

Exhibit "C"

Franchise Agreement and Exhibits

**BUTTERFLY FITNESS, INC.
FRANCHISE AGREEMENT**

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1.00 GRANT OF FRANCHISE	2
2.00 TERM.....	4
3.00 PREMISES AND EQUIPMENT	6
4.00 EQUIPMENT, FITNESS SERVICES, PRODUCTS, OTHER, ITEMS AND UNIFORMS	7
5.00 OPERATING STANDARDS, PROCEDURES, TRAINING AND SERVICING	8
6.00 FEES	11
7.00 ADVERTISING	12
8.00 BOOKS, RECORDS, CONTROL PROCEDURES	13
9.00 WARRANTY, INSURANCE, INDEMNITY	14
10.00 OWNERSHIP AND LIMITATIONS ON USE OF MARKS, TRADE SECRETS	16
11.00 TERMINATION	18
12.00 FRANCHISEE’S OTHER BUSINESS INTERESTS	22
13.00 ASSIGNMENT	22
14.00 GENERAL PROVISIONS.....	25

LIST OF EXHIBITS:

Exhibit A: Individual Confidentiality, Non-Competition, and
Guaranty Agreement

Exhibit B: Territory and Location

**BUTTERFLY FITNESS, INC.
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (“Agreement”) is made this ___ day of _____, 20__ by and between BUTTERFLY FITNESS, INC., a California corporation with its principal place of business located at 2404 San Ramon Boulevard, Suite 200, San Ramon, CA 94583 (hereinafter referred to as the “Franchisor”), and _____ (hereinafter referred to as the “Franchisee”).

RECITALS

- A. Franchisor has made a substantial investment of money, time and effort to obtain knowledge and to develop the System with the Marks.
- B. Franchisor grants to qualified persons franchises to own and operate Butterfly Life Centers to sell products and services authorized and approved by the Franchisor utilizing the System and the Marks.
- C. Franchisee has applied to the Franchisor for a franchise to operate a Butterfly Life Center and such application has been approved by the Franchisor in reliance upon all information, representations, and statements made by the Franchisee being complete and accurate.
- D. Franchisee acknowledges the importance of the Franchisor’s uniform standards and the necessity of operating the Butterfly Life Centers in conformity with the Franchisor’s System.
- E. Franchisee has reviewed this Agreement, the Butterfly Life Franchise Offering Circular, and other related materials, and declares that it possesses the requisite knowledge and skill to operate a franchise.
- F. Franchisee represents that it has conducted any independent investigations it felt necessary. Franchisee recognizes the business risks inherent in owning and operating a Butterfly Life franchise, and that the success of the Franchisee is dependent upon the Franchisee’s efforts.
- G. Franchisee acknowledges that it has not received or relied upon any guaranty, expressed or implied, as to the revenues, profits, or success of the Butterfly Life franchise contemplated by this Agreement; and further acknowledges that there have been no representations by the Franchisor or its agents, employees or representatives that are contrary or in addition to the terms of this Agreement.

DEFINITIONS

For purposes of this Agreement, any term or phrase not defined herein shall have the meaning set forth in the Franchise Agreement.

“Butterfly Life Center” or “Center” means a Butterfly Life center using the Butterfly Life System pursuant to a Franchise Agreement. “Center” includes smaller Butterfly Life (Light) Centers, and this Agreement shall apply to all such Centers in all respects.

“Confidential Information” means all information disclosed by one party to the other party that has been designated as proprietary or confidential or that, by the nature of circumstances surrounding the disclosure, reasonably ought to be treated as proprietary or confidential. Confidential Information of Franchisor shall include any Manuals and all information related to the Butterfly Life System. Confidential Information shall not include any information that is a matter of public knowledge through no fault of the receiving party.

“Franchise Agreement” means a franchise agreement for the operation of a Center in Franchisee’s Territory using the Marks and the Butterfly Life System.

“Location” means the location of Franchisee’s Butterfly Life Center or Centers, as described in Exhibit B to this Agreement.

“Manual” means one or more documents, whether embodied in electronic or other media, or any Intranet or password protected portion of the Internet, containing confidential procedures, systems, data marketing materials, specifications, standards, forms and methods, as modified, deleted or supplemented, all of which are owned by Franchisor.

“Marks” means trade names, trademarks, service marks, logos, trade dress, décor, and other commercial symbols now or in the future associated with the Butterfly Life System, anywhere in the world, all of which are and will remain Franchisor’s property, including currently Butterfly Life (U.S. registration No. 2923967), the Butterfly design (U.S. Application Serial No. 76-538329), Butterfly Light (U.S. Application Serial No. 77070750), or other registered and unregistered trademarks to be specified by Franchisor in the future.

“System” means the system of franchising, opening, or operating distinctively styled fitness, health and weight loss Centers at which nutritional programming, variable resistance strength equipment, and related products and services are sold from centers. The Centers are operated with a uniform business format, standards, methods, procedures, merchandising, advertising, techniques, designs, Confidential Information, video works for full-size Centers, books, and other copyrighted materials, and Manuals, and identified by the Marks.

“Territory” means the Franchisee’s exclusive territory, as described in Exhibit B to this Agreement, and subject to the conditions, exceptions and reserved rights in this Agreement.

1.00 GRANT OF FRANCHISE

1.01 Grant of Franchise.

a) Subject to the terms of this Agreement, the Franchisor grants to Franchisee: (i) the right to build and operate one Butterfly Life Center and to use the System at the Location; (ii) the right to use such Marks in conjunction with the Butterfly Life Center at the Location.

b) The Franchisor shall not own, operate nor grant a franchise for a Butterfly Life Center within the area designated as Franchisee Territory. However, the Franchisor may own or operate, or

grant franchises or licenses for others to operate one or more Butterfly Life Centers anywhere outside Franchisee's Territory. Franchisee will operate from one location approved by the Franchisor and must receive the Franchisor's permission before relocating.

c) Upon execution of this Agreement, Franchisee must propose and obtain Franchisor's approval of in writing (on Exhibit B) a city, zip code, or neighborhood in which Franchisee will choose its Location.

d) Franchisee must specify and obtain Franchisor's approval, and sign a lease for its specific Location approved in writing by Franchisor, within 90 days after execution of this Agreement. If a Location is not specified, or a lease is not entered into within such 90 days, Franchisor at its option may terminate this Agreement and Franchisee will be in breach of this Agreement. Franchisee must obtain Franchisor's approval for any amendment and renewal of the lease and for any change in Location. Changes in Location outside the Territory will generally not be approved.

e) The Franchisor reserves the right to sell, directly or through third parties, products that are the same as, or similar to those sold in Butterfly Life Centers, whether or not using the Marks.

f) Franchisee is not limited in the customers Franchisee may serve from each Butterfly Life Center. However, Franchisee may only sell products on a retail basis from the Location, and not for resale.

g) Franchisor retains the sole right to market on the Internet, including all use of Web sites, domain names, URLs, linking, advertising, and co-branding arrangements. Franchisee will provide Franchisor content for Franchisor's Internet marketing, and sign Franchisor's Intranet and Internet usage agreements, if any. Franchisee may not establish a presence on the Internet except as Franchisor may specify, and only with Franchisor's prior written consent. Franchisee must follow Franchisor's policies concerning data collection and privacy, if any.

h) Franchisee hereby grants Franchisor a security interest in all of the assets of its business to secure royalty fees and other payments to Franchisor. If Franchisor requests, Franchisee will sign financing statements and other documents that Franchisor may record with governmental authorities to protect its security interest.

NEITHER THE FRANCHISOR'S ACCEPTANCE OF THE LOCATION NOR ANY INFORMATION COMMUNICATED TO FRANCHISEE REGARDING THE FRANCHISOR'S SITE SELECTION CRITERIA FOR BUTTERFLY LIFE CENTERS SHALL CONSTITUTE A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE SUITABILITY OF THE LOCATION FOR A BUTTERFLY LIFE CENTER OR FOR ANY OTHER PURPOSE. THE FRANCHISOR IS NOT RESPONSIBLE FOR THE FAILURE OF THE LOCATION TO MEET FRANCHISEE'S EXPECTATIONS AS TO POTENTIAL REVENUES. FRANCHISEE'S DECISION TO OPERATE A BUTTERFLY LIFE CENTER AT THE LOCATION IS BASED SOLELY ON FRANCHISEE'S INDEPENDENT INVESTIGATION OF THE SUITABILITY OF THE LOCATION FOR A BUTTERFLY LIFE CENTER.

1.02 Other Business.

Franchisor and its affiliates may operate centers and conduct other business at any location, including within the Territory, provided that such are not a fitness center designed for women, and are not a fitness center operated under the Marks.

1.03 Acceptance of Franchise; Use of Premises.

a) Franchisee agrees to diligently develop and operate its Butterfly Life Center and to promote diligently the Marks. Franchisee will construct, maintain and operate the Butterfly Life Center only at the Location, and in accordance with (i) the Franchisor's plans and specifications, (ii) the System, (iii) the Manual.

b) Franchisee agrees to use the Butterfly Life Center and the Location solely for the operation of the Butterfly Life Center and in conformity with the Manuals.

1.04 Franchisor Services

a) The Franchisor agrees to provide Franchisee with the following materials (embodied either in paper, electronic or other media) and services for its Butterfly Life Center:

- 1) upon Franchisee's request, written guidelines for site selection;
- 2) standard plans, drawings and specifications for the Butterfly Life Center and its related facilities;
- 3) standard layouts and specifications for fixtures, furnishings, interior design and decor, signs and equipment for the System;
- 4) such pre-opening assistance as the Franchisor may, in its discretion, deem necessary for Franchisee to meet System standards;
- 5) a pre-opening management training program and such other training at such locations and for such periods as may be designated by the Franchisor in the Manual, subject to Section 5.03 of this Agreement;
- 6) one copy of the Manual and such modifications thereto as the Franchisor may make, in its discretion;
- 7) a sample of the Franchisor's standardized chart of accounts and format for Franchisee's statement of earnings and balance sheet, to be used by Franchisee for reporting to the Franchisor;
- 8) certain copies of required DVD videos programs (except for Butterfly Life (Light) smaller Centers, which will not have group class space) that are loaned by Franchisor to Franchisee and shall be returned upon termination of the Agreement; and
- 9) the Butterfly marketing and advertising program.

