

Exhibit "E"

Area Development Agreement and Exhibits

Butterfly Area Development Agreement

1. The purpose of this Butterfly Area Development Agreement ("Agreement") is to confirm our understanding of your plans for the development of _____ (____) new Butterfly Life Centers ("Development Centers") in the _____ area (the "Development Area"), and to describe your rights and obligations with respect to such development. Butterfly Fitness, Inc. ("Butterfly") hereby grants you the option to enter into Butterfly Franchise Agreements for the right and obligation, to construct, equip, decorate, open and operate the Fitness Centers in the Development Area (which is further described in the attached Schedule A) in accordance with the Minimum Performance Schedule (the "Development Schedule") attached hereto as Schedule "A-1" and the other terms and conditions contained in this Agreement and the attached exhibits. ~~Your initial franchise fee for each center developed under this Agreement will be \$ _____ per center.~~

2. ~~Under~~ You must pay an initial franchise fee for each center developed under this Agreement of \$ _____ per center. When you sign this Agreement, you must pay to Butterfly an initial Area Development Fee based on the number of Development Centers to be opened (\$12,500 per Center) and a portion of the Initial Franchise Fee for the Franchisee's \$12,500 of the initial franchise fee for each Development Center to be opened plus \$12,500 of the initial franchise fee for your first Location, for a total of \$ _____. The payment schedule for the remaining ~~Initial Franchise payment fees (and credit for the initial Area Development Fee already paid)~~ initial franchise fees is specified in Schedule A-1. The Area Development Fee and First Location fee must be paid upon signature of this Agreement and is not refundable. You and Butterfly will mutually agree on an initial opening date for each Development Center.

Cumulative number of Butterfly Life Centers
Under Franchise Agreement and under Construction

Date (d/m/y)

See Exhibit A-1.

3. Any center developed or to be developed by you outside of the Development Area, or that is not developed in compliance with this Agreement or the respective then current franchise agreement, will not be considered in the determination of your compliance with the Development Schedule.

4. Each Butterfly Life Center to be developed in accordance with this Agreement will be established and operated pursuant to a separate franchise agreement to be entered into between you and Butterfly (subject to compliance with any applicable franchise registration laws). The form and substance of each franchise agreement executed will be consistent with the then current Butterfly franchise agreement being executed by other franchisees at that time. You and your principals will be required to deliver a General Release of all Claims you or they may have against Butterfly in connection with your execution of each franchise agreement.

5. ~~Provided that~~ If you are in compliance with the Development Schedule, all franchise agreements executed pursuant to this Agreement, and all other agreements with Butterfly or its affiliates, subsidiaries, and suppliers, Butterfly will not, prior to _____, during the term of this Agreement itself establish or grant rights to any third party to establish a traditional fitness center within the Development Area. A traditional fitness center means a freestanding or in-line location designed (under 3,000 square feet) on a public street having its own parking facilities.

~~7.6~~ You understand and acknowledge that Butterfly may itself develop and operate, and may grant rights to others to develop and operate: (1) centers and other fitness or weight loss facilities of any kind anywhere outside the

Development Area; and (2) centers and other fitness or weight loss facilities not under the Butterfly Life trademark, proprietary marks and System (as defined in the Franchise Agreement) anywhere within the Development Area.

~~8.7~~ You acknowledge and assume all risk that any activities by Butterfly or any third parties of the kinds permitted to them in the preceding paragraphs may affect or hinder your ability to develop the required number of centers pursuant to the Development Schedule and/or may affect the profitability or operations of such centers.

~~9.8~~ Your right to ~~commence~~begin construction of any new centers pursuant to this Agreement is subject to your compliance with each of the following conditions:

a. Each proposed site for each center must be formally presented to Butterfly on Butterfly's then current Site Acceptance Request form for Butterfly's prior written acceptance before you assume any obligation with respect to the site. You must also present a formal request to proceed with construction, in accordance with Butterfly's construction approval policies and procedures. You acknowledge that site acceptance will be determined solely, in each circumstance, by Butterfly in accordance with its then-standard policies and site criteria.

b. Butterfly must determine that you have the financial and operational capabilities to develop the new center at the proposed location. Butterfly determination of your financial and operational capability will be based on:

- i. your compliance with then-current expansion guidelines;
- ii. your financial condition; payment history to Butterfly; its subsidiaries, advertising operatives, and any national advertising cooperatives; and
- iii. any other pertinent financial information that may be requested by Butterfly, together with operational evaluations of any existing centers owned and/~~prior to~~before the time of each request by you to develop a new center pursuant to this Agreement.

