

(vi) Assistance as we may deem reasonably required, including advice and guidance with respect to new and improved methods of operation or business procedure developed by us, use of the Regional Franchise Manual, management materials, promotional materials, advertising formats and the Licensed Marks (Section 4(b)(vi), Area Representation Agreement).

Marketing:

All advertisements and marketing materials must be approved in advance by us. We will attempt to direct marketing efforts to an audience that includes potential leads in your territory, but the marketing and any seminars will not be solely directed to your territory.

We retain the sole right to market on the Internet, including all use of Web sites, domain names, URLs, linking, advertising, and co-branding arrangements. You must provide us content for our Internet marketing, and sign our Intranet and Internet usage agreements, if any. We retain the sole right to use the trademarks on the Internet, including on Web sites, as domain names, directory addresses, metatags, and in connection with linking, advertising, co-branding, and other arrangements. We must approve any linking or other use of our Web site. You may not establish a presence on the Internet except as we may specify, and you must receive our prior written consent. You must follow our policies concerning data collection and privacy, if any.

ITEM 12. TERRITORY

Before the execution of the Franchise Agreement by you and us, you will propose for our approval a Location for your Butterfly Life Center. The Location will be designated in your signed Franchise Agreement. Your Territory will be specified in the Franchise Agreement, and will be a geographical area that has 10,000 to 15,000 residents (based on the most recent census data that is available to Butterfly) (the "Territory"). You will receive the right to construct, own and operate a Butterfly Life Center at one location (the "Location") within your Territory (which must be approved by us) and the exclusive rights to use the Operating System and Confidential Operations Manual and provide our products and services at the Butterfly Life Center and within your Territory (the "Territory"). You must sign a Lease for your Location within 90 days after you sign your Franchise Agreement.

You must have a signed lease for your Location to us within 90 days after your signing the Franchise Agreement. You must open your site before 180 days after you sign the Franchise Agreement.

During the term of the Franchise Agreement, we may not own or operate, or grant another franchise to own or operate, a Butterfly Life Center within the Territory or establish a company-owned Butterfly Life Center within the Territory. However, we may own or operate, or grant franchises or licenses for others to operate Butterfly Life Centers anywhere outside the Territory (regardless whether the location is within the area targeted by franchisee's advertising of the Franchised Butterfly Life Center) on the terms and conditions as we deem appropriate. We also reserve the right to operate or establish franchises under a different trademark if they are either outside your territory, or if inside your territory are not fitness centers primarily for women. We also may sell anywhere products that are the same as or similar to those sold in Butterfly Life Centers, whether or not using the Marks. We retain the sole right to market on the Internet, including all use of Web sites, domain names, URLs, linking, advertising, and co-branding arrangements. You must provide us content for our Internet marketing, and sign our Intranet and Internet usage agreements, if any. You may not establish a presence on the Internet except as we may specify, and only with our prior written consent. You must follow our policies concerning data collection and privacy, if any. Area developers and area representatives are subject to these same reservations and restrictions summarized in this paragraph.

Under the Franchise Agreement, your franchise is solely for the Location and affords you no rights or option in any additional franchise to be operated at any other location, unless you execute an Area Development Agreement. Neither the Franchise Agreement nor our grant of your franchise obligates us in any way to sell or issue any other franchise.

If you enter into an Area Development Agreement, the terms of the Area Development Agreement may reserve for you the exclusive right to construct and operate Butterfly Life Centers in the Development Area (as defined in the Area Development Agreement). Continuation of the exclusive territory for a single Center is not dependent on achievement of any sales volume, market penetration or other contingency. Continuation of the exclusive development area for area developers is dependent upon achievement of a minimum performance schedule. An area developer must develop and operate a minimum number of Centers within the time frame determined between you and us, as set forth in a minimum performance schedule attached to the Area Development Agreement. If you fail to develop and open the minimum number of stores within the agreed upon time frame, we may terminate your rights to open additional Centers for which no Franchise Agreement has yet been executed. Continuation of the exclusive territory for an area representative is dependent upon your timely compliance with a development schedule.

Area Representative Agreement

If you enter into an Area Representative Agreement, as an area representative you must act as our representative to promote the sale of a minimum number of our franchises within its territory. If you fail to meet the development schedule determined between you and us, as set forth as an exhibit to the Area Representative Agreement, with 60 days after written notice from us, we may terminate your rights to act as our representative, or we may grant a third party the right to act as our representative within your territory.

