfully complete the initial training program required of new Los Campeones® businesses;
- e. If required, the lessor of the Business premises consents to your assignment or sublease of the premises to the transferee;
- f. You pay us a transfer fee equal to Five Thousand Dollars (\$5,000);
- g. You (and each Principal Owner, if applicable) sign a general release, in a form and substance satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;
- h. We approve the material provisions of the assignment or sale of assets which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset;
- i. You (and each Principal Owners, if applicable) sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenant to observe the post-termination covenant not to compete and all other applicable post-termination obligations; and
- j. You or the transferee remodel, modernize and redecorate the Business premises and replace and modernize the décor, supplies, fixtures, signs, and equipment used in operating the Business so that the Business reflects the then-current physical appearance and standards and specifications of new Los Campeones® businesses.

2. Less Than Controlling Interest. If the transfer involves less than a “controlling interest” in you (taking into account any prior changes of ownership or transfers), you are not required to obtain our prior written consent, provided you and the transferee comply with and satisfy any or all of the following conditions which we may deem necessary:

- a. You provide us with thirty (30) days advance written notice of the transfer;
- b. Any new Principal Owner signs a personal guaranty in the form we designate; and
- c. You provide us with such other information relating to the transfer as we request.

We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 14(B), and may do so in the Operations Manual or otherwise in writing.

C. Death or Disability. If the Operating Principal dies or is permanently disabled, the remaining Principal Owners must appoint (if necessary) a competent Operating Principal acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed Operating Principal must satisfactorily complete our designated training program. If an approved Operating Principal is not appointed within thirty (30) days after the Operating Principal’s death or permanent disability, we may, but are not required to, immediately appoint an Operating Principal to maintain Business operations on your behalf until an approved assignee can assume the management and operation of the Business. Our appointment of an Operating Principal does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses you incur in operating the Business or to any creditor of yours for any products, materials, supplies or services purchased by the Business while it is managed by our appointed manager. We may charge a reasonable fee for management services and may cease to provide management services at any time.

If the Operating Principal dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance, will be subject to conditions contained in Section 14(B).

D. Public or Private Offerings. Subject to Section 14(B), if you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you agree to submit any written information to us before your inclusion of that information in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

“NEITHER LOS CAMPEONES FRANCHISING LLC NOR ANY OF ITS AFFILIATES: (A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, (B) ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN, OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

E. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the Franchise, the Business, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in you or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Business or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

F. Guaranty. All of your Principal Owners will sign the Guaranty and Assumption of Obligations (“Guaranty Agreement”) attached to this Agreement as Exhibit E. We may also require the spouse of any Principal Owner to sign the Guaranty Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 14 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement.

15. OUR TERMINATION RIGHTS

A. Termination of Franchise Agreement - Grounds. You will be in default, and we may, at our option, terminate this Agreement, as provided herein, if: (1) your Operating Principal or at least one general manager fails to successfully complete the initial training program to our satisfaction, or you fail to open and commence full operations of the Business at such time as provided in this Agreement; (2) you violate any material provision or obligation of this Agreement; (3) you or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for the Franchise; (4) any of your managers (including the Operating Principal), directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or the goodwill associated therewith, or if we have proof that such person has committed such a felony, crime or offense; (5) you fail to conform to the material requirements of the System or the material standards of uniformity and quality for the Services and Products as described in the Operations Manual or as we have established under the System; (6) you fail to timely pay Royalty Fees or any other obligations or liabilities due and owing to us or our affiliates, other Los Campeones® businesses or suppliers we approve as a source for required items; (7) you are insolvent within the meaning of any applicable state or federal law; (8) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors; (9) you voluntarily or otherwise “abandon” (as defined below) the Business; (10) you are involved in any

act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name “Los Campeones” or any of the Marks or the System; (11) you or a Principal Owner makes an unauthorized assignment or transfer of this Agreement, the Business or an ownership interest in you; (12) the operation, maintenance or construction of the Business results in a threat or danger to the public health or safety; (13) you violate any federal, state or local government health code in connection with the operation of the Business; (14) your lease for the Business premises expires or is terminated for any reason (unless, through no fault of you, the lessor of the premises in which the Business is located refuses to renew your lease and you relocate within the Protected Territory to a site we approve within ninety (90) days thereafter); (15) the result of an audit discloses an understatement of Gross Sales of two percent (2%) or more; (16) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise; or (17) you fail to provide us with access, or you otherwise block our access, to your Management System, any designated software, and/or the computer system that you use in connection with the Business, as required under this Agreement. Any report submitted under Section 10(A) will be conclusively deemed to be materially false if it understates Gross Sales by more than five percent (5%). The term “abandon” means your failure to operate the Business during regular business hours for a period of three (3) consecutive days or ten (10) or more days in a twelve-month period without our prior written consent unless such failure is due to an event of “*force majeure*” as further described in Section 20(J).

B. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you effective immediately when the thirty (30) day period, or such longer period as applicable law may require, expires. You will have ten (10) days after your receipt from us of a written Notice of Termination, or such longer period as applicable law may require, to remedy any default under item (6) in Section 15(A) and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the ten (10) day period expires, or such longer period as applicable law may require. You will have seventy-two (72) hours, or such longer period as applicable law may require, after you receive from us a written Notice of Termination to remedy any default under item (13) in Section 15(A) and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the seventy-two (72) hour period expires, or such longer period as applicable law may require. You will have forty-eight (48) hours, or such longer period as applicable law may require, after you receive from us a written Notice of Termination to remedy any default under item (17) in Section 15(A) and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the forty-eight (48) hour period expires, or such longer period as applicable law may require. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any twelve (12) month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods or services sold; or (4) any default under items (3), (4), (7), (8), (9), (10), (11), (12), (14), or (16) in Section 15(A).

C. Management of Business While You are in Default. In addition to our termination rights described in Sections 15(A) and 15(B), while you are in default of this Agreement, we may, but are not required to, manage, or designate a third party to manage, the Business on your behalf. Our, or our designee’s, management of the Business does not relieve you of your obligations and neither we nor our designee will be liable for any debts, losses, costs or expenses incurred in operating the Business or to any of your creditors for any materials, supplies or services purchased by the Business while we, or our

designee, manage it. We, or our designee, may charge you a fee for management services and may cease providing management services at any time.

D. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

16. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

17. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason, you will:

1. immediately cease operation of the Business and using the Marks as well as any confusingly similar trademarks or service marks;
2. within thirty (30) days after termination, pay all amounts due and owing to us or our affiliates, including all Royalty Fees and accrued interest due under this Agreement;
3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manuals and any other manuals, advertising materials, and all other printed materials relating to the operation of the Franchise;
4. assign to us or, at our discretion, disconnect the telephone number for the Business. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;
5. remove from the Business premises all signs, posters, fixtures, decals, wall coverings and other materials that are distinctive of a Los Campeones® business or bear the name “Los Campeones” or other Marks;
6. comply with all post-termination obligations under any software license agreement, including the return of all materials relating to any Proprietary Software;
7. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;
8. immediately cease using Confidential Information (including all Customer Data) and return to us all documents in your possession that contain Confidential Information; and
9. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

Upon termination or expiration of this Franchise Agreement for any reason, your right to use the name “Los Campeones” and the other Marks and the System will immediately terminate and you (and the

Principal Owners) will not in any way associate yourself/themselves as being associated with us. If you fail to immediately remove all signs and other materials bearing the Marks, we may do so at your expense.

B. Redecoration. If this Agreement expires or is terminated for any reason, and you either remain in possession of the premises of the former Business to operate a separate business not in violation of Section 13 or enter into an agreement with a third party to allow such third party to directly operate a business at the premises of the former Business, you will, at your expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Los Campeones® businesses. At a minimum, such changes and modifications to the premises will include: (1) repainting the premises with totally different colors; (2) removing all signs and other materials bearing the name “Los Campeones” and other Marks; (3) removing from the premises all fixtures which are indicative of Los Campeones® businesses; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; (5) discontinuing use of all packaging and Confidential Information regarding the operation of the Business; and (6) taking such other action, at your expense, as we may reasonably require. If you fail to immediately initiate modifications to the premises of the former Business or complete such modifications with any period of time we deem appropriate, you agree that we or our designated agents may enter the premises of the former Business to make such modifications, at your risk and expense, without responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act.

C. Our Option to Purchase Business. If this Agreement expires or is terminated for any reason (other than our fault), we have the option, upon sixty (60) days’ written notice from the date of expiration or termination, to purchase from you all the tangible and intangible assets relating to the Business, including the Business premises if you own the Business premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the “Purchased Assets”) and to an assignment of your lease for (1) the Business premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as your lease) and (2) any other tangible leased assets used in operating the Business. If the landlord respecting the lease for the Business premises is an affiliate of you (controlling, controlled by or under common control with you) we will have the right to assume the lease on terms generally consistent with then-current market rates for space in the immediate area surrounding the Business location. We may assign to a third party this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.

The purchase price for the Business will be the fair market value of the Purchased Assets; provided that: (1) we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (2) we may exclude from fair market value any provision for goodwill or similar value attributable to intangible property (such as the Marks, any Proprietary Software and Confidential Information). If the parties cannot agree on fair market value within a reasonable time, we will designate an independent appraiser to determine the fair market value of the Purchased Assets. The determination of such appraiser will be binding on the parties hereto, and the costs of such appraisal will be divided equally between you and us. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur within a reasonable time, not to exceed sixty (60) days, after the fair market value is determined. At the closing, you will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to us or our designee and such other documents we may reasonably request to permit us to operate the Business without interruption. We may set off against and reduce the purchase price by all amounts you owe to us or any of our affiliates. If we exercise our option to purchase the Business, we may, pending the closing, appoint a manager to maintain Business operations.

If we assume the lease for the Business under this Section, you will pay, remove or satisfy any liens or other encumbrances on your leasehold interest and will pay in full all amounts due the lessor under the lease existing at or prior to assumption. We are not liable for any obligation you incur before the date we assume the lease.

D. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. Relationship of the Parties. We and you are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed to state or imply that we are the employer of your employees and/or independent contractors. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself at the premises of the Business and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Business under a franchise agreement from us, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require.

B. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries and affiliates, and our and their respective stockholders, members, directors, officers, employees, agents and assignees (collectively, the “Franchisor Indemnified Parties” and each a “Franchisor Indemnified Party”) harmless against, and to reimburse the Franchisor Indemnified Parties for, any loss, liability or damages arising out of or relating to your development, ownership or operation of the Business, and all reasonable costs of defending any related claim brought against any of the Franchisor Indemnified Parties or any action in which a Franchisor Indemnified Party is named as a party (including reasonable attorneys’ fees and interest) unless the loss, liability, damage or cost is solely due to our material breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability, damages and reasonable costs (including reasonable attorneys’ fees and interest) a Franchisor Indemnified Party incurs pursuant to your obligations of indemnity under this Section 18(B) regardless of any settlement, actions or defense a Franchisor Indemnified Party undertakes or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any action, proceeding, demand or investigation brought against you or the Business. Any of the Franchisor Indemnified Parties may, using its own counsel, by notice to you, control any matter in which the Franchisor Indemnified Party is named or directly affected, but this will not affect your liability to pay all reasonable costs (including reasonable attorneys’ fees and interest) incurred by the Franchisor Indemnified Party in defending itself, which obligation is part of your indemnification obligation.

C. Our Indemnification Obligations. We agree to indemnify, defend, and hold you and your officers, directors and agents (collectively, the “Franchisee Indemnified Parties” and each a “Franchisee Indemnified Party”) harmless against, and to reimburse the Franchisee Indemnified Parties for, any loss, liability or damage solely arising from or relating to our material breach of this Agreement, your authorized use of the Marks in accordance with the terms of this Agreement, our gross negligence, or our willful misconduct, and all reasonable costs of defending any related claim brought against the Franchisee Indemnified Parties or any action in which a Franchisee Indemnified Parties is named as a party (including reasonable attorneys’ fees and interest).

D. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

19. DISPUTE RESOLUTION

A. Mediation. Except as otherwise stated in this Section 19(A), at our option, all claims, controversies or disputes arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement shall be submitted to non-binding mediation before you may bring such claim, controversy or dispute to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within fifteen (15) days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the county where our headquarters is located. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within sixty (60) days after conferring with the mediator, either party may submit such claim, controversy or dispute to the appropriate court as described in Section 19(B). This agreement to mediate will survive any termination or expiration of this Agreement. The parties may bring an action under the applicable provisions of this Section 19 without first submitting the action to mediation under this Section 19(A) if such controversy, dispute, claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (1) any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information; (2) any restrictive covenants contained in this Agreement; (3) any clause that would entitle the other to seek injunctive relief; (4) or involves the possession or disposition of, or other relief relating to, real property; or (5) any of your payment obligations under this Agreement.

B. Venue. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 19(C), any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties that has not been settled by or is not otherwise subject to mediation as described in Section 19(A) must be brought exclusively in any state or federal court of competent jurisdiction in the county where our headquarters is located, which as of the Effective Date of this Agreement, is Hennepin County, Minnesota. We also have the right to file any such suit against you in the federal or state court where the Business is located. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your owners waive any and all rights to proceed on a consolidated, common, or class basis. Each of us and you irrevocably consents to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue.

C. Injunctive Relief. Notwithstanding Sections 19(A) and (B), you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other Los Campeones® businesses. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrators.

D. Attorneys' Fees. The nonprevailing party will pay all costs, expenses, and interest including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement, to enjoin any violation of this Agreement, or a claim related to the offering of a franchise or the franchise relationship.

20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by us to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. Our subsequent acceptance of any payments due to us hereunder shall not be deemed to be a waiver by us of any preceding or succeeding breach by you of any terms, provisions, covenants, or conditions of this Agreement.

C. Rights of Parties are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act, this Agreement will be governed by and construed under the laws of the state of Minnesota, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the state in which the Business is located.

E. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both you and us. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

F. References. If you consist of two or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

G. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise “reasonable business judgment” in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of “reasonable business judgment,” even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact) will substitute their judgment for our reasonable business judgment.

H. WAIVER OF PUNITIVE DAMAGES. YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY US.

I. WAIVER OF JURY TRIAL. YOU AND WE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

J. Force Majeure. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

K. Notice of Potential Profit. We advise you that we and/or our affiliates periodically may make available to you goods, products and/or services for use in the Business on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to you or in consideration for services provided or rights license to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

L. Limitation of Actions. Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

M. Entire Agreement. The “Introduction” section, the exhibit(s) and any addenda to this Agreement are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement.

N. Effective Date. We will designate the “Effective Date” of this Agreement in the space provided on the cover page. If no Effective Date is designated on the cover page, the Effective Date is the date when we sign this Agreement. However, as described in Section 6(E), you do not have the right to, and may not, open the Business for business until you receive our prior written approval.

21. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand, one (1) business day after sent by a recognized overnight delivery service which requires a written receipt, or three (3) business days after placed in the U.S. Mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party.

22. ACKNOWLEDGEMENTS

A. Success of Franchised Business. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Principal Owner's) ability as an independent businessman, and your active participation in the daily affairs of the Business as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross revenues, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this Franchise and sign this Agreement.

C. Review of this Agreement. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with any attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

D. Other Franchises. You acknowledge that other Los Campeones® businesses have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement.

The parties have signed this Agreement on the date stated in the first paragraph.