2.00 TERM

2.01 Lease and Term.

a) Franchisee will provide Franchisor with a true and accurate copy together with any modifications or renewals of its lease agreement. The date of such lease or sublease shall be included in Exhibit B and a true and accurate copy of the lease shall be delivered to the Franchisor within the 90 day period after the execution of this Agreement.

b) The lease commencement date, the lease expiration date, and any lease option periods, will be specified in Exhibit B.

c) Franchisee shall promptly provide Franchisor with copies of any material modifications of the lease;

d) Franchisee shall cause the lease to contain a provision that allows Franchisor to assume the lease upon termination, expiration or transfer of this Agreement, and to fulfill the requirements of Section 11.03; and

e) Unless previously terminated pursuant to the terms of this Agreement, the term of the franchise granted herein shall be 10 years commencing on the date of this Agreement. Franchisee must open for business within 180 days of signing this Agreement.

2.02 Options to Renew.

a) Franchisee may, at its option, renew this franchise agreement for up to four additional terms of five years each, from the date of its original Franchise Agreement. In addition, in order to exercise its renewal option, Franchisee must satisfy all of the following conditions:

1) Franchisee must give the Franchisor written notice of its election to renew no less than seven months, nor more than nine months, prior to the end of the then current term;

2) Franchisee must not have been in default 12 months prior to the expiration of the current term of: (i) any provision of this Agreement; or (ii) any other agreement between Franchisee or any of its affiliates and Franchisor or any of Franchisor's affiliates;

3) Franchisee shall provide such financial information regarding Franchisee as the Franchisor reasonably may request;

4) Franchisee and its owners must execute the Franchisor's then current standard form renewal franchise agreement, which may contain terms different from this Agreement, including increased fees;

5) Franchisee and each of its owners shall execute a general release, in a form satisfactory to the Franchisor, of any and all claims Franchisee may have as of the date of execution of the renewal unit franchise agreement, or arising from an event or events which occurred prior to such date, against the Franchisor and its officers, directors, shareholders and employees, in their corporate and individual capacities, including claims arising under any applicable law;

6) Franchisee shall present evidence satisfactory to the Franchisor that Franchisee has the right to remain in possession of the Location for the duration of the renewal term;

7) Franchisee shall complete such renovation and modernization of the Butterfly Life Center, equipment, and Location as the Franchisor may reasonably require;

8) Franchisee shall pay Franchisor a renewal fee of \$5,000.00 which shall be remitted with Franchisee's written notice of its option to extend or renew; and

9) Franchisee at its cost will have satisfied the training requirements for new Franchisees as of the date of such renewal.

3.00 PREMISES AND EQUIPMENT

3.01 Construction of Butterfly Life Center.

a) Within 75 days after the execution of this Agreement, Franchisee shall submit to Franchisor for approval the address of Location franchised herein, which shall be between the required minimum and maximum space, which currently average approximately 1,000 square feet for a Butterfly Life (Light) Center and 2,000 square feet for a Butterfly Life Center. The Franchisor shall furnish to Franchisee one copy of a preliminary site layout, a set of generic plans and specifications for a standard Butterfly Life Center of the type specified in this subsection, and a list of and layout for standardized furnishings and equipment for the specified type of fitness center.

b) Franchisee at its expense shall have: (i) the generic plans and specifications adapted as necessary to construct and operate the Butterfly Life Center at the Location, and (ii) such adapted plans including the final site layout complying with applicable zoning and building permits. Any such adaptations and all plans, specifications and layouts other than those furnished by the Franchisor must be approved in writing by the Franchisor. The Franchisor's approval shall signify only its acceptance of the appearance of the Butterfly Life Center building, and shall not signify that the approved plans or specifications comply with applicable codes. Such approval shall not result in any liability of the Franchisor to Franchisee.

c) Layout and plans and specifications, prepared or approved by the Franchisor, shall not thereafter be changed or modified without the Franchisor's prior written consent. Before commencing any construction of the Butterfly Life Center, Franchisee shall furnish to the Franchisor a letter certifying that all required permits and certifications and all other requirements for its lawful construction and operation have been met, including zoning, access, signage, fire, health and safety requirements.

d) Construction of the building and improvements shall begin as soon as possible after the Franchisor approves the site layout, plans and specifications. The building and improvements shall be constructed in strict compliance with the plans and specifications and shall be completed within six months after the date of this Agreement. The Franchisor, in its discretion, may inspect the construction at all reasonable times. At least 30 days in advance of the Butterfly Life Center's projected opening date, Franchisee shall submit photos to Franchisor. Franchisee shall open the Butterfly Life Center for business as soon after completion of the building and installation of furnishings and equipment as is reasonably possible, and within 180 days of the date of this Agreement.

3.02 Purchase and Installation of Equipment and Furnishings.

a) Franchisee shall purchase and install and use such items and only such items of equipment, inventory, supplies, fixtures, real estate, and other items as are designated by the Franchisor as Approved Brands in the Manual, or which otherwise have been approved by the Franchisor in writing. Such items must strictly conform to the appearance, uniform standards and specifications of the Franchisor and the System. If Franchisee desires to purchase or install any item not so listed or approved, Franchisee or the supplier of such item shall submit to the Franchisor a written request for approval of the item. The Franchisor shall have the right to require, among other things, that a sample of the item be delivered (or otherwise be made available in a manner acceptable to the Franchisor), at the Franchisor's option, either to the Franchisor or to an independent certified laboratory designated by the Franchisor for testing prior to acting on the request for approval. A charge not to exceed the cost of the testing shall be paid to the Franchisor by Franchisee or by the item's supplier. The Franchisor shall

not be liable for any damage to such items resulting from the testing process. The Franchisor reserves the right to retest any item previously approved by it, and to revoke its approval if the item fails to continue to meet the Franchisor's standards and specifications. Upon notification by the Franchisor, through revision of the Manual or otherwise, that approval of any item has been revoked, Franchisee shall not thereafter purchase or, if the Franchisor so directs, use such item. The Franchisor may at any and all times inspect all items and installation to assure Franchisee's compliance with the Franchisor's standards and specifications.

b) Franchisee shall not install, sell or use at its Butterfly Life Center any items, products or services not included in the System without the Franchisor's prior written consent.

3.03 Maintenance of Premises and Equipment.

a) Franchisee shall maintain at Franchisee's expense its Butterfly Life Center and all equipment in conformity with the high standards and public image of the Franchisor and the System, and shall make no additions or alterations to the Center without the Franchisor's prior written consent.

b) Franchisee shall keep the Center in the highest degree of sanitation, repair and condition, in accordance with the Manual. Franchisee shall immediately remove any equipment or causes that present a danger.

c) Franchisee shall not attach or exhibit any signs, displays or posters on or in the exterior or interior of the Butterfly Life Center or anywhere at its Location, other than signs, posters or displays then currently supplied, required or authorized in writing by the Franchisor, nor permit others to do so.

3.04 Renovation of Equipment and Premises.

In addition to performing maintenance required under Sections 3.03(a) and (b), Franchisee shall, upon the Franchisor's request but no more often than once every five years, refurbish its Center to conform to the building design, trade dress, color schemes and presentation of the Marks consistent with the Franchisor's then current public image, including, extensive structural changes, remodeling, replacement of equipment, redecoration and modifications to existing improvements.

4.00 EQUIPMENT, FITNESS SERVICES, PRODUCTS, OTHER, ITEMS AND UNIFORMS

4.01 Use of Equipment, Fitness Services, Products and Other Items.

a) Franchisee shall sell or offer for sale those memberships, fitness and weight loss services, programs, health products, video/DVD programs and only such products that (i) are listed as standard services or items in the Manual; (ii) meet the Franchisor's uniform standards of quality and quantity as specified in the Franchisor's Approved Service and Product List in the Manual which may be amended, and (iii) have been marketed, offered, and delivered in accordance with the methods and procedures designated in the Manual.

b) Franchisee shall maintain all products in sufficient supply at all times. Prior to opening, Franchisee shall purchase all required inventory of required products and such additional amounts or items as required by the Manual, and shall maintain such inventory levels as required by the Manual or other writing. Franchisee shall not deviate from the Franchisor's standards and specifications for selling or delivering such services or products without the Franchisor's prior written consent. Franchisee shall immediately discontinue selling or offering for sale any of such services or products as the Franchisor may, in its sole discretion, disapprove in writing at any time.

4.02 Sampling and Testing.

Franchisee shall permit the Franchisor or its agents, at any and all reasonable times, to remove from its Center samples of any inventory items, without payment therefor, in amounts reasonably necessary for testing by the Franchisor or an independent, certified laboratory, to determine whether the samples meet the Franchisor's then current standards and specifications.