You will receive an exclusive territory containing approximately 150,000 people, as determined by U.S. census data available at www.census.gov, for every 10 Centers to be established. The initial franchise fee will vary depending on the size of the territory. (See Item 5.)

During the term of the Area Representative Agreement or any renewals thereof, neither we nor any affiliate may own, operate, or franchise another Center or area representative within your territory. We reserve the same exceptions to your territorial exclusivity as are contained in the Center franchise agreements, described in this Item 12 above. For example, we and our affiliates may own, franchise, and operate Butterfly Fitness Centers in other territories, and under certain conditions under different marks. We may sell products through channels other than fitness centers in your territory. We retain the sole right to market on the Internet.

You do not normally receive the right to acquire additional area representation franchises for additional areas or contiguous territories. You may be granted the right to acquire additional territories in certain markets at our discretion.

Continuation of your exclusive territory is dependent on achievement of a minimum development schedule. You must have open and operating in your territory the minimum number of Butterfly Life Centers as determined between you and us and detailed in a schedule attached to your Area Representation Agreement. Failure to meet the minimum development schedule may result in the termination of your Area Representation Agreement and your loss of rights to assist us in the development and service of Butterfly Life Centers in the territory.

This section only applies to Area Representatives

ITEM 13. TRADEMARKS

We own and license to you the trademark BUTTERFLY LIFE, as shown on page iii of this Offering Circular. By trademark we mean trade names, trademarks, service marks, logos, trade dress, and other commercial symbols used to identify the business. Some of the trademarks are registered with the U.S. Patent and Trademark Office (“PTO”) on the Principal Register, as described below. We also claim common law rights in our trademarks based on our prior usage. You may not use any of our trademarks as part of your business entity name or Internet domain name or online address. We control all Internet access, marketing, and usage.

The following trademarks are registered with the PTO on the Principal Register:

<u>MARK</u>	<u>REG.NUMBER</u>	<u>REGISTRATION DATE</u>	<u>STATUS/RENEWAL/AFFIDAVITS</u>
BUTTERFLY LIFE	2,923,967	February 1, 2005	Registered; No affidavits due
EB Butterfly Design	3,060,673	February 21, 2006	Registered; No affidavits due
HEALTHY LIVING SOLUTIONS FOR WOMEN	3,154,787	October 10, 2006	Registered; No affidavits due

We applied to the PTO for registration of the following trademarks:

<u>MARK</u>	<u>APP. NUMBER</u>	<u>FILING DATE</u>	<u>STATUS</u>
WEIGHT LOSS EXPRESS	78/373669	February 25, 2004	Allowed; Pending Registration
EB BUTTERFLY LIFE stylized design	78/834413	March 10, 2006	Pending Registration
BUTTERFLY LIGHT	77/070750	December 22, 2006	Pending Registration

By not having a Principal Register federal registration for any trademark, we do not have certain presumptive legal rights granted by a registration.

On November 17, 2005, our trademark, BUTTERFLY LIFE, was registered with the PTO under the Madrid Protocol system of registration for protection in Japan, and was assigned Registration No. 883593. We also own various international registered and unregistered trademarks.

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state where this Offering Circular is required, or any court, or any pending infringements, opposition, or cancellation proceeding or any pending material litigation involving our principal trademarks.

We do not know of any actual infringing uses in the U.S. However, a company has obtained a registration on the PTO Supplemental Register for the mark BUTTERFLY TOUCH MASSAGE, for massage-related goods and services. The Supplemental Register does not provide the registrant with any statutory presumption that the term registered functions as a trademark nor does it constitute evidence of the registrant's exclusive right to use the mark. While the owner of this mark filed its application after our application for registration was filed, it alleges use in commerce before our first use date, but we have not verified the extent of its prior rights, if any, based upon its use in its specific markets as of our filing date. The PTO, in allowing this mark to register, did not believe that there was a likelihood of confusion with our mark. We also have learned of a business called Butterfly Fitness, Inc. in Miami, Florida, which appears to be out of business now but may have had rights as an unregistered trademark user in its limited market for its one location in Miami, Florida.

There are no agreements currently in effect that significantly limit our rights to use or license the use of our trademarks in a manner material to the franchise.