All of this information will be reviewed by Butterfly in accordance with its then-current guidelines and policies pertaining to franchise expansion, generally.

c. If Butterfly accepts a proposed site and determines that you have satisfied Butterfly expansion guidelines, Butterfly will deliver a franchise agreement for the center to you for execution. You must execute and return the franchise agreement within 21 calendar days of receipt. You must pay all fees required under each franchise agreement at the times specified under each franchise agreement.

~~10.~~ ~~In the event that~~9. If you fail to satisfy any of the conditions described above, Butterfly will be under no obligation to execute a franchise agreement for a new center. Construction of a new center must not begin until a franchise agreement is fully executed for that center.

~~11.~~10. If you fail to have open or under construction the required number of centers in accordance with the Development Schedule, even if such failure to develop is due to your failure to satisfy any of the preconditions to the execution of the franchise agreement, Butterfly may terminate this Agreement or your rights to develop new centers for which no franchise agreement has been executed under this Agreement, effective upon Butterfly transmittal of a notice of termination to you. ~~Further, if~~ at any time, you are in default under any franchise agreement or any other agreement executed by you and Butterfly or its subsidiaries, Butterfly may terminate this Agreement or your rights to develop new centers granted under this Agreement and you will not accrue any rights under your Area Development Fee.

~~12.~~11. The rights granted to you in this Agreement represent a special opportunity provided to you, separate from those afforded by any franchise agreements executed or to be executed by Butterfly, and are based upon your center operations and development experience with Butterfly. Therefore, the rights granted to you herein may not be assigned upon the sale, transfer or assignment of any franchise agreements pertaining to those Development Centers developed under this Area Development Agreement. Upon any attempt to transfer or assign this Agreement, this Agreement shall automatically become voidable at the sole election of Butterfly.

~~13.~~ ~~The~~ 12. This Agreement and your rights to develop centers pursuant to this Agreement will terminate at the earlier of _____ the latest date for Center opening on Schedule A-1 or the date your rights are terminated by Butterfly in writing due to your default under this Agreement, any franchise or other agreements between you and Butterfly or any Butterfly affiliate or due to a transfer of this Agreement or franchise agreements as previously outlined.

~~14.~~ 13. Unless Butterfly has in writing otherwise agreed, each franchise agreement executed pursuant to this Agreement, must be executed by only the named franchise partners to whom this Agreement is addressed and guaranteed by any and all parties currently acting as guarantors.

~~15.~~ 14. If you agree to the terms outlined in this Agreement, please execute the enclosed copy and return it to Butterfly. Please do not execute this Agreement until the expiration of five (5) business days from your receipt of this Agreement and ten (10) business days after your receipt of Butterfly current Offering Circular. Upon receipt and signature by Butterfly, the Agreement will be effective.

Area Developer/Franchisee

By: _____
Name: _____
Title: _____
Date: _____

Acknowledged and Agreed to:

Butterfly Fitness, Inc.,
a California corporation

By: _____
Title: _____

Schedule "A"
to the
Butterfly Area Development Agreement

The Development Area is described as follows:

Schedule "B"
to the

Butterfly Area Development Agreement

Pursuant to the Area Development Agreement, Area Developer shall execute Butterfly the standard Franchise Agreement in effect on the date of execution of such franchise agreement, but the franchise agreement to be executed shall not be inconsistent with the following terms:

Initial Franchise Fee \$ _____ per fitness center

Royalty Fee \$1,000 per month per fitness center*

~~* Beginning on the first anniversary of the Franchise Agreement to be executed, the Royalty Fee shall be subject to an annual increase