4.03 Suppliers of Equipment, Supplies and Other Items.

a) The Franchisee shall purchase from the Franchisor or sources designated by the Franchisor such exercise equipment, membership agreements, forms, supplies, and other items as are set forth in the Manual or as otherwise required in writing by Franchisor. Franchisee shall not purchase such items from any other source or use any other item in substitution therefor.

b) Except as set forth in Section 4.03, Franchisee shall purchase only exercise equipment and those weight loss programs, nutritional supplements, or other consumer products which conform to the specifications and standards (including standards for marketing, handling and distribution of products) of the Franchisor and the System in effect and which are included on the Franchisor's then current Approved Service and Product List appearing in the Manual. Franchisee may purchase such approved equipment and products from the designated source. Franchisee must request the Franchisor's approval of any equipment or products not included on the Approved Lists, and the Franchisor may require samples of any such equipment or products to be submitted to it or to a designated independent, certified testing laboratory for testing to determine whether approval shall be granted. Franchisee shall pay, upon invoice to Franchisor, a charge not to exceed the cost of such testing. The Franchisor reserves the right to retest any equipment or product previously approved by it and to revoke its approval of any product that fails to continue to meet the Franchisor's standards and specifications. Upon notification by the Franchisor that any equipment or product being used is unapproved or otherwise does not satisfy the specifications and standards of the Franchisor and System, Franchisee shall not thereafter purchase and, if the Franchisor so directs, immediately cease to use the unacceptable equipment or product.

4.04 Uniforms.

Franchisee shall purchase for its employees' use, uniforms which conform strictly to the current specification, design and style of the Franchisor as set forth in the Manual or otherwise in writing.

5.00 OPERATING STANDARDS, PROCEDURES, TRAINING AND SERVICING

5.01 Operational Standards.

a) Franchisee shall not be permitted to open the Butterfly Life Center for business unless at the time of such opening, all of the following conditions have been met:

1) Franchisee is not in default under any agreement between Franchisee or any of its owners or affiliates and the Franchisor or any of the Franchisor's affiliates and, during the six month period immediately preceding the proposed opening date, has not continued in default beyond any applicable cure period under any agreement between Franchisee or any of its affiliates and the Franchisor or any of its affiliates.

2) Franchisee is current on all monetary and non-monetary obligations owed to the Franchisor or its affiliates.

3) The Franchisor has determined, in its reasonable discretion, that Franchisee is operating each of its Butterfly Life Centers, if applicable, and Franchisee capable of operating the proposed Butterfly Life Center, in accordance with the terms of all franchise agreements between Franchisee and the Franchisor, and in accordance with the System (as may be set forth in the Manual or otherwise by the Franchisor).

4) Franchisee has provided such financial information regarding Franchisee as the Franchisor reasonably may request.

5) Franchisee's architect has certified to the Franchisor that the Butterfly Life Center was constructed strictly in accordance with the final plans and specifications approved by the Franchisor, and that the equipment installed at the Butterfly Life Center complies with the equipment specifications in effect as of the date the Franchisor approved the site for the Butterfly Life Center.

If Franchisee receives an occupancy certificate or permit from the appropriate governmental agency and if Franchisee does not give the Franchisor at least 30 days prior written notice of Franchisee's intent to open the Butterfly Life Center, the Franchisor may delay the opening in order to schedule training.

b) Franchisee shall operate the Butterfly Life Center in strict accordance with the Manual which, among other things, sets forth the standard method of operation for a Butterfly Life Center, the business format, memberships, services, programs, instruction, practices, use and maintenance of equipment, procedures, rules and standards. Franchisee shall keep the Manual and all of its contents in confidence except to the extent disclosure is necessary to operate the Butterfly Life Center. Franchisor may revise the Manual and the System, and Franchisee shall comply with each changed requirement within such time as the Franchisor may require.

c) Franchisee shall promptly pay when due all taxes and governmental fees due, including any payroll, unemployment, VAT, property, and sales taxes. In the event of any bona fide dispute as to liability for taxes assessed, Franchisee may contest the validity or the amount of the tax in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure. Franchisee shall not permit any levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the business.

d) Franchisee shall comply with all applicable laws and shall timely obtain and maintain all permits, certificates and licenses necessary for the full and proper conduct of the Butterfly Life Center, including building and construction and occupancy permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire code clearances. Franchisee shall comply with any applicable laws relating to health club facilities, contracts, and memberships; weight loss disclosures and warnings; and all laws applicable to its Butterfly Life Center. Copies of all inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement in connection with the conduct of the Butterfly Life Center which cite or indicate (i) Franchisee's failure to meet or maintain the highest governmental standards, or (ii) less than full compliance by Franchisee with any applicable law, rule or regulation shall be forwarded to the Franchisor within five days of Franchisee's receipt thereof, and Franchisee shall remedy such deficiency within the time period specified in the respective citation, report or other notice, or within 10 days if no time period is so specified.

e) The Franchisee shall at all times maintain the confidentiality of the Manual. The Franchisee acknowledges that it has had no part in the creation or development of nor does it have any property or other rights or claims of any kind in or to any element of the System, the Marks or any matters dealt with in the Manual and that all disclosures made to the Franchisee are communicated to it solely on a confidential basis as trade secrets in which the Franchisor has a substantial investment and legitimate right to protect the same against unlawful disclosure. Accordingly, at no time during the currency of this Agreement or at any time thereafter shall the Franchisee disclose any of the contents of the Manual or any information whatsoever with respect to the Franchisee's or the Franchisor's business or the System other than to the Franchisor or as may otherwise be required to enable the Franchisee to operate the Butterfly Life Center.

f) The Franchisee acknowledges that the Manual is and shall at all times remain the sole and exclusive property of the Franchisor. Franchisee acknowledges that Franchisor not only owns the System, Marks and Manual, but will own all improvements to the System or Manual. Franchisee grants to Franchisor rights to any improvements it makes to the System or Manual. Franchisee shall not copy or duplicate or cause to be copied or duplicated any part of the Manual for any reason. Upon termination or expiration of this Agreement for any reason whatsoever, the Franchisee shall return the Manual to the Franchisor together with all copies of any portion of the Manual.

g) Franchisee will designate an operating manager who will participate in the business on a full time basis, who could be an owner of Franchisee. This operating manager must be approved and trained by the Franchisor.

5.02 Operating Hours.

The Butterfly Life Center shall be open and in normal operation for such minimum hours and days as may be prescribed in the Manual or otherwise by the Franchisor in writing.

5.03 Training.

a) The Franchisee and its initial manager shall successfully complete such initial and additional training as Franchisor shall determine, at such locations as Franchisor shall designate. There is no additional fee for training Franchisee and its initial manager. Franchisee may be charged reasonable additional charges for training of all other personnel or personnel for additional Centers.

b) In addition to the required management training, all other employees of Franchisee must undergo such on-the-job and instructional training as the Franchisor may require. Franchisee shall purchase and use such training materials, equipment and supplies to properly conduct such training as may be specified by the Franchisor. The Franchisor shall use commercially reasonable efforts to make available to Franchisee any training films or videotapes made by the Franchisor for a fee equal to the Franchisor's cost of producing and distributing such films or tapes.

c) Franchisee and such executive, managerial, supervisory and other employees as the Franchisor may require, shall attend and successfully complete subsequent training, refresher, and retraining programs conducted by the Franchisor. However, no individual shall be required to travel more than 100 miles to attend training more than twice in each calendar year. Franchisee may be charged reasonable charges for this training.

d) Upon failure for any reason of Franchisee or any of its employees to complete successfully any training, retraining or refresher program required by the Franchisor, Franchisee shall designate

another trainee who shall attend and successfully complete the program, and who, if the Franchisor so directs, shall perform the functions of the category of employee for which the program was offered.

e) Franchisee shall pay all expenses of travel, room, board, training supplies and materials and salaries or wages of its employees while in training, as well as such registration or tuition fees as shall be established by the Franchisor.

f) If the Franchisor determines that Franchisee will need assistance to open the Butterfly Life Center, Franchisor may appoint a representative to give assistance for a reasonable period determined by the Franchisor, and Franchisee shall reimburse the Franchisor for its reasonable expenses (including salary) in providing the representative for the opening.

5.04 Continuing Services.

a) The Franchisor may furnish to Franchisee such merchandising and operating aids and services as are furnished generally to other franchisees of the Franchisor.

b) The Franchisor in its discretion may send its representatives to the Butterfly Life Center to consult with Franchisee or its management representative relative to the operation of the Butterfly Life Center. Franchisor shall inspect Franchisee's Center at least annually with or without prior notice to determine the efficiency and quality of the operation and the faithfulness of Franchisee's compliance with the System.

6.00 FEES

6.01 Initial and Royalty Fee.

a) Franchisee shall pay to the Franchisor, a nonrecurring, nonrefundable initial franchise fee of \$29,500, which shall be due and fully earned upon the signing of this Agreement. The initial fee is agreed to be allocated entirely to services performed prior to and during initial training at Franchisor's headquarters, and is to be paid net of all taxes. Equipment cannot be ordered, members cannot be enrolled and an opening cannot be scheduled until Franchisee has completed its orientation training.

b) Franchisee shall pay to the Franchisor as a royalty fee, a sum equal to \$1,000 each month. Beginning on the earlier of: (i) the date the Franchisee signs its first membership agreement with any customer (regardless of whether Franchisee collects a membership fee or holds the membership agreement), or (ii) the opening date of Franchisee's Butterfly Life Center, or (iii) 180 days after date of this Agreement. The Franchisee shall pay the royalty fee monthly by the 5th day of each month in the manner described in this Agreement. The royalty is agreed to be allocated for tax and financial reporting purposes 50 percent to services performed after completion of initial training, and 50 percent to intangibles, including use of the Marks and System. The royalty will be paid net of any tax.

6.02 Advertising Expenditures.

a) Franchisee shall spend an additional sum equal to \$4,500 for pre-opening and opening advertising.

6.03 Charge on Late Payments.

In addition to any other rights the Franchisor may have, (a) the Franchisor will impose upon Franchisee a charge of \$50 on any unpaid amount of any amount due and owing to the Franchisor if not paid within five days after the due date, and (b) if the amount is not paid within 30 days after the due date,

the Franchisor will also charge Franchisee the lesser of (i) the maximum rate permitted by applicable law or (ii) one and one-quarter percent (1 1/4%) per month, on such unpaid amount.