You must notify us immediately of any infringement of, or challenge to, your use of our trademarks. We are not obligated by the Franchise Agreement to protect your rights to use these trademarks or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving our trademark or if the proceeding is resolved unfavorably to you, but may defend, prosecute or settle these claims or litigation. You must modify or discontinue the use of any trademarks or use one or more substitute trademarks if we request you to, at your expense. You may not contest our ownership, title, right or interest in our trademarks that are part of the business. Upon termination of the Franchise Agreement for any reason, you must cease using these trademarks in any manner.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the principal trademarks in the state where the franchised business is to be located.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any rights in any patents that are material to the Franchise.

We own common law copyrights and license the right to use the copyrights to our franchisees. There are no agreements currently in effect that significantly limit our rights to use or license to you the use to franchisees of the copyrights in any material manner.

Our Confidential Operations Manual is loaned to you as described in Item 11.

We produce certain exercise videos protected by copyright that are coordinated with our exercise system and sound system. These videos are licensed to you as part of our Franchise System for full sized Centers and are to be used only with our System. The current video programs that you must lease from us includes BLT&T Butt Legs Thighs and Tummy, Cardio Dance, Cardio Step, Weight Loss Express, Life Vision - Fitness, Life Vision - Nutrition, Life Vision- Fashion, Life Vision - Psychology and Life Vision - Beauty. These videos may change or be supplemented in the future as we may modify the Butterfly System periodically. The rental costs for the required leased videos are included in the monthly royalty fee. All leased videos must be returned at the termination of your franchise.

Our copyrights have not been registered in the United States Copyright Office, but may be at our sole discretion. Our copyright protection exists apart from registration under U.S. and international copyright law.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of the copyrights, nor are there any currently effective agreements between us and third parties pertaining to the copyrights that will or may significantly limit your use of the copyrighted materials except your individual agreement with Check Free for the computerized collections and membership management system. Upon any infringement of or challenge to your use of any copyrighted work, you are obligated to notify us immediately and we will have sole discretion to take any action as we deem appropriate.

If we deem it advisable to modify or discontinue use of any copyrighted work and or use one or more new derivative copyrighted work, you are obligated to do so and our sole obligation in any event will be to reimburse you for your tangible costs (for example, changing equipment) of complying with this obligation.

We are not required by the Franchise Agreement to defend you against any infringement, unfair competition or other claim respecting your use of any copyrighted work. We are not required to indemnify you against, or reimburse you for any damages that you are held liable in any proceeding from the use of any copyrighted work.

Under the Franchise Agreement, you agree not to contest, directly or indirectly, our ownership, title, right or interest in our copyrights, trade secrets, methods, procedures or any other intellectual property right that are part of our business, or contest our sole right to register, use or license others to use the copyrights, trade secrets, methods, or any other intellectual property right procedures.

There are no infringing uses actually known to us that could materially affect your use of the copyrights in this state or any other state where your Franchise is located.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement does not require that you personally participate in the actual operation of individual centers. The business must be directly supervised by an operating manager who has successfully completed the Butterfly training program. All owners and spouses of owners, managers, officers and directors, and employees with

access to the Confidential Information, and affiliated persons and entities must sign the confidentiality, non-competition and guaranty agreement attached to the Franchise Agreement and any promissory notes issued by the entity to Butterfly. The Franchise owner, managers and employees must undergo training conducted by us. We recommend that owners of the franchise entity participate in its operation.

Area Representative Agreement

The Area Representative Agreement requires that the Representative or its majority owner personally participate as a representative.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are required to offer at your Butterfly Life Center all of the membership packages, and fitness and nutritional programs and products required by us now or in the future. You are prohibited from offering or selling any products or services not authorized by us. In addition, you must provide your customers with an image and atmosphere meeting the minimum standards established by us. We reserve the right to change the types of authorized goods and services without limitation.

You are not limited in the customers you may serve from each Butterfly Life Center. However, you can only sell products on a retail basis, and not for resale by the purchasers to the general public through your facility. You are not permitted to distribute Butterfly products on a non-retail basis without our prior written consent and without entering into a separate agreement, if we request the execution of such an agreement.