WE:

YOU:

Los Campeones Franchising LLC

Name of corporation or limited liability company

By _____
Benjamin Loehrer

By _____

Its President _____

Its _____

**EXHIBIT A
TO FRANCHISE AGREEMENT**

BUSINESS LOCATION AND PROTECTED TERRITORY

This Exhibit A is attached to and is an integral part of the Los Campeones® Franchise Agreement dated _____, 20____ (the “Franchise Agreement”), between us and you.

1. Business Location. We and you agree that the Business will be located at the following premises: _____

You acknowledge that our consent to a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a Los Campeones® business.

2. Protected Territory. The Protected Territory will consist of a 5-mile radius from the Authorized Location.

3. Business Opening. You agree to complete the development and open the Business for business within six (6) months after the effective date of this Exhibit A date first stated above.

4. Defined Terms. All capitalized terms contained in this Exhibit A not defined herein will have the same meaning as provided in the Franchise Agreement.

5. Effective Date. This Exhibit A is effective as of this _____ day of _____, 20____.

WE:

Los Campeones Franchising LLC

By _____
Benjamin Loehrer

Its President _____

YOU:

Name of corporation or limited liability company

By _____

Its _____

**EXHIBIT B
TO FRANCHISE AGREEMENT**

OWNERSHIP AND MANAGEMENT ADDENDUM

1. Principal Owner(s). You represent and warrant to us that the following person(s) or entity, and only the following person(s) or entity, will be your Principal Owner(s):

<u>NAME</u>	<u>HOME ADDRESS</u>	<u>PERCENTAGE OF INTEREST</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Operating Principal. You represent and warrant to us that the following person, and only the following person, is your Operating Principal:

<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
_____	_____	_____

3. General Manager(s). You represent and warrant to us that the following person(s), and only the following person(s), is/are your general manager(s):

<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
_____	_____	_____
_____	_____	_____

4. Change. You must immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information. Upon notification, we will issue to you another addendum for you to execute.

5. Effective Date. This Exhibit B is effective as of this _____ day of _____, 20__.

Your Initials

Our Initials

**EXHIBIT C
TO FRANCHISE AGREEMENT**

BUSINESS LOCATION GENERAL AREA

This Exhibit C is attached to and is an integral part of the Los Campeones® Franchise Agreement dated _____, 20____ (the “Franchise Agreement”), between us and you.

1. Area for Business Location. Within six (6) months after the Effective Date of the Franchise Agreement, you will select and obtain our consent to a location for the Business within the geographical area described below (the “Area”), and purchase or sign a lease and the Lease Addendum for the premises of that Business location, all in accordance with the provisions of this Exhibit C: _____

2. Consent to Location and Business Opening. To obtain our consent to the proposed Business premises, you must deliver to us a complete site report (containing information we require) for the location within the Area at which you propose to establish and operate the Business and which you reasonably believe will satisfy the standardized site selection criteria we have established. The proposed location is subject to our prior written consent, which will not be unreasonably withheld. In evaluating the proposed location, we will consider matters we deem material, including without limitation demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses, including without limitation other Los Campeones® businesses, and other commercial characteristics, the purchase price or rental obligations and other lease terms for the proposed location, and the size of premises, appearance and other physical characteristics. Within thirty (30) days following our receipt of the complete site report and other materials we request, we will consent to or reject (in writing) the location you propose for the Business.

YOU ACKNOWLEDGE AND AGREE THAT OUR CONSENT TO A PROPOSED LOCATION DOES NOT REPRESENT A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESSED OR IMPLIED, AS TO THE SUITABILITY OF THE PROPOSED LOCATION FOR A LOS CAMPEONES® BUSINESS.

3. Purchase or Lease of Business Location. Once you have obtained our consent to a proposed Business location within the Area, you must purchase or sign a lease and the Lease Addendum for the premises of that location, and sign Exhibit A, which we will revise to identify the Authorized Location of the Business and the Protected Territory.

4. Termination of Franchise Agreement. We have the right to terminate the Franchise Agreement, effective upon delivery of notice of termination to you, if you fail to (i) obtain our consent to a location for the Business within the Area, (ii) purchase or sign a lease and the Lease Addendum for the premises of that location or (iii) sign a revised Exhibit A for that location within six (6) months after the Effective Date of the Franchise Agreement.

5. Defined Terms. All capitalized terms contained in this Exhibit A and not defined herein will have the same meaning as provided in the Franchise Agreement.

WE:

Los Campeones Franchising LLC

By _____

Benjamin Loehrer

Its President _____

YOU:

Name of corporation or limited liability company

By _____

Its _____

EXHIBIT D
TO FRANCHISE AGREEMENT
BUSINESS LEASE ADDENDUM

LEASE ADDENDUM

This Lease Addendum is entered into as of the date of the Lease Agreement by and between _____ (“Landlord”) and _____ (“Tenant”).

Landlord and Tenant are parties to that certain Lease of even date (the “Lease”) covering the premises located at _____ (the “Leased Premises”), which Tenant will use to operate a Los Campeones® business under a Franchise Agreement (the “Franchise Agreement”) between Tenant and Los Campeones Franchising LLC (“Franchisor”). Landlord and Tenant desire to amend the Lease to protect the various interests of Franchisor.