6.04 Gross Receipts and Other Taxes.

If Franchisee is required to withhold any tax on the initial fees or royalty payments, Franchisee shall pay the Franchisor an amount equal to any such tax, including sales, value added (VAT), gross receipts or other tax required to be paid or collected by the Franchisor and calculated on required payments from the Franchisee to the Franchisor.

6.05 Direct Debit Arrangement.

The Franchisor shall directly debit the Franchisee's bank account on the 5th day of every month for any fees owing to the Franchisor for the current month, and any other amounts owed. Such direct debit arrangement shall be entered into between Franchisee and its bank and shall provide for the electronic transfer of funds from Franchisee's bank to the Franchisor's accounts within 24 hours of receipt of instructions from the Franchisor, and such instructions may be for multiple future transfers. Franchisee shall maintain sufficient funds in its account at all times to ensure that all amounts due the Franchisor and its affiliates and subsidiaries are promptly and fully paid. Franchisee agrees to sign any necessary authorizations required in order for these direct debit transactions to occur.

7.00 ADVERTISING

7.01 Origination and Approval of Advertising.

a) Franchisee shall conduct all advertising and marketing as may be directed by the Franchisor, and the Franchisor shall have the sole right to direct all such advertising and marketing with discretion over the concepts, materials, media, nature, type, scope, frequency, place, form, copy, layout and context used therein. Franchisee is not required to follow any particular sales price, except that Franchisor may recommend prices, set maximum prices, and determine prices of promotions and other marketing programs, each to the extent permitted by law.

b) Franchisee understands and acknowledges that advertising expenditures by Franchisor are intended to maximize general public recognition and acceptance of all Butterfly Life Centers, and the Franchisor makes no representation or warranty that any particular Butterfly Life Center, including the Franchisee's Butterfly Life Center, will benefit directly or pro-rata from such advertising. To promote and increase the demand for the products and services of the Butterfly Life Center, Franchisee may conduct, at its separate expense, advertising in addition to that required for the expenditures described in Section 6.02, subject to Franchisor's prior approval.

c) Franchisee shall, at its sole expense: (1) obtain a listing in the paper or electronic white and yellow pages of the telephone directories serving the location of the Butterfly Life Center, which listing shall be the kind and size as may be specified by the Franchisor for all Butterfly Life Centers in the Manual or otherwise in writing; and (2) obtain and maintain an adequate supply of brochures, pamphlets and promotional materials of the kind and size, and at such locations in and around the Butterfly Life Center as the Franchisor may reasonably require of all Butterfly Life Centers in the Manual or otherwise in writing.

d) Upon request from Franchisee, the Franchisor or its designee will provide Franchisee with the special or additional approved local advertising and marketing plans and materials that are currently in use, if any; including newspaper photostats, radio commercial duplicates, merchandising materials, sales aids, special promotions and similar advertising and marketing materials.

e) In addition to the advertising and marketing expenditures described above, Franchisee will be required to participate in programs, which may be modified by Franchisor and as described in more detail in the Manual, including single day Travel Passes, and limited duration free initial memberships. Franchisee shall not be reimbursed for any of the passes or memberships described above.

7.02 Advertising Agency.

The Franchisor shall have the right to delegate and assign its responsibilities and duties hereunder to any designees of its choosing, however, the right of final approval of all advertising programs shall be retained at all times by the Franchisor. The books and business records of accounts for the Franchisor's advertising programs shall not be open to inspection by Franchisee.

8.00 BOOKS, RECORDS, CONTROL PROCEDURES

8.01 Bookkeeping System.

a) The Franchisor shall furnish to Franchisee cost-control procedures to which Franchisee shall adhere, as well as a sample format of a chart of accounts, statement of earnings and balance sheet, which Franchisee shall use in reporting to the Franchisor.

b) The Franchisor shall have the right to require Franchisee to use computer-based cash registers/membership system and software that are fully compatible with the then current Franchisor's computer system and which include an information interface capability that allows Franchisee to communicate electronically with the Franchisor's computer system. Franchisee must purchase a computer/cash register/membership system for its Butterfly Life Center that will be used to record customer purchases and membership information. Franchisor has selected proprietary system and software, but Franchisee may choose to provide its own hardware that meets the required specifications and requirements for the system. Franchisee agrees, at its sole cost, to upgrade its hardware and software with specifications provided by the Franchisor.

c) Franchisee may purchase its hardware components from any computer dealer so long as they meet the specifications outlined by the Franchisor. The Franchisor is under no obligation to assist the Franchisee in obtaining its computer system for use in Franchisee's Butterfly Life Center. The non-proprietary software systems as approved by the Franchisor, may be purchased from any licensed software dealer. Franchisee agrees to replace or upgrade its equipment in its Butterfly Life Center as necessary to be in compliance with the Franchisor's then-current standards and specifications and as a condition of renewal of the Franchisee's Franchise Agreement. Franchisor is not limited to the frequency and cost of Franchisee's obligation to keep its computer-based cash register/membership system up to the Franchisor's specifications.

d) Franchisor shall have independent access to the information and data stored in the Franchisee's computer or cash register system. Franchisor shall have the right to access all information contained in the Franchisee's database contained in its software or any other software used by Franchisee for the tracking and management of sales, memberships and members at the Butterfly Life Center.

e) Computer systems are vulnerable in varying degrees to computer viruses, bugs, worms, spy-ware, power disruptions, communication line disruptions, Internet access failures, Internet content failures, hardware and software failures, and attacks by hackers and other unauthorized intruders and other disruptions. It is Franchisee's responsibility to protect itself from these problems. This may include taking reasonable steps to secure Franchisee's systems (including continually updating firewalls, password protection, and anti-virus systems), and to use backup systems.

8.02 Reports.

Upon the Franchisor's request and as specified in the Manual or otherwise in writing, Franchisee shall submit to the Franchisor, for review or auditing, such forms, reports, records and financial statements as the Franchisor may reasonably designate. Franchisee shall submit electronically daily and monthly financial and membership reports, in a form to be prescribed by Franchisor. Separate reports must reflect the activity at each of Franchisee's Butterfly Life Centers. Franchisee must also submit reports of Gross Revenues from each year's operations, along with a balance sheet and income statement within 90 days of the end of Franchisee's fiscal year. The report of Gross Revenues must be certified as true and correct by an officer or principal of Franchisee.

8.03 Marketing Information.

At the Franchisor's request, Franchisee shall promptly furnish requested marketing information based on Franchisee's records.

8.04 Franchisee's Records.

Franchisee shall at all times maintain and preserve, during the term of this Agreement, full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles, of such kind, for such length of time and in the form and manner prescribed by the Franchisor in the Manual or otherwise in writing.

All membership records and information and customer lists shall be the property of Franchisor and there shall be no limitation on Franchisor's access to such information and data.

8.05 Inspection of Franchisee's Records.

The Franchisor shall have the right to examine and audit Franchisee's records, accounts and books at reasonable times and places (including at Franchisee's principal place of business). Franchisee shall immediately pay to the Franchisor the amount of any overdue, unreported or understated payment disclosed by such audit, with late payment charges thereon as provided in Section 6.04 herein. In the event any underpayment by Franchisee is greater than 2% for any month, Franchisee shall also reimburse Franchisor for the cost of the audit.

9.00 WARRANTY, INSURANCE, INDEMNITY

9.01 Warranty.

All guarantees and warranties made or issued by Franchisee to a customer or other third party shall be deemed to be made solely by the Franchisee and not by the Franchisor. Franchisee shall fully comply with such customer guaranty program as the Franchisor shall have in effect or which the Franchisor

may institute or modify. Franchisee shall make no untrue or misleading representations to customers or potential customers whether written or oral concerning any warranties or guarantees and shall make all affirmative disclosures which may at any time be required by the Franchisor or by law in order to properly advise customers with respect to such warranties and guarantees regarding sales, service, repair and or replacements and to avoid possible deception or confusion in connection therewith.

9.02 Indemnity.

Franchisee agrees to indemnify, protect, defend and hold harmless the Franchisor, its affiliates and their respective officers, members, managers, directors, shareholders and employees from liability for any and all loss, injury, debts, obligations, damages, claims, liability, demands, actions, suits, proceedings, judgments or costs of any kind or nature, including attorneys' fees, arising directly or indirectly from, as a result of, or otherwise in connection with Franchisee's operation of the Butterfly Life Center. The Franchisor shall have the right to defend and settle any matter for which it has a right to indemnification in such manner as the Franchisor deems appropriate, in its sole discretion, and without the Franchisee's consent. The Franchisee agrees to reimburse the Franchisor for all costs reasonably incurred in defending any such matter, including reasonable attorneys' fees. Franchisee's obligations under this Section shall continue in full force and effect subsequent to the expiration or termination of this Agreement.

9.03 Franchisee's Insurance.

a) Prior to opening the Butterfly Life Center, Franchisee, at its sole expense, shall obtain, and thereafter maintain the following insurance in full force and effect:

- 1) comprehensive general liability insurance (through a single policy or by a primary policy with one or more excess or umbrella policies) including personal injury, bodily injury, hired and non-hired auto liability, liquor liability (where applicable), products liability, and professional liability insurance, with minimum policy limits of \$2,000,000 in the aggregate, and \$1,000,000 per occurrence, and property damage insurance with policy limits in the minimum amount of \$1,000,000 per occurrence, insuring Franchisee and the Franchisor, as well as the Franchisor's affiliates, officers, directors, and employees, as additional named insureds, against any liability that may accrue or have accrued against them, and any claim that is brought against them, by reason of the operation by Franchisee of its business, or by reason of any incident which may occur upon, in, about or in connection with the Location;
- 2) any insurance required by law, including worker's compensation, social security, unemployment compensation, and disability insurance;
- 3) business interruption insurance that will cover 60% of Franchisee's Gross Sales for the Franchisee's most recently ended calendar year; and
- 4) such other insurance coverages as may now or hereafter be required by law; and fire, casualty and extended coverage insurance with limits of not less than the full replacement cost of the Butterfly Life Center and its equipment and other improvements.