There are no restrictions on the prices at which you may sell your merchandise or services, except that we may recommend prices, set maximum prices, and determine pricing strategy of local, regional and national advertising and marketing programs each to the extent permitted by law.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Franchise Agreement and Area Development Agreement

This table lists certain important provisions of the Franchise Agreement and Area Development Agreement. You should read these provisions in the Franchise Agreement and Area Development Agreement attached to this Offering Circular. References are to the Franchise Agreement unless otherwise stated. References to Area Development Agreement are marked "ADA". If no reference is made for a provision in a particular agreement, that provision is not contained in the agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the franchise	Section 2.01; ADA Section 13	10 years - with four five-year options. Term of area development agreement determined by development schedule
b. Renewal or extension of the term	Section 2.02	Up to four five-year options if you are in good standing and comply with renewal conditions.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT	SUMMARY
c. Requirements for franchisee to renew or extend	Section 2.02	You must (a) give us written notice no less than seven months and no more than nine months before expiration (b) not be in default of your Franchise Agreement (c) satisfy all monetary obligations (d) provide financial information as requested (e) execute our then current standard form renewal franchise agreement (f) execute a general release (g) provide evidence satisfactory to us that you have the right to remain in possession of the Butterfly Life Center for the duration of the renewal term (h) satisfy the training requirements for new franchisees and (i) complete, or provide for, such renovation and modernization of the Butterfly Life Center and Butterfly Life Center premises as we may reasonably require.
d. Termination by franchisee	None	None
e. Termination by franchisor without "cause"	None	Not applicable.
f. Termination by franchisor with "cause"	Section 11.01; ADA Section 11	We can terminate if you default on any of your obligations under the Franchise Agreement. We can terminate the Area Development Agreement if you fail to meet the development schedule or default on any Franchise Agreement subject to the Area Development Agreement
g. "Cause" defined – curable defaults	Sections 11.01(c)	(1) If you fail, refuse or neglect to adhere to standards and specifications in the Confidential Operations Manual and otherwise adopted by us periodically or if we make 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 you or any of your affiliates fail, refuse or neglect to pay promptly, when due, any amounts owed to us or any of our affiliates; (3) if you fail, refuse or neglect to submit to us any financial or other information required; (4) if you fail, refuse or neglect to obtain our prior written approval or consent as required; (5) if you fail, refuse or neglect to observe any other obligations under the Franchise Agreement or to carry out the terms of the Franchise Agreement in Good Faith. You must cure defaults relating to adherence with standards and specifications within three days; you must cure delinquent payments within ten days; and cure all other defaults within 30 days; after delivery of written notice of default.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT	SUMMARY
h. "Cause" defined - defaults which cannot be cured	Sections 11.01(a) and (b); ADA Section 11	(1) If you become insolvent or make general assignment for the benefit of creditors; (2) if you are adjudicated bankrupt or a receiver is appointed; (3) if a final judgment against you remains unsatisfied for 30 days or longer; (4) if execution is levied against your business or property to foreclose any lien against the assets of the Butterfly Life Center and is not dismissed within 30 days; (5) if you are convicted of a felony, crime of moral turpitude, or any other crime or offense that is reasonably likely, in our sole judgment, to affect adversely the System, the Proprietary Marks, the goodwill associated therewith or our rights in them; (6) if you attempt an unauthorized transfer; (7) if you misuse or make any unauthorized use of the proprietary Marks (8) if you disclose to a third party any proprietary information or confidential information; (9) if you default under the Franchise Agreement after three or more notices of similar defaults have been sent to you; (10) if you make any material misrepresentation to us. Failure to meet the development schedule attached to the Area Development Agreement.
i. Franchisee's obligations on termination /nonrenewal	Sections 11.02 and 11.03	You must promptly pay to us all sums owed to us. You must refund or make adequate provision (to our satisfaction) for any prepaid membership fees of your customers. You must immediately cease to use any of our proprietary information or other trade secrets or trademarks. You must modify the interior and exterior of your Center and de-identify as a Butterfly Life Center, and cease to use and return to Butterfly all copies of the Confidential Operations Manual and cease to hold yourself out as a Butterfly Life franchisee. We have an option to purchase your inventory and equipment. You will immediately cease using the point of sale/member management software or system, any licensed videos (including Life Vision videos), video Group X technology, timing lights and any other proprietary systems, programs or equipment. In certain situations, you must pay us liquidated damages summarized in Item 6 of this offering circular.
j. Assignment of contract by franchisor	Section 13.01	No restrictions on our right to assign.
k. "Transfer" by franchisee - definition	Section 13.02; ADA Section 12	Includes sale, assignment, transfer conveyance, or encumbrance of interest in the Franchise Agreement or assets of the franchised business. You may not transfer Area Development Agreement. Transfer includes sale, transfer and assignment of Area Development Agreement.
l. Franchisor approval of transfer by franchisee.	Section 13.02	We have the absolute right to approve all transfers in advance of the occurrence. We shall not unreasonably withhold our consent to any assignment if certain conditions are met.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT	SUMMARY
m. Conditions for franchisor's approval of transfer	Section 13.02	Written transfer request notice required. You cannot be in default of any provision of your Franchise Agreement, all monetary obligations must be satisfied, and sign a general release. Assignee (new franchisee) must meet our new franchisee requirements and execute the then-current standard form franchise agreement. Assignee and/or its employees must complete our training. A transfer fee is charged.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13.02(g)	We have the right to match any bona fide offer for your interest in the Franchise Agreement, assets or ownership interest.
o. Franchisor's option to purchase franchisee's business.	Section 11.03	Upon termination or expiration of your Franchise Agreement, we have the option to purchase land, building, leasehold estate and any or all Butterfly Life Center assets at fair market value. Your lease must include language giving us or our designee the option and right of first refusal to assume your lease, as well as the right to receive notices of default under the lease.
p. Death or disability of franchisee	Section 13.02(f)	Upon your death, your personal representative may sell or transfer your franchise interest to a third party, subject to conditions in the Franchise Agreement. If no offer to sell is made and your rights are distributable to heirs, then if such heirs qualify, we will approve the transfer. The personal representative may transfer the affected interest in franchisee to a third party, subject to the conditions in the Franchise Agreement for any other transfer.
q. Noncompetition covenants during the term of the Franchise Agreement	Section 12.01(a)	Except as otherwise approved in writing by us during the term of the Franchise Agreement, you must not invest or participate in any fitness center or health, fitness or weight loss business.
r. Noncompetition covenants after the franchise is terminated or expires.	Section 12.01(b)	For two years after the expiration, termination or transfer of your Franchise Agreement, you must not: invest, participate or serve in any capacity in any health, fitness or weight loss business that is located within 10 miles of your Butterfly Life fitness center or of any other Butterfly Life fitness center, or that sells products or services over the Internet, or which sells products or services within 10 miles of a Butterfly Life fitness center; solicit, service or sell to any customer who is or was a customer of your franchised business; or hire any person from, or solicit or induce any person to leave his or her employment with us, our affiliates or any Butterfly Life franchise.
s. Modification of the Franchise Agreement	Section 14.09(d)	No amendment, change or variance from the Franchise Agreement shall be binding on either party unless mutually agreed to by the parties and executed by both parties in writing.
t. Integration/merger clause	Section 14.06	Franchise Agreement and listed additional agreements, if any, constitute the entire agreement of the parties.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT	SUMMARY
u. Dispute resolution by arbitration or mediation	Section 14.12	Any disputes must first be mediated and if not resolved, must then be submitted for arbitration under applicable Commercial Arbitration Rules of the American Arbitration Association in Contra Costa County, California.
v. Choice of forum	Section 14.02	Litigation to be brought in Contra Costa County, California.
w. Choice of law	Section 14.02	California law, U.S. Federal Arbitration Act, and U.S. Federal Trademark Act (Lanham Act) all apply, except as stated in State Addenda to this offering circular.