In consideration of the foregoing and the promises contained in the Lease, the parties agree as follows:

1. Permitted Use. Landlord and Tenant agree that so long as the Franchise Agreement remains in effect, Tenant may use the Leased Premises only for a Los Campeones® business and Tenant may offer for sale and sell at the Leased Premises only those services and products which Franchisor approves. Landlord further agrees that so long as the Lease is in effect, it will not permit any tenant within the same multi-tenant mall or building to operate any fitness center or exercise facility, or any other business that is competitive with a Los Campeones® business, other than businesses in existence in the mall or building as of the effective date of the Lease or upon the written consent of Franchisor and Tenant.

2. Notice of Default. Landlord will provide Franchisor, by certified US mail or a recognized overnight delivery service at the address provided in Section 8, a minimum thirty (30) day notice of any default under the Lease before Landlord initiates any action to terminate the Lease or exercise any remedy for such default.

3. Cure. Either Tenant or Franchisor may cure defaults under the Lease and Landlord will accept performance of obligations due under the Lease, as specified in the Lease, by either Franchisor or Tenant. Franchisor will not, however, be under any obligation to cure any default and nothing herein will require Franchisor at any time to comply with or take any action under the provisions of the Lease.

4. Rights of Franchisor After Cure. If Franchisor commences cure of any default under the Lease within the thirty (30) day notice period described in Section 2, and if Franchisor thereafter diligently completes cure, Franchisor may, but will not be obligated to, give notice to Landlord and become Tenant under the Lease, in which event Landlord will not be entitled to terminate the Lease.

5. Assignment and Renewal. Landlord consents to an assignment or transfer of Tenant’s rights under the Lease to Franchisor at any time during the term of the Lease; provided that such assignment or transfer is subject to Franchisor’s written agreement to accept such assignment or transfer. Landlord will give Franchisor notice of expiration of the term of the Lease at least three (3) months in advance thereof and grant Franchisor the right, but not the obligation, to exercise any then-existing renewal rights under the Lease.

6. Right of Entry and Subordination. Landlord will give Franchisor access to the Leased Premises at reasonable times on not less than twenty-four (24) hours’ notice (or such shorter notice as may be reasonable when circumstances dictate) either to inspect the Leased Premises for compliance with

Franchisor's requirements, to remove from the Leased Premises any items bearing Franchisor's marks or logos or to take other action permissible under the Agreements between Tenant and Franchisor. Landlord specifically subordinates any lien it may have in such items to Franchisor's rights as licensor of the marks or logos displayed on items.

7. Vacating Premises. Upon vacating the Leased Premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Tenant must remove all signs and materials bearing any of Franchisor's marks or logos.

8. Notices. Any notices to Franchisor hereunder will be sent to:

Los Campeones Franchising LLC
2721 E Franklin Ave
Minneapolis, Minnesota 55406

9. Benefit. Landlord and Tenant acknowledge that they enter into this Agreement for the express benefit of Franchisor and that Franchisor is an intended beneficiary hereof.

10. Supremacy. This Addendum shall control and supersede any inconsistent provision of the Lease.

The parties have signed this Agreement the day and year first above written.

LANDLORD:

TENANT:

By: _____

Title: _____

By: _____

Title: _____

**EXHIBIT E
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Franchise Agreement of even date (the "Agreement") by Los Campeones Franchising LLC ("we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that _____ ("you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

- (1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and the other Guarantors of you;
- (2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;
- (3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;
- (4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;
- (5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and
- (6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN YOU

**EXHIBIT F
TO FRANCHISE AGREEMENT
EFT AUTHORIZATION FORM**

Name of Depositor (Franchisee)

Social Security Number or Federal Tax Identification Number

The undersigned Depositor (“**Depositor**”) hereby authorizes Los Campeones Franchising LLC (“**Franchisor**”) to initiate electronic transfer debit entries and/or credit correction entries to Depositor’s checking and/or savings account(s) indicated below with the Depository designated below (“**Depository**”) (“**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions. Depositor understands that it is solely responsible for the accuracy of the information submitted on this form and for all future information submitted to Franchisor for the purposes of initiating required electronic transfers pursuant to that certain Franchise Agreement to which this Exhibit F is attached. It is Depositor’s responsibility to notify Franchisor of any changes or corrections to its bank account information. This authorization is to remain in full force and effect until sixty (60) days after Franchisor has received written notification from Depositor of its termination.

Depository

Branch

City

State

Zip Code

Bank Transit/ABA Routing Number

Account Number

Depositor

By: _____

Name: _____

Title: _____

Date: _____

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EXHIBIT C

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EXHIBIT D

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8236 Phone
New York (Agent)	Attention: New York Secretary of State New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fourteenth Floor Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

EXHIBIT E
STATE ADDENDA

STATE SPECIFIC ADDENDUM
AS REQUIRED BY
THE NORTH DAKOTA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the Los Campeones Franchising LLC Franchise Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all Los Campeones franchises offered and sold or operated in the State of North Dakota:

1. Based upon the franchisor's financial condition, the North Dakota Securities Commissioner has required a financial assurance. Therefore, if the franchisee is a North Dakota resident, 100% of the Initial Franchise Fee the franchisee pays to the franchisor must be placed into escrow until the obligations of the franchisor to assist the franchisee to establish and open his, her or its business are fulfilled.
2. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted from Item 17(c) and from any other place it appears in the Disclosure Document.
3. Item 17(r) is revised to provide that covenants not to compete, such as those mentioned in Item 17(r) of the Disclosure Document, are generally considered unenforceable in the state of North Dakota.
4. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota. Therefore, any references in the Disclosure Document to any requirement that the franchisee consents to the jurisdiction of courts located outside of North Dakota are deleted.
5. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to agree to arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business. Therefore, any references in the Disclosure Document to any requirement that the franchisee consents to arbitration or mediation located outside of North Dakota are amended to include the following:

"Pursuant to the North Dakota Franchise Investment Law, the site of arbitration or mediation shall be agreeable to all parties and may not be remote from your place of business."
6. Any references in the Disclosure Document to any requirement to consent to a waiver of exemplary and punitive damages are deleted.
7. Any references in the Disclosure Document to any requirement to consent to a waiver of trial by jury are deleted.
8. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.

9. Any references in the Disclosure Document that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement are deleted. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.
10. Any references in the Disclosure Document requiring franchisee to consent to termination penalties or liquidated damages are deleted.
11. Any references in the Disclosure Document requiring the franchisee to consent to a limitation of claims are deleted. The statute of limitations under North Dakota law applies.
12. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO
LOS CAMPEONES®
FRANCHISE AGREEMENT
FOR THE
STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Los Campeones® Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Los Campeones franchises offered and sold or operated in the State of North Dakota.

1. Based upon the franchisor's financial condition, the North Dakota Securities Commissioner has required a financial assurance. Therefore, if the franchisee is a North Dakota resident, 100% of the Initial Franchise Fee the franchisee pays to the franchisor must be placed into escrow until the obligations of the franchisor to assist the franchisee to establish and open his, her or its business are fulfilled.
2. The North Dakota Securities Commissioner has determined that it is unfair and unequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted.
3. Section 13 of the Franchise Agreement is revised to provide that covenants not to compete are generally considered unenforceable in the state of North Dakota.
4. The North Dakota Securities Commissioner has determined that it is unfair and unequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota. Therefore, any references in the Franchise Agreement to any requirement that the franchisee consents to the jurisdiction of courts located outside of North Dakota are deleted.
5. The North Dakota Securities Commissioner has determined that it is unfair and unequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to agree to arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business. Therefore, any references in the Franchise Agreement to any requirement that the franchisee consents to arbitration or mediation located outside of North Dakota are amended to include the following:

“Pursuant to the North Dakota Franchise Investment Law, the site of arbitration or mediation shall be agreeable to all parties and may not be remote from your place of business.”
6. Any references in the Franchise Agreement to any requirement to consent to a waiver of exemplary and punitive damages are deleted.
7. Any references in the Franchise Agreement to any requirement to consent to a waiver of trial by jury are deleted.
8. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.

9. Any references in the Franchise Agreement that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement are deleted. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.
10. Any references in the Franchise Agreement requiring franchisee to consent to termination penalties or liquidated damages are deleted.
11. Any references in the Franchise Agreement requiring the franchisee to consent to a limitation of claims are deleted. The statute of limitations under North Dakota law applies.
12. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Franchise Agreement was executed.

FRANCHISOR:
LOS CAMPEONES FRANCHISING LLC

By: _____
 Name: _____
 Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE:

By: _____
 Name: _____
 Title: _____

IF INDIVIDUAL:
FRANCHISEE:

 Name: _____

STATE SPECIFIC ADDENDUM
AS REQUIRED BY
THE SOUTH DAKOTA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the Los Campeones Franchising LLC Franchise Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all Los Campeones franchises offered and sold or operated in the State of South Dakota:

Based upon the franchisor's financial condition, the Director of the Division of Insurance has required a financial assurance. Therefore, all fees paid by the franchisee to the franchisor or its affiliate shall be held in escrow until the franchisor performs its initial obligations and the franchisee has commenced operations.

**ADDENDUM TO
LOS CAMPEONES®
FRANCHISE AGREEMENT
FOR THE
STATE OF SOUTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Los Campeones® Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Los Campeones franchises offered and sold or operated in the State of South Dakota.

Based upon the franchisor's financial condition, the Director of the Division of Insurance has required a financial assurance. Therefore, all fees paid by the franchisee to the franchisor or its affiliate shall be held in escrow until the franchisor performs its initial obligations and the franchisee has commenced operations.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Franchise Agreement was executed.

**FRANCHISOR:
LOS CAMPEONES FRANCHISING LLC**

By: _____
Name: _____
Title: _____

**IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE:**

By: _____
Name: _____
Title: _____

**IF INDIVIDUAL:
FRANCHISEE:**

Name: _____

STATE SPECIFIC ADDENDUM
AS REQUIRED BY
THE WISCONSIN FAIR DEALERSHIP LAW

Notwithstanding anything to the contrary set forth in the Los Campeones Franchising LLC Franchise Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all Los Campeones franchises offered and sold to residents of the State of Wisconsin or if the Los Campeones franchise will be located in Wisconsin:

Item 17. Additional Disclosures

For all franchisees residing in the State of Wisconsin, we will provide you with at least 90 days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchises, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the law.