Under each insurance policy required for the coverage described above, Franchisee shall name Franchisor as an additional insured.

b) Franchisee acknowledges that the minimum coverages and policy limits required by this Section may be reasonably increased by the Franchisor for its own and Franchisee's protection and Franchisee agrees to comply with such new requirements promptly upon receipt of written notice from the Franchisor; however, in no event shall any such increase require minimum policy limits greater than (i) that which is then required for Franchisor-owned Butterfly Life Centers, or (ii) \$5,000,000, whichever is less. Every insurance policy required by this Section shall be written by one or more insurance companies possessing an A.M. Best rating of at least A-1 or such other rating as the Franchisor may specify in the Manual or otherwise in writing.

c) Franchisee's obligation to obtain and maintain the foregoing insurance in the amounts specified shall not be diminished in any way by reason of any insurance which may be maintained by the Franchisor, nor shall such obligation relieve Franchisee of liability under the indemnity provisions set forth in Section 9.02.

9.04 Evidence of Insurance.

Franchisee shall deliver or cause to be delivered certificates (or copies thereof) of all insurance required by this Section 9 to the Franchisor or, upon the Franchisor's request, the policy or policies shall be deposited with and held by the Franchisor or its designee. Franchisee shall also deliver to the Franchisor evidence of payment of all insurance premiums.

9.05 Notice.

All insurance policies shall provide for notice to the Franchisor of any cancellation, termination, modification or nonrenewal thereunder at least 30 days prior to such occurrence and shall permit, but not require, the Franchisor to cure any default in payment of premiums within 10 days after written notice. If the Franchisor cures the default, Franchisee shall immediately pay the Franchisor the cost of curing the default together with a reasonable administrative fee to defray the Franchisor's expenses in connection therewith.

9.06 Waiver of Subrogation.

Franchisee and its successors and assigns hereby waive, prior to loss, all of their rights of recovery from the Franchisor, its affiliates, successors and assigns, and their right to sue for loss or damage to the Butterfly Life Center, the adjacent premises and improvements or other property of Franchisee; provided such loss or damage is within the coverage of the insurance provided for herein. All property insurance policies carried by the Franchisee on the Butterfly Life Center or adjoining property shall, if reasonably possible, contain an express waiver of subrogation.

10.00 OWNERSHIP AND LIMITATIONS ON USE OF THE MARKS, TRADE SECRETS

10.01 Ownership of the Marks, Trade Secrets.

All right, title and interest in and to all Marks, trade secrets, systems, Manuals, instruction manuals and the goodwill associated therewith are the sole property of the Franchisor or its affiliates and no such right, title or interest is or shall be transferred by virtue of this Agreement. Franchisee shall not represent in any manner that it has any such ownership, right, title or interest. Franchisee acknowledges that Franchisor also owns copyrights, any software, fitness and related videos, books,

and other media supplied to Franchisee, any video Group X technology, timing lights and other proprietary systems, programs and equipment.

10.02 Limitations on Use of the Marks.

a) Use of the Marks.

Franchisee understands and acknowledges that each and every detail of the System is important to Franchisee, the Franchisor and other Franchisees to develop and maintain high and uniform standards of quality and service, and to protect the reputation and goodwill of Butterfly Life Centers. Therefore, Franchisee shall:

- 1) operate and advertise under the System name as specified in the Manual, without prefix or suffix;
- 2) adopt and use the Marks solely in the manner prescribed by the Franchisor;
- 3) observe such requirements with respect to trademark registration and copyright notices as the Franchisor may direct in the Manual or otherwise in writing; and
- 4) use, promote and offer for sale only those memberships, items, products and services which are part of the System and meet the standards or specifications as prescribed by the Franchisor in the Manual or otherwise in writing.

b) Defense and Change of the Marks.

Franchisee shall promptly notify the Franchisor of any claim, demand, or cause of action based upon or arising from any attempt by any other person, firm, corporation or other entity to use the Marks or any colorable imitation thereof. Franchisee also agrees to notify the Franchisor promptly of any litigation instituted by any person, firm, corporation, other entity or governmental agency against the Franchisor or Franchisee relating to the Marks, and the Franchisor shall have the sole right and duty to defend any such action. The Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and shall exercise such right in its sole discretion. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by the Franchisor, Franchisee shall cooperate with the Franchisor and execute any and all documents and take all actions as may be desirable or necessary in the opinion of the Franchisor's counsel, to carry out such defense or prosecution. The Franchisor makes no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks. Franchisee must modify or discontinue use of the Marks, or use new Marks, at Franchisee's expense, if Franchisor so requests.

10.03 Nondisclosure of Trade Secrets and Confidential Information.

a) The Franchisor has disclosed and will continue to disclose to Franchisee certain confidential information relating to the development, marketing and operation of the Butterfly Life Centers, including:

- 1) specifications, procedures, and methods of presentation of certain membership services, exercise routines, and any applicable video programs;
- 2) site selection criteria for the Butterfly Life Centers and plans and specifications for the development of the Butterfly Life Centers;

- 3) sales, marketing and advertising programs and techniques for the Butterfly Life Centers;
- 4) knowledge of specifications for, and suppliers of, certain health and fitness products, materials, supplies and equipment;
- 5) knowledge of operating results and financial performance of Butterfly Life Centers, other than the Franchisee's Butterfly Life Center; and
- 6) methods of labor control, inventory control, storage, product handling and management of Butterfly Life Centers.

b) Without the Franchisor's prior written approval, Franchisee shall not, during the term of the Agreement, or any renewal hereof and thereafter (regardless of cause of termination) divulge any Confidential Information nor use any Confidential Information for the benefit of any other person or entity. Notwithstanding the foregoing, Franchisee may disclose Confidential Information without the Franchisor's prior written consent: (i) during the term hereof to Franchisee's employees only to the extent necessary for operation of the Butterfly Life Center, and (ii) to the extent such Confidential Information has validly become public, and not through any action or disclosure of Franchisee. Franchisee will cause the following persons to sign this agreement to keep confidential the Confidential Information, in the form set forth in Exhibit A or otherwise specified by Franchisor: All owners and spouses of owners, managers, officers, and directors, employees with access to the Confidential Information, and affiliated persons and entities.

c) Franchisee acknowledges that the Franchisor will suffer irreparable harm and that monetary damages will be inadequate to compensate the Franchisor for any breach by Franchisee of the terms of this Section, therefore, Franchisee agrees that the Franchisor shall be entitled to injunctive relief in addition to all other remedies it may have for such breach.

11.00 TERMINATION

11.01 Termination.

a) Franchisee shall be deemed to be in default, and all rights granted under this Agreement shall automatically terminate without notice to Franchisee upon the occurrence of any of the following events:

- 1) if Franchisee shall become insolvent or make a general assignment for the benefit of creditors;
- 2) if a petition is filed against and consented to by Franchisee, or if Franchisee is adjudicated a bankrupt or insolvent;
- 3) if any proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee, or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by a court of competent jurisdiction, or if proceedings for a composition with creditors under any applicable law should be instituted by or against Franchisee;

- 4) if a final judgment against Franchisee or affecting Franchisee's business remains unsatisfied or of record for 30 days or longer (unless a superseding bond is filed); or
- 5) if execution is levied against Franchisee's business or property, or suit to foreclose any lien against the assets of the Butterfly Life Center is instituted against Franchisee and not dismissed within 30 days, or if the assets of the Butterfly Life Center are sold after levy thereupon by any sheriff, marshal or constable.

b) Franchisee shall be deemed to be in default of this Agreement, and the Franchisor may, at its option, terminate this Agreement and all rights granted hereunder at any time by notice to Franchisee without any opportunity to cure the default, upon the occurrence of any of the following events:

- 1) if Franchisee is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the Franchisor's sole judgment, to affect adversely the System, the Marks, the goodwill associated therewith or the Franchisor's rights therein;
- 2) if Franchisee Transfers without the Franchisor's prior written consent, or contrary to the terms of Section 13.02 of this Agreement;
- 3) if Franchisee misuses or makes any unauthorized use of the Marks or any other identifying characteristic of the System, or otherwise materially impairs the goodwill associated therewith, or the Franchisor's rights therein;
- 4) if Franchisee discloses to a third party any Confidential Information learned from the Franchisor or relating to the System; or if Franchisee uses or permits to be used any such information or secret, unique or confidential procedure or other element of the System in a fitness center or business other than the Butterfly Life Center; or if Franchisee breaches any duty of confidentiality imposed on Franchisee in this Agreement or otherwise by law;
- 5) if three or more notices of default under Section 11.01(c) have been sent to Franchisee for the same, similar defaults within a 12 month period, in which event this Agreement may be terminated in lieu of the Franchisor's sending the fourth or any subsequent notice of default;
- 6) if Franchisee made or makes any material misrepresentation to the Franchisor in any information or report provided prior to or during the term of this Agreement;
- 7) if Franchisee abandons the business.

c) Subject to Sections 11.01(a) and (b), Franchisee shall be deemed to be in default and the Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement without further notice upon the occurrence of any of the following events and Franchisee's failure to cure such default within the time period set forth below:

- 1) if Franchisee fails, refuses or neglects to adhere to the standards and specifications of the System as set forth in the Manual and otherwise adopted by the Franchisor or if Franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety;

- 2) if Franchisee or any of its affiliates fails, refuses or neglects to pay promptly when due any amounts owed to the Franchisor or any of its affiliates, or to Franchisee's landlord or to secured creditors;
- 3) if Franchisee fails, refuses or neglects to submit to the Franchisor any financial or other information required under this Agreement;
- 4) if Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required under this Agreement;
- 5) if Franchisee fails, refuses or neglects to observe the laws or regulations governing the use of the facility as a fitness center; or
- 6) if Franchisee fails to observe any other of its obligations under this Agreement or to carry out the terms of this franchise in good faith, or fails to pay its obligations or debts.