Area Representative Agreement

This table lists certain important provisions of the Area Representation Agreement. You should read these provisions in the Area Representation Agreement attached to this Offering Circular.

PROVISION	SECTION IN AREA REPRESENTATIVE AGREEMENT	SUMMARY
a. Length of the franchise	Section 3	Five years.
b. Renewal or extension of the term	Section 3	Up to four successive additional terms of five years.
c. Requirements for Representative to renew or extend	Section 3	You must (a) give us prior written notice and pay a renewal fee, (b) not be in default of your Agreement, (c) satisfy all monetary obligations (d) execute our then current standard form renewal area representative agreement and development schedule, and (e) not have triggered a Termination Event that gives us the right to terminate the Agreement.
d. Termination by Representative	Section 3	You may only elect not to renew.
e. Termination by franchisor without "cause"	None	Not applicable.
f. Termination by franchisor with "cause"	Section 11	We can terminate if you: fail to provide training to franchisees consistent with our guidelines, fail to provide minimum pre-opening assistant to franchisees, misuse or impair the goodwill of the trademarks, breach confidentiality, fail to meet minimum performance standards, fail to supervise or visit franchisees, or commit a crime.
g. "Cause" defined -- curable defaults	Sections 3 and 11	If any of the Triggering Events occurs, we may terminate your Area Representation Agreement by delivering 50% of the continuing monthly payments over the last 12 months. In addition, we may terminate the Agreement immediately if you are insolvent or if a judgment of over \$50,000 remains outstanding for 60 days. We may terminate if (a) you make a material false statement or report, (b) you violate the transfer requirements under Section 10, (c) if you receive three or more default notices in any 12 month period, (d) if you are in