**ADDENDUM TO
LOS CAMPEONES®
FRANCHISE AGREEMENT
FOR THE
STATE OF WISCONSIN**

Notwithstanding anything to the contrary set forth in the Los Campeones® Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Los Campeones franchises offered and sold to residents of the State of Wisconsin or if the Los Campeones franchise will be located in Wisconsin:

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Franchise Agreement was executed.

FRANCHISOR:
LOS CAMPEONES FRANCHISING LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
FRANCHISEE:

Name: _____

EXHIBIT F
GENERAL RELEASE FORM

FORM RELEASE OF CLAIMS

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL
BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT.
THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, Los Campeones Franchising LLC (“we” or “us”), _____ (“you”) and _____ (“Guarantors”) enter into this Release of Claims (“Agreement”).

RECITALS

- A. We and you entered into a Los Campeones Franchise Agreement dated _____, ____ (the “Franchise Agreement”).
- B. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
4. **Release of Claims.**

A. Definitions.

1. Franchisor Parties: We and each of our subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives.

2. Franchisee Parties: You and each of the Guarantors and all persons or entities acting on their behalf or claiming under them including each of their respective past and present corporate parents, subsidiaries, affiliates, owners, heirs, executors, administrators, managers, directors, officers, employees, trustees, agents, partners, business entities, attorneys, insurers, successors and assigns.

B. The Franchisee Parties irrevocably and unconditionally waive, release and forever discharge, and covenant not to sue, the Franchisor Parties of and from any and all claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence (collectively, “Claims”), that they may now have, or at any time heretofore had, or hereafter may have, against each or any of the Franchisor Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the [Effective Date] relating to the Franchise Agreement(s), the development or operation of the Business(s), the franchise relationship between the parties, the offer or sale of any franchise, or any agreement between any of the Franchisee Parties and any of the Franchisor Parties.

C. The Franchisee Parties specifically and expressly acknowledge and agree that the consideration accepted under this Agreement is accepted in full satisfaction of any and all injuries and/or damages that have previously arisen and which may hereafter arise respecting any of the claims being released.

D. The Franchisee Parties acknowledge that they have had a reasonable opportunity to consult with an attorney prior to signing this release and they have executed this release voluntarily. Also, the Franchisee Parties represent that they have not assigned or transferred to anyone any claims released by them under Section 4(B) above.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of _____ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

YOU:

WE:

**LOS CAMPEONES FRANCHISING
LLC**

BY: _____

BY: _____

ITS: _____

ITS: _____

DATE: _____

DATE: _____

PERSONAL GUARANTORS:

EXHIBIT G

LIST OF FRANCHISEES as of December 31, 2022

1. List of franchisees that have signed a franchise agreement and opened their Los Campeones business as of December 31, 2022

Name	Address	City	State	Zip Code	Telephone Number
Tim Mantel	9811 Vikki Terrace	Austin	TX	78736	(512) 436-8000

2. List of franchisees that have signed a franchise agreement, but not opened their Los Campeones business as of December 31, 2022

Name	Address	City	State	Zip Code	Telephone Number
Carl Sievert	5009 Matterhorn Drive	Duluth	MN	55811	(218) 340-3562

3. List of former franchisees that left the franchise system between the period from January 1, 2022 to December 31, 2022

Name	City	State	Telephone Number	Reason franchisee left the franchise system
Ryan Nelson	Tempe	AZ	307-751-8567	Franchised Los Campeones business repurchased by franchisor

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT H
DISCLOSURE ACKNOWLEDGMENT AGREEMENT

**DISCLOSURE
ACKNOWLEDGMENT AGREEMENT***

As you know, Los Campeones Franchising LLC (“we” or “Franchisor”) and you are entering into a Franchise Agreement for the operation of a Los Campeones franchised business (“Business”). The purpose of this Acknowledgment Agreement is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations.

1. Did you receive a copy of our franchise disclosure document (“FDD”) (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Yes _____ No _____
2. Did you sign a receipt for the FDD indicating the date you received it? Yes _____ No _____
3. If we materially altered the provisions of the Franchise Agreement (except as a result of negotiations you initiated), did you receive a copy of the Franchise Agreement at least 7 calendar days before signing it.? Yes _____ No _____
4. Have you personally reviewed our FDD, Franchise Agreement and related exhibits attached to them? Yes _____ No _____
5. Do you understand that the Franchise Agreement contains a number of provisions that may affect your legal rights, including those with respect to the Business for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations? Yes _____ No _____
6. Have you reviewed the FDD and Franchise Agreement with an attorney, accountant, or other professional advisor and discussed the benefits and risks of establishing and operating the Business with these professional advisors? Yes _____ No _____

If No, do you wish to have more time to do so? Yes _____ No _____
7. Do you understand that the success or failure of your Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors? Yes _____ No _____
8. Has anyone speaking on the Franchisor’s behalf made any statement or promise to you concerning the revenues, profits or operating costs of a Los Campeones Gym business operated by the franchisor (or its affiliates) or its franchisees that is different from the information contained in the FDD? Yes _____ No _____
9. Has anyone speaking on our behalf made any statement or promise to you about the amount of money you may earn in operating the Business that is different from the information contained in the FDD? Yes _____ No _____
10. Has anyone speaking on our behalf made any statement or promise concerning the total amount of revenue your Business will or may generate that is different from the information contained in the FDD? Yes _____ No _____