Franchisee shall have the opportunity and right to cure the events of default listed in this Section 11.01(c) for a period of three days with respect to Subsection (c)(1); 10 days with respect to Subsection (c)(2) and 30 days with respect to Subsections (c)(3) through (c)(6) following the Franchisor's delivery of written notice of default.

11.02 Effect of Termination or Expiration; Attorneys' Fees and Costs of Default; Survival.

a) Franchisee, upon any termination or expiration of this Agreement, shall promptly pay to the Franchisor, its affiliates and subsidiaries any and all sums owed to them. Franchisee shall refund or make adequate provision (to the satisfaction of Franchisor) for any prepaid membership fees of Franchisee's customers. In the event of termination for any default by Franchisee, or abandonment of the business by Franchisee, such sums shall include \$24,000 for future royalties and damages.

b) Upon termination or expiration of the Agreement, all of Franchisee's rights hereunder shall terminate. Franchisee shall immediately cease to use the Confidential Information and the Marks. Franchisee shall not thereafter use or duplicate the System or any portion thereof or assist others to do so. Franchisee shall, on or before the effective date of termination or expiration return to the Franchisor all copies of the Manual, and transfer its Butterfly Life Center telephone number and directory listings to Franchisor. Franchisee will immediately thereafter cease using and return to Butterfly the point of sale/member management software or system, any licensed videos (including Life Vision videos), any video Group X technology, timing lights and any other proprietary systems, programs and equipment.

c) Immediately upon termination or expiration of this Agreement, Franchisee shall modify the exterior and interior design and decor of the Butterfly Life Center and shall make or cause to be made such changes in signs, buildings and structures as the Franchisor shall reasonably direct, so as to effectively distinguish the Butterfly Life Center from its former appearance and from any other Butterfly Life Center. Upon termination or expiration of this Agreement, Franchisee shall cease to hold itself out in any way as a Franchisee of the Franchisor or do anything that would indicate any relationship between it and the Franchisor.

d) In the event that Franchisee remains open after termination or expiration, or otherwise violates Section 11.02 (b) and (c), Franchisee shall pay the Franchisor the sum of \$100 per day, not to exceed a maximum of \$36,000, plus the damages of \$24,000 pursuant to Section 11.02 (a), for a total of \$60,000. Such payment shall be made as liquidated damages and not as a penalty. It is agreed that

the damages for such violations are difficult to determine with certainty, and that such payments are reasonably representative of the actual damage sustained by Franchisor in the event of such a breach. Franchisor shall also be entitled to injunctive relief if Franchisee continues to operate as a Butterfly Life Center or breaches this Section 11.02 or infringes Franchisor's intellectual property rights. This Section 11.02 shall not limit Franchisor's other damages (including fees and royalties) or other remedy.

e) In the event of default by Franchisee, in addition to any other amounts owed and remedies available, Franchisee will pay Franchisor any enforcement costs and expenses, including reasonable attorneys' fees incurred by Franchisor as a result of the default (whether such fees and expenses are incurred through use of Franchisor's own legal staff or otherwise), and late payment charges thereon until paid at the lower of (i) the highest rate permitted by applicable law, or (ii) one and one-quarter percent (1 1/4%) per month.

f) The foregoing obligation shall give rise to and remain, a lien in favor of the Franchisor against any and all of the assets of the Franchisee.

g) The portions of this Agreement that by their terms or by reasonable implications continue beyond the term of this Agreement, including Sections 10, 11, 12, and provisions relating to indemnity, ownership of intellectual property, non-competition and non-disclosure, and dispute resolution, shall survive any termination or expiration of this Agreement.

11.03 Franchisor's Option to Purchase.

a) Upon termination or expiration hereof, the Franchisor shall have the option, but not the obligation, to purchase all or any of the following:

- 1) the land and building constituting the Butterfly Life Center,
- 2) the leasehold estate and improvements constituting the Butterfly Life Center, and
- 3) any or all Butterfly Life Center assets, including equipment, inventory, and other assets.

Any such purchases shall be made at fair market value, with no allowance for goodwill, intangibles, or other charges.

If Franchisee and the Franchisor cannot agree on the price based on the lower of fair market value and cost within a reasonable time, the price or disputed terms of purchase shall be determined by three appraisers with each party selecting one appraiser and the two appraisers so chosen selecting the third appraiser. If the Franchisor elects to exercise its option to purchase, it shall have the right to set off against the purchase price all amounts due from Franchisee under this Agreement and the cost of the appraisal.

b) Franchisee shall cause any lease that affects the Location or any other item subject to this option to contain appropriate language permitting Franchisor or its designee to assume such lease without fees or additional charges. Franchisee shall cause any lease that affects the Location to require delivery of notices of default from the Landlord to also be delivered to Franchisor. Unless waived by Franchisor, such lease shall also give Franchisor the right of first refusal to assume the lease upon default by Franchisee under the lease.

c) In the case of expiration, the Franchisor shall exercise, if it chooses to do so, its option hereunder by giving Franchisee notice at least 30 days prior to expiration of this Franchise Agreement. In the case of termination of the Franchise Agreement for any other reason, the Franchisor shall

exercise, if it chooses to do so, its option by giving Franchisee notice within 60 days after such termination. In the event the Franchisor exercises its option, the closing shall be held and the purchase price shall be paid within 30 days of the date of such exercise. The Franchisor's option hereunder is without prejudice to its right under any security agreement held by it or to the extent that it may have a guarantor's or surety's subrogation interest.

12.00 FRANCHISEE'S OTHER BUSINESS INTERESTS

12.01 Competing Business.

Franchisee acknowledges that pursuant to this Agreement, Franchisee will receive valuable training and confidential and trade secret information of the Franchisor and the System. Franchisee further acknowledges its obligation under this Agreement to develop the franchised business and to promote the interests of the System. Accordingly, Franchisee agrees that:

a) During the term and prior to termination, expiration or transfer of this Agreement, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or entity, invest or participate directly or indirectly or serve in any capacity in any health, fitness or weight loss business, except the Butterfly Life franchise under this Agreement.

b) For a period of two years after the expiration, termination or permitted transfer of this Agreement, Franchisee shall not, except if approved in writing by the Franchisor:

1) either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or entity, invest or participate directly or indirectly or serve in any capacity in any health, fitness or weight loss business, which is located within 10 miles of the Butterfly Life Center, or of any other Butterfly Fitness Center, or which sells products or services over the Internet, or which sells products or services within 10 miles of the Butterfly Life Center;

2) solicit, service or sell to, directly or indirectly, any customer who is or was a customer of the franchised business;

3) hire any person from, or solicit or induce any person to leave his or her employment with the Franchisor, its affiliates or any Butterfly Life franchisee.

c) Franchisee will cause the following persons to sign their agreement to Section 12.02 (a) and to Subsection 12.02 (b) in the form set forth in Exhibit A or other form specified by Franchisor: All owners and spouses of owners, managers, officers, and directors, employees with access to the Confidential Information, and affiliated persons and entities. Subsections (a) and (b) of this Section 12.02 shall not apply to ownership by Franchisee of less than five percent (5%) beneficial interest in the outstanding equity securities of any entity that is registered under the Securities Act of 1933.

13.00 ASSIGNMENT

13.01 Assignment by Franchisor.

Franchisor may assign this Agreement, in whole or in part, and any or all benefits and obligations arising from it without notice to or consent from Franchisee. There are no limitations on Franchisor's ability to assign Franchisor's rights under this Agreement.

13.02 Assignment by Franchisee.

a) Franchisee acknowledges that the rights and duties created by this Agreement are personal to Franchisee, and that the Franchisor has granted this franchise in reliance on the individual or collective character, skill, aptitude and business and financial capacity of Franchisee. Franchisee and its owners therefore shall not, without the Franchisor's prior written consent, directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest or partial interest in: the Franchisee, this Agreement, or assets of the franchised business; or offer or attempt to do so, or permit the same to be done. Any such actual or purported transfer without the Franchisor's prior written consent shall be a material default of this Agreement and shall be null and void.

b) If Franchisee is a partnership or an entity:

1) The formation documents, owner agreements, and other organizational documents shall provide that any transfer is restricted by the terms of this Agreement. Copies of such documents and of resolutions of Franchisee's board of directors or managers authorizing its entry into this Agreement shall be furnished to the Franchisor.

2) All owners shall upon Franchisee's execution of this Agreement, execute an agreement personally guaranteeing to the Franchisor the full performance of Franchisee's obligations under this Agreement. This personal guaranty shall be in the form attached hereto as Exhibit A or in such other form as the Franchisor may prescribe.

3) The Franchisee shall not use the name "Butterfly," "Butterfly Life," "Butterfly Fitness" or any other Mark, or any name deceptively similar thereto, in its entity name and shall use the Marks only to reflect its franchise relationship with the Franchisor. Neither Franchisee nor any of its owners may issue or sell, or offer to issue or sell, any securities of Franchisee or an Affiliate of Franchisee, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining the Franchisor's prior written consent and complying with all of the Franchisor's requirements and restrictions concerning use of information about the Franchisor, its affiliates or the System.