This section only applies to Area Representatives

PROVISION	SECTION IN AREA REPRESENTATIVE AGREEMENT	SUMMARY
		violation of law for more than 15 days, (e) you violate any confidentiality or nondisclosure obligation under the Agreement, (f) if you are convicted of a felony or crime of moral turpitude, (g) if you fail to cure a notice of noncompliance with the Regional Franchise Manual as specified by us within 30 days; (h) your license to operate as a Representative lapses or is revoked; or (i) if you fail to maintain required insurance coverage
h. "Cause" defined - defaults which cannot be cured	Sections 11	Insolvency; false statements or reports; failure to cure; violation of confidentiality; conviction of felony or crime of moral turpitude; revocation of license; or loss of required insurance coverage.
i. Representative's obligations on termination /nonrenewal	Sections 3 and 11	You must promptly pay to us all sums owed to us. You must immediately cease to use and shall not subsequently use any of our proprietary information or other trade secrets or Marks, unless you are in compliance with a separate valid Franchise Agreement with us. Return the Regional Franchise Manual and any other Regional Franchise materials. Upon our request deliver a list of all your employees, clients, customers, franchise prospects and contacts. Transfer all trade name or business licenses to us or our designee. Cease solicitations of any Unit Franchises and using any advertising, or proprietary methods or techniques. Remove all Licensed Marks and trade dress. Covenant not to compete and trade secret nondisclosure survives termination of the Agreement.
j. Assignment of contract by franchisor	Section 10	No restrictions on our right to assign.
k. "Transfer" by Representative - definition	Section 10	Includes sale, assignment, transfer, conveyance, or encumbrance of any interest in the Area Representative Agreement or any portion or aspect thereof, or any equity or voting interest in the representative.
l. Franchisor approval of transfer by Representative.	Section 10	We have the absolute right to approve all transfers in advance of the occurrence. We shall not unreasonably withhold our consent to any assignment if certain conditions are met.
m. Conditions for franchisor's approval of transfer	Sections 3 and 10	Written transfer request notice required. You cannot be in default of any provision of your Area Representative Agreement or Franchise Agreements, if any, all monetary obligations must be satisfied, and sign a general release. Assignee (new franchisee) must meet character, financial and managerial requirements and execute the then-current standard form Area Representative agreement. Assignee and/or its employees must complete our training. A transfer fee is charged.
n. Franchisor's right of first refusal to acquire Representative's business	Section 10	We have the right to match any bona fide offer for your interest in the Franchise Agreement, assets or ownership interest.
o. Franchisor's option to purchase Representative's business.	None	None

PROVISION	SECTION IN AREA REPRESENTATIVE AGREEMENT	SUMMARY
p. Death or disability of Representative	Section 10	Upon your death or incapacity, your personal representative may sell or transfer your franchise interest to a third party, subject to conditions in the Agreement within six months after death or incapacity. If no transferee qualifies, we may terminate the Agreement.
q. Noncompetition covenants during the term of the Franchise Agreement	Sections 7 and 9	Except as otherwise approved in writing by us during the term of the Agreement, you shall not own, engage in, or have any interest in any health or fitness center or weight loss business or sell or solicit any non Butterfly franchises
r. Noncompetition covenants after the franchise is terminated or expires.	Section 9	For three years after the expiration or termination of your Agreement, you shall not: own, maintain, engage in, or have any interest in any center or business engaged in providing fitness or weight loss services or products, which is located within the Granted Territory or sell or offer any other franchise or marketing system.
s. Modification of the Franchise Agreement	Section 16	No amendment, change or variance from the Franchise Agreement shall be binding on either party unless mutually agreed to by the parties and executed by both parties in writing.
t. Integration/merger clause	Section 21	Franchise Agreement and listed additional agreements, if any, constitute the entire agreement of the parties.
u. Dispute resolution by arbitration or mediation	Section 17	Any disputes will be submitted to the American Arbitration Association pursuant to its rules and procedures in Contra Costa County, California.
v. Choice of forum	Sections 17 and 19	Litigation to be brought in Contra Costa County, California.
w. Choice of law	Section 19	California law, U.S. Federal Arbitration Act, and U.S. Federal Trademark Act (Lanham Act) all apply, except as stated in State Addenda to this offering circular..