- 11. Has anyone speaking on our behalf made any statement or promise regarding the costs you may incur in operating your Business that is different from the information contained in the FDD? Yes _____
No _____
- 12. Has anyone speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating Business? Yes _____ No _____
- 13. Has anyone speaking on our behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance the Franchisor will provide to you (for example, concerning advertising, marketing, training, and support) that is different from the information contained in the FDD? Yes _____ No _____
- 14. Have you entered into any binding agreement with us concerning the purchase of this franchise before today? Yes _____ No _____
- 15. Have you paid any money to us concerning the purchase of this franchise before today? Yes _____
No _____
- 16. If you have answered “Yes” to any of questions 8-15, please provide a full explanation of each “yes” answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered “no” to each of questions 8-15, then please leave the following lines blank.

- 17. Do you understand that the territorial rights you have been granted are subject to limitations and exceptions? Yes _____ No _____
- 18. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise rights for the Business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Yes _____ No _____
- 19. Do you acknowledge and represent to Franchisor that (a) you or the entity that you form to be a franchisee will be the employer of all of your employees and will have sole discretion and authority to hire, fire, discipline, compensate and schedule working hours for, all of your employees; and (b) us and our affiliates will have no control, or right to control, any of the employment actions or decisions in your business? *We recommend that you retain employment law counsel to advise you with your employment issues and questions.* Yes _____ No _____
- 20. Do you understand that:
 - a. this Business may be impacted by other risks, including those outside your or our control such as local, national or global economic, political or social disruption, such as the COVID-19 outbreak? Yes _____ No _____

- b. that such disruptions, and any preventative, protective, or remedial actions that federal, state, and local governments may take in response to a disruption may result in a period of business disruption, reduced customer demand, and reduced operations for Los Campeones Gym businesses, and may require that we take actions that might not be contemplated under the Franchise Agreement? Yes _____ No _____
- c. the extent to which any such disruption impacts the Los Campeones Gym system, and your Business, will depend on future developments which are highly uncertain and which we cannot predict? Yes _____ No _____

If no, please comment: _____

21. I signed the Franchise Agreement and Addenda (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signed: _____
 Print Name: _____
 Date: _____

Signed: _____
 Print Name: _____
 Date: _____

Signed: _____
 Print Name: _____
 Date: _____

Signed: _____
 Print Name: _____
 Date: _____

EXHIBIT I

STATE EFFECTIVE DATES & RECEIPT PAGES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
North Dakota	April 25, 2023
South Dakota	October 20, 2023
Wisconsin	February 12, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Los Campeones Franchising LLC offers you a franchise, Los Campeones Franchising LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Los Campeones Franchising LLC or its affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Los Campeones Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on **Exhibit D**.

Issuance Date: March 2, 2023

The franchisor is Los Campeones Franchising LLC, located at 2721 E. Franklin Ave., Minneapolis, Minnesota 55406. Its telephone number is 612-850-0029.

Los Campeones Franchising LLC’s franchise seller involved in offering and selling the franchise is Benjamin Loehrer, 2721 E. Franklin Ave., Minneapolis, Minnesota 55406; 612-850-0029, or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:

_____.

Los Campeones Franchising LLC authorizes the respective state agencies identified on **Exhibit D** to receive service of process for Los Campeones Franchising LLC in the particular state.

I have received a disclosure document with an issuance date of March 2, 2023, that included the following Exhibits:

- | | |
|--|--|
| A. Financial Statements | E. State Addenda |
| B. Franchise Agreement (and Exhibits) | F. General Release Form |
| C. Operations Manual Table of Contents | G. List of Franchisees |
| D. List of State Administrators, Agents for Service of Process | H. Disclosure Acknowledgment Agreement |
| | I. State Effective Dates & Receipt Pages |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____
Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Copy for Franchisee

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Los Campeones Franchising LLC offers you a franchise, Los Campeones Franchising LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Los Campeones Franchising LLC or its affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Los Campeones Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on **Exhibit D**.

Issuance Date: March 2, 2023

The franchisor is Los Campeones Franchising LLC, located at 2721 E. Franklin Ave., Minneapolis, Minnesota 55406. Its telephone number is 612-850-0029.

Los Campeones Franchising LLC’s franchise seller involved in offering and selling the franchise Benjamin Loehrer, 2721 E. Franklin Ave., Minneapolis, Minnesota 55406; 612-850-0029, or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:

_____.

Los Campeones Franchising LLC authorizes the respective state agencies identified on **Exhibit D** to receive service of process for Los Campeones Franchising LLC in the particular state.

I have received a disclosure document with an issuance date of March 2, 2023, that included the following Exhibits:

- | | |
|--|--|
| A. Financial Statements | E. State Addenda |
| B. Franchise Agreement (and Exhibits) | F. General Release Form |
| C. Operations Manual Table of Contents | G. List of Franchisees |
| D. List of State Administrators, Agents for Service of Process | H. Disclosure Acknowledgment Agreement |
| | I. State Effective Dates & Receipt Pages |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Benjamin Loehrer at 2721 E. Franklin Ave., Minneapolis, Minnesota 55406, or bestgym612@gmail.com.

Copy for Los Campeones Franchising LLC