4) Franchisee shall furnish the Franchisor, at the time of execution of this Agreement and upon all transfers, a list of all owners, managers, officers, and directors, their respective percentage interests and the number of shares directly and indirectly owned or controlled by each.

5) Franchisee, if an entity, shall maintain stop transfer instructions against the transfer of any interests or securities, and cause all certificates or other indicia of ownership in the future to be issued with this legend printed conspicuously:

"The transfer of this ownership interest or certificate is restricted by and subject to the Franchise Agreement with Butterfly Fitness, Inc."

c) Franchisee acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the System, the Franchisor's Marks, Confidential Information and operating procedures and quality, as well as the Franchisor's high reputation and image, and are for the

protection of the Franchisor, Franchisee, and other Franchisees. No attempted transfer permitted by this Section 13.02 shall take effect without the Franchisor's written consent.

d) Upon Franchisee's written request, the Franchisor shall not unreasonably withhold its consent to any transfer; subject to the requirements of Subsection 13.02 (a), (b), and (c), the Franchisor's consent shall also be conditioned on the satisfaction of the following requirements:

- 1) neither Franchisee nor any successor or affiliate of Franchisee is in default under this Agreement or any other agreement with the Franchisor, and all of their accrued monetary obligations to the Franchisor have been satisfied;
- 2) Franchisee and its owners have executed a general release, in a form prescribed by the Franchisor, of any and all claims against the Franchisor, its affiliates and their owners, managers, officers, directors, employees and representatives;
- 3) the assignee has demonstrated to the Franchisor's satisfaction that it meets all of the Franchisor's then current requirements for new Franchisees, including character, financial and managerial requirements;
- 4) the assignee and its owners have executed and caused all necessary parties to execute, the Franchisor's then current standard form Franchise Agreement, including the Personal Guaranty described in Section 13.02(b)(2) and such other then current ancillary agreements as the Franchisor may reasonably require (the Franchise Agreement shall be for a term expiring on the expiration date of this Agreement and it shall be renewable only upon the terms set forth in such then current Franchise Agreement);
- 5) if the franchisor in its discretion waives the requirement of the preceding subsection and allows an assumption of an existing franchise agreement, the assignor and assignee have entered into a written assignment in a form prescribed by the Franchisor, whereby the assignee assumes and agrees to discharge all of the assignor's obligations under this Agreement and all other ancillary agreements;
- 6) in the sole discretion of the Franchisor, the assignee and any of its employees responsible for the operation of the Butterfly Life Center shall have satisfactorily completed the Franchisor's training then in effect for all new Franchisees;
- 7) a transfer fee has been paid to the Franchisor in the amount of \$5,000 plus the Franchisor's reasonable costs and expenses in connection with the transfer, including the reasonable costs of legal and accounting fees, credit and investigation charges, evaluations, retraining, and additional supervision; and
- 8) the assignment is not to a business competitor of the Franchisor and the requirements of Section 14.08 are met.

e) If Franchisee is an individual and desires to assign all of his or her rights to a partnership or entity formed solely for convenience for ownership, the Franchisor's consent to such assignment shall be conditioned on the following requirements, in addition to those in Sections 13.02 (b), (c) and (d):

- 1) the assignee shall be newly organized and its formation documents and by-laws or applicable governing agreement shall provide that its activities shall be confined exclusively to operating the Butterfly Life Center or other businesses franchised under similar agreements with the Franchisor, its subsidiaries, or affiliates;

- 2) Franchisee shall be the sole owner of all voting and other interests in the securities of the assignee; and
- 3) all owners of the assignee entity shall sign a personal guaranty in the form set forth in Exhibit A or as otherwise approved by Franchisor.

f) Upon the dissolution or death of an individual Franchisee or of a sole owner of an entity Franchisee, the personal representative or trustee who is legally authorized to transfer the affected interest may do so, subject to the conditions set forth in this Agreement for any other transfer. If the personal representative does not receive, or desire to accept, a bona fide offer to sell such interest, and if under applicable law, Franchisee's rights in this Agreement and in the Butterfly Life Center are distributable to heirs or legatees who would otherwise qualify as Franchisees and assignees under the terms of this Section 13.02, the Franchisor shall consent to such assignment, provided such prospective assignees agree to accept all the conditions imposed on Franchisee by this Agreement.

g) If any person, partnership, or entity with an interest subject to the restrictions of this Section 13.02 desires to accept any bona fide written offer from a third party to purchase such interest, the prospective transferor shall notify the Franchisor in writing of each such offer, and the Franchisor shall have the option, but not the obligation, to purchase such business, franchise and interest, including any lease, on the same terms and conditions offered by the third party. Franchisor shall have 60 days to decide if it will exercise its option to purchase the interest, and shall have an additional 30 days to prepare for closing. If the third party offer is such that the Franchisor may not reasonably be required to furnish the same consideration, terms or conditions, then the Franchisor may purchase the interest to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, or conditions contained in the offer, the consideration shall be determined by an independent appraiser designated by the Franchisor, whose determination shall be binding. The Franchisor shall notify the prospective transferor of its intention to exercise its option to purchase and sell Franchisee's interest to transferor within 30 days after receipt of notice and a copy of the offer. Any material change in the terms of the third party offer prior to transfer to the third party shall constitute a new offer, subject to the same option by the Franchisor as in the case of an initial offer. The Franchisor's failure to exercise the option afforded by this Section 13.02 (g) shall not constitute a waiver of any other provision of this Agreement, including any of the requirements of Section 13.02 with respect to the proposed transfer, nor shall such failure constitute a waiver of its right to exercise its option with respect to any subsequent third party offer.

h) The Franchisor's consent to a transfer of any interest subject to the restrictions of this Section 13.02 shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of the Franchisor's right to demand compliance with any of the terms of this Agreement by the assignee at any time.

14.00 GENERAL PROVISIONS

14.01 Improvements to System.

All improvements in the System developed by Franchisee, the Franchisor or other Franchisees, shall be and become the sole and absolute property of the Franchisor. The Franchisor may incorporate such improvements into the System and shall have the sole and exclusive right to copyright, register and protect such improvements in the Franchisor's own name to the exclusion of Franchisee, whose right to use such improvements shall be limited to its rights as a Franchisee hereunder.

14.02 Governing Law; Exclusive Jurisdiction.

This Agreement shall be governed by and construed in accordance with the laws of the State of California, except that this choice of law is not intended to expand the coverage of any California law that would not by its terms apply. Nevertheless, the arbitration provisions of this Agreement shall be governed by the Federal Arbitration Act, which shall preempt any inconsistent state law of judicial precedent. The restrictive covenants contained in this Agreement shall be governed by the law of the jurisdiction where such restrictions are to apply. Any court action arising out of or relating to this Agreement may be instituted, if permitted by the arbitration clause of this Agreement in a state or federal court of general jurisdiction in Contra Costa County, California, and Franchisee irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court.

14.03 Severability.

a) Except as expressly provided to the contrary herein, each provision of this Agreement shall be considered severable. If, for any reason, any provision of this Agreement is determined to be invalid by a court having valid jurisdiction, such determination shall not impair the effect of other provisions of this Agreement. Such invalid provisions shall be deemed not to be a part of this Agreement.

b) If any applicable law or rule requires a greater period for notice to or performance by Franchisee than the period(s) provided in this Agreement, the period required by such law or rule shall be substituted for the period specified herein.

c) If any court in a final decision to which the Franchisor is a party holds any provision of this Agreement or portion thereof to be unenforceable or reduces the scope of any covenant or provision herein, Franchisee shall be bound to the fullest extent by such covenant or provision as reformed or reduced to the maximum extent consistent with such decision, and as if such reformed or reduced provision were separately set forth in and made a part of this Agreement.

14.04 Franchisee Is Independent Contractor.

a) This Agreement does not create a fiduciary relationship between the parties. Franchisee shall be at all times an independent contractor, and nothing herein contained shall constitute Franchisee as the agent, legal representative, partner, joint venturer or employee of the Franchisor. Franchisee shall not have any right or power to and shall not bind or obligate the Franchisor in any way nor represent that it has the right to do so.

b) Franchisee shall be solely responsible for all taxes, claims, loss, damage and contractual liabilities to third persons originating in or in connection with the operation of the Butterfly Life Center.

c) In all directories, public records and in its relationship with other persons, Franchisee shall indicate its independent ownership of the Butterfly Life Center and that it is "independently owned and operated." Franchisee and any permitted assignee shall file, and keep on file at all times if required by law in the proper public office, a statement showing the actual name of Franchisee as the proprietor of its business.

14.05 Section Titles.

Section titles and Section and Subsection references are used for convenience only and shall not affect the meaning or construction of any provision of this Agreement.

14.06 Entire Agreement.

This Agreement, which shall include the preamble recitals, constitutes the entire agreement of the parties and supersedes all prior negotiations, commitments, representations and undertakings of the parties with respect to the subject matter hereof. The Franchisor has made no representations inducing the execution of this Agreement other than are expressly stated herein.

14.07 Interpretation.

Any reference to applicable law or laws shall include applicable mandatory regulations, rules and codes at all levels of government. Any use of the words "includes" or "including" followed by one or more examples shall not be construed to limit the antecedent word or phrase. All the words used in this Agreement, regardless of their number and gender, shall be construed to include any other number and any other gender, as the context may require.

14.08 Obligations of Interested Parties.

a) Except as otherwise provided herein, all acknowledgments, promises, covenants, agreements and obligations herein made by Franchisee shall be jointly and severally made by Franchisee, by all persons signing this Agreement, and all by guarantors.

b) Franchisee shall forward to the Franchisor concurrently with the signing of this Agreement, an Individual Confidentiality, Non-competition, and Guaranty Agreement, signed by all owners, managers, officers, and directors, directly or indirectly (and any immediate family members, managers, officers or directors of any such persons or entities), of the Franchisee.