These states have statutes which may supersede the Franchise Agreement, Area Development Agreement and Area Representative Agreement in your relationship with us including the areas of termination and renewal of your franchise: ARKANSAS (Stat. Section 70-807), CALIFORNIA (Bus. & Prof. Code Sections 20000-20043) CONNECTICUT (Gen. Stat. Section 42-133e et seq.), DELAWARE (Code tit. 6, Ch. 25, Sections 2551-2556), HAWAII (Rev.Stat. Section 482E-1), ILLINOIS (815 ILCS 705/1-44), INDIANA (Stat. Section 23-2-2.7 and 23-2-2.5), IOWA (Code Sections 523H.1-523H.17), MARYLAND (Maryland Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2004 Repl. Vol.)), MICHIGAN (Stat. Section 19.854 (27)), MINNESOTA (stat. Section 80C.14), MISSISSIPPI (Code Section 75-24-51), MISSOURI (stat. Section 407.400), NEBRASKA (Rev. Stat. Section 87-401), NEW JERSEY Stat. Section 56.10-1), NORTH DAKOTA (N.D.C.C. Franchise Investment Law Section 51-19), SOUTH DAKOTA (Codified Laws Section 37-5A-51), VIRGINIA (Code 13.1-517-574), WASHINGTON (Code Section 19.100.180), WISCONSIN (Stat. Section 135.03). These and other states may have court decisions that may supersede the Franchise Agreement, Area Development Agreement and Area Representative Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

The State Addenda in Exhibit "D", if applicable, may also describe certain state laws that may supersede the Franchise Agreement, Area Development Agreement and Area Representative Agreement in your relationship with us including the areas of termination and renewal of the franchise.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. EARNINGS CLAIMS

Butterfly does not furnish or authorize sales persons to furnish any oral or written information concerning potential sales, costs, income or profit of a Butterfly Life Center. Actual results may vary from unit to unit and Butterfly cannot estimate the results of a particular franchise.

ITEM 20. LIST OF OUTLETS

The name of each of our center franchisees and the address and telephone number of each of their outlets as of the end of our last fiscal year (unless another date is stated on the list) is in Exhibit H. The name, address and telephone number of each of our area developers and area representatives is in Exhibit H. Upon your request, we will make available to you information concerning the length of time our franchisees have been in the franchise system and contact information.

**LIST OF OUTLETS
FRANCHISED BUSINESS STATUS SUMMARY
FOR THE FISCAL YEARS 2006/2005/2004
FRANCHISES**

State	Transfers	Closings				Total From Left Columns	Franchise Businesses Operating at Year End
		Cancelled or Terminated by Us	Not Renewed by Us	Reacquired by Us	Left the System for Other Reasons		
Arizona	0/1/0	0/0/0	0/0/0	0/0/0	2/0/0	2/1/0	0/1/0
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
California	1/2/0	1/3/0	0/0/0	0/0/0	3/0/0	5/5/0	16/14/3
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/0/0
Connecticut	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	5/1/0
Florida	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Georgia	0/0/0	0/0/2	0/0/0	0/0/0	0/0/0	0/0/2	2/0/0
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Minnesota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1 0 0
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/1/0
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	4/0/0
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/0/0

State	Transfers	Closings				Total From Left Columns	Franchise Businesses Operating at Year End
		Cancelled or Terminated by Us	Not Renewed by Us	Reacquired by Us	Left the System for Other Reasons		
Texas	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/1/0
Other	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Total	1/3/0	1/3/2	0/0/0	0/0/0	7/0/1	9/6/3	38/18/3

Note 1: Our fiscal year 2003 began with our inception on April 18, 2003 and ended on December 31, 2003. Our fiscal year 2004 consisted of a full calendar year ending on December 31, 2004. Our fiscal year 2005 began on January 1, 2005 and ended on September 30, 2005.

**LIST OF AREA DEVELOPERS
FRANCHISED BUSINESS STATUS SUMMARY
FOR THE FISCAL YEARS 2006/2005/2004**

State	Transfers	Closings				Total From Left Columns	Franchise Businesses Operating at Year End
		Cancelled or Terminated by Us	Not Renewed by Us	Reacquired by Us	Left the System for Other Reasons		
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/1/0
California	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	6/1/0
Connecticut	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	1/0/0
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	2/1/0
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/1/0
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Other	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Washington	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/0/0
Total	0/0/0	0/0/0	0/0/0	0/0/0	6/0/0	6/0/0	12/4/0

**LIST OF AREA REPRESENTATIVES
FRANCHISED BUSINESS STATUS SUMMARY
FOR THE FISCAL YEARS 2006/2005/2004**

State	Transfers	Closings				Total From Left Columns	Franchise Businesses Operating at Year End
		Cancelled or Terminated by Us	Not Renewed by Us	Reacquired by Us	Left the System for Other Reasons		
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
California	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
Minnesota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Washington	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
Other	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Total	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	14/0/0

**COMPANY-OWNED BUSINESS STATUS SUMMARY
FOR YEARS ENDED 2006/2005/2004**

State	Businesses Opened During Year	Businesses Closed During Year	Company-Owned Businesses Operating at Year End
California	0/0/0	0/0/0	0/0/0
Other	0/0/0	0/0/0	0/0/0
TOTALS	0/0/0	0/0/0	0/0/0

**PROJECTED SALES AND OPENING IN FISCAL YEAR 2007
(BUTTERFLY LIFE CENTERS)**

State	Agreements Signed but Centers Not Opened during Fiscal Year 2005			Projected New Franchise Agreements to be Signed in Fiscal Year 2006			Projected New Company-Owned Store Openings in Fiscal Year 2006
	Unit	Area Developer	Area Rep.	Unit	Area Developer	Area Rep.	
California	33	0	0	0 - 1	0 - 1	0 - 1	0
Hawaii	0	0	0	0 - 1	0 - 1	0 - 1	0
Illinois	0	0	0	0 - 1	0 - 1	0 - 1	0
Indiana	0	0	0	0 - 1	0 - 1	0 - 1	0
Maryland	3	0	0	0 - 1	0 - 1	0 - 1	0
Minnesota	0	0	0	0 - 1	0 - 1	0 - 1	0
New York	1	0	0	0 - 1	0 - 1	0 - 1	0
North Dakota	0	0	0	0 - 1	0 - 1	0 - 1	0
Rhode Island	1	0	0	0 - 1	0 - 1	0 - 1	0
South Dakota	0	0	0	0 - 1	0 - 1	0 - 1	0
Virginia	1	0	0	0 - 1	0 - 1	0 - 1	0
Washington	2	0	0	0 - 1	0 - 1	0 - 1	0
Wisconsin	1	0	0	0 - 1	0 - 1	0 - 1	0
Other	51	0	0	0 - 5	0 - 5	0 - 5	0
TOTAL	93	0	0	0 - 18	0 - 18	0 - 18	0

FORMER FRANCHISEES

The name and last known home address and telephone number of every franchisee within the most recently completed fiscal year (or through a more current date, if listed) who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement, or Area Representative Agreement or who has not communicated with us within 10 weeks of the date of this Offering Circular, are in Exhibit H.

ITEM 21. FINANCIAL STATEMENTS

In 2005 we changed our fiscal year end to September 30. Exhibit A contains the following financial statements: Audited financial statements for the fiscal year ended September 30, 2006, the short fiscal year ended September 30, 2005, and the fiscal year ended December 31, 2004.

ITEM 22. CONTRACTS

The following agreements are included as exhibits to this Offering Circular:

1. Franchise Agreement (with Individual Confidentiality, Non-Competition, and Guaranty Agreement), attached as Exhibit "C"

2. State Specific Addenda, attached as Exhibit "D"
3. Area Development Agreement (with development area and minimum performance schedules), attached as Exhibit "E"
4. Area Representative Agreement (with location, territory and development fee, development schedule and guaranty or representative's undertakings), attached as Exhibit "F"
5. Acknowledgment of Receipt of Completed Agreements, attached as Exhibit "J".
6. Sample General Release (*We do not currently have a form of general release, and you are not required to sign such a form when you enter into the Franchise Agreement. However, a sample release has been required by the State of Maryland, so following is a sample that may or may not be used upon your transfer or renewal: "Franchisee (and, if Franchisee is an entity, its owners, managers, directors, officers, and partners) releases any and all claims against the Franchisor and its subsidiaries and their respective owners, managers, officers, directors, agents and employees. (Such a release may not apply to claims arising under certain state franchise statutes)."*)

ITEM 23. RECEIPT

Included as the last document of this Offering Circular is a detachable Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least 10 business days before signing of the Franchise Agreement or payment of any fee by you.