14.09 Written Approval, Waiver and Nonwaiver

a) Whenever this Agreement requires the prior approval or consent of the Franchisor, Franchisee shall make a timely written request therefor and such approval must be obtained in writing. Except where this Agreement expressly obligates the Franchisor to reasonably approve or consent to (or not to unreasonably withhold its approval of or consent to) any action or request by Franchisee, the Franchisor has the absolute right for any reason to refuse any request by Franchisee or to withhold the Franchisor's approval of or consent to any action by Franchisee.

b) No failure of the Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of the Franchisor's right to demand exact compliance with all of the terms hereof. Waiver by the Franchisor of any particular default by Franchisee shall not affect or impair the Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance, or omission of the Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair the Franchisor's right to exercise the same, nor shall such constitute a waiver by the Franchisor of any right hereunder, or the right to declare any subsequent breach a default and to terminate this Agreement prior to the expiration of its term.

c) No right or remedy conferred upon or reserved to the Franchisor or Franchisee by this Agreement is intended to be, nor shall it be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted; but each shall be cumulative of every other right or remedy.

d) No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties hereto and executed in writing.

14.10 Notices; Payments.

a) Subject to this Section 14.10(d), all notices and reports required to be delivered by the provisions of this Agreement shall be deemed delivered: (i) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (ii) on the same date of the transmission by facsimile, email or other reasonably reliable electronic communication system; (iii) one business day after being placed in the hands of a nationally recognized commercial courier service for guaranteed overnight delivery; or (iv) seven days after placement in the United States Mail by Registered Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing.

b) If notice is sent to the Franchisor, it shall be addressed to the attention of the President, Butterfly Fitness, Inc., 2404 San Ramon Boulevard, Suite 200, San Ramon, CA 94583, or at such other address as the Franchisor shall designate in writing.

c) If notice is sent to Franchisee, it shall be addressed to Franchisee, care of its designated agent, at such address as the Franchisee shall designate in writing.

14.11 Designated Agent of Franchisee.

Franchisee hereby designates the persons who sign this Agreement to act in its behalf and execute all documents in all transactions with the Franchisor. All actions by such designees shall be binding upon Franchisee and shall be valid and binding on any entity Franchisee.

14.12 Mediation and Arbitration.

a) Any dispute relating to or arising out of this Agreement or any other agreement between the parties, or relating to any other dispute between the parties or their owners, managers, principals, officers, directors, employees or representatives not resolved by negotiation must be submitted to mediation. Mediation will be before a single skilled independent mediator mutually and reasonably agreed on by the parties. The parties will equally bear the costs of mediation. Mediation will be conducted in accordance with the then-applicable procedures of American Arbitration Association. The mediation will be conducted in Contra Costa County, in the State of California.

b) Any controversy or claim arising out of or relating to this Agreement or any other agreement between the parties, or relating to any other dispute between the parties or their owners, managers, principals, officers, directors, employees or representatives not resolved by mediation within 60 days after submission to mediation shall be subject exclusively to arbitration under the then-applicable Commercial Arbitration Rules of the American Arbitration Association. Notice of demand for arbitration shall be filed in writing with the other party to this Agreement and with the American Arbitration Association. The demand for arbitration shall be made before such claim, dispute or other matter in question would be barred by the applicable statute of limitations. The arbitration shall be heard by a single arbitrator selected by mutual agreement of the parties. If the parties cannot mutually

agree with respect to the arbitrator within 30 days, then the American Arbitration Association shall select an arbitrator to fill such vacancy.

c) The arbitration shall take place in Contra Costa County in the State of California. If any party hereto refuses or neglects to appear or participate in the arbitration hearings, the arbitrator is empowered to decide the controversy in accordance with whatever evidence is presented, and is authorized to award reasonable costs, expenses and attorneys' fees. Any decision by the arbitrator shall be enforceable in any court of competent jurisdiction. The arbitrator shall award to the prevailing party or parties compensation for reasonable attorneys' fees and costs.

d) To the extent permitted by law applicable to this arbitration clause, each arbitration must be decided on an individual basis, and not on a group or class basis.

e) Notwithstanding the mediation and arbitration clauses of this Agreement, either party may seek temporary and permanent injunctions and other expedited remedies from any court or arbitrator with jurisdiction if proper grounds exist.

14.13 Acknowledgments.

a) Franchisee acknowledges and warrants that it has received a complete and final copy of this Agreement and applicable exhibits as well as disclosure and other documents required in a timely fashion as required as follows:

We hereby acknowledge and warrant that the following dates are true and correct:

- Date of first face to face meeting with Franchisor to discuss the possible purchase of a franchise: _____ (Month/Day/Year) (if none, state "None")
- The date on which we received a uniform Franchise Offering Circular about Franchisor: _____ (Month/Day/Year)
- The date we received a completed copy (other than signatures of the Franchise Agreement) that we later signed: _____ (Month/Day/Year)
- The date on which we delivered cash, check or other consideration in the amount of \$_____ to or for the benefit of the Franchisor: _____ (Month/Day/Year)

b) We hereby represent:

Prior to signing the Franchise Agreement, we were given ample opportunity to review and examine a Uniform Franchise Offering Circular about the Franchisor and have been furnished with a copy of same.

No oral, written or visual claim or representation which contradicted the disclosure statement was made to us except: _____ (If none, Franchisee shall write "None")

No oral, written or visual claim or representation which stated or suggested any sales, income or profit levels was made to us except: _____
_____ (If none, the Franchisee shall write "None")

IN WITNESS WHEREOF, the Franchisor and Franchisee have executed this Agreement as of the date(s) indicated below.

Franchisee:

a _____

By: _____

Print Name: _____

Print Title: _____

Date: _____

Franchisor:

Butterfly Fitness, Inc.,
a California corporation

By: _____

Signature

Print name

Title: _____

EXHIBIT A

**INDIVIDUAL CONFIDENTIALITY, NON-COMPETITION,
AND GUARANTY AGREEMENT**

[Under Sections 10.03 and 12.02, Sections I and II of this Exhibit must be signed by:

All owners and spouses of owners, managers, officers, and directors, employees with access to the Confidential Information, and affiliated persons and entities.]

THIS AGREEMENT dated as of _____, _____ is entered between
Butterfly Fitness, Inc. ("Franchisor") and,
_____ whose notice address is:
_____ ("Interested Party");

On _____, _____, the Franchisor entered into a Franchise Agreement with
_____ ("Franchisee"). Interested Party
understands that Franchisee's Franchise Agreement requires each party referred to above to sign a
written agreement to be personally bound by the Franchise Agreement, including the covenants in
Sections 10.03 and 12.02 of the Franchise Agreement. Interested Party desires to participate in
Franchisee in one of the capacities described above.

Interested Party hereby agrees:

I. That he or she will comply with all the non-competition requirements set forth in Section
12.02 (a) and 12.02 (b) of the Franchise Agreement.

II. That he or she will observe the restrictions on disclosure of Confidential Information set
forth in Section 10.03 of the Franchise Agreement, both during the term of the Franchise Agreement
and after its termination or expiration.

WITNESS:

INTERESTED PARTY:

(Print Name)

(Print Name)

ATTEST:

Butterfly Fitness, Inc., a California corporation

By: _____

Signature

Title

PERSONAL GUARANTY

[Must be signed by all owners and spouses of owners of Franchisee.]

III. In consideration of, and as an inducement to, the execution of the Franchise Agreement with _____ (“Franchisee”) dated _____, _____ by Butterfly Fitness, Inc. (“Butterfly”), the undersigned hereby personally and unconditionally guarantees to Butterfly and to its successors and assigns, that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement. The undersigned further waives acceptance and notice of acceptance; notice of demand for payment of any indebtedness or for performance of any obligations hereby guaranteed; protest and notice of default to any party with respect to the indebtedness or performance of obligations hereby guaranteed; any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and any and all other notices and legal or equitable defenses to which he or she may be entitled. The undersigned further consents and agrees that his or her direct and immediate liability under this Personal Guaranty shall be joint and several; that he or she shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; that such liability shall not be contingent or conditioned upon the pursuit of any remedies against the Franchisee or any other person; and that such liability shall not be diminished, relieved or otherwise affected by the extension of time, credit, partial payment, compromise or any other indulgence which Butterfly, its successors or assigns, may grant, or the acceptance of any partial payment or performance. This Personal Guaranty shall continue and be irrevocable throughout the term of the Franchise Agreement and any extensions thereof.

WITNESS:	GUARANTOR:	RELATIONSHIP (Ownership %):
1. _____ _____ (Print Name) Address: _____	_____ _____ (Print Name) Address: _____	_____ _____ Address: _____
2. _____ _____ (Print Name) Address: _____	_____ _____ (Print Name) Address: _____	_____ _____ Address: _____
3. _____ _____ (Print Name) Address: _____	_____ _____ (Print Name) Address: _____	_____ _____ Address: _____
4. _____ _____ (Print Name) Address: _____	_____ _____ (Print Name) Address: _____	_____ _____ Address: _____

EXHIBIT B

TERRITORY AND LOCATION

Territory: *[Describe or attach map]*

Location (insert if and when known — but in any event within time required by Franchise Agreement):

Specific Location of Franchise: _____

Date of Lease Entered Into by Franchise for Specific Location (pursuant to Section 1.01(a) of the Franchise Agreement): _____

Lease Commencement Date: _____

Lease Expiration Date: _____

Number of any Option Periods under the Lease: _____

Length of any Option Periods under the Lease: _____

Franchisee:

a _____

By: _____

Print Name: _____

Print Title: _____

Date: _____

Franchisor:

Butterfly Fitness, Inc.,
a California corporation

By: _____

Signature

Print name

Title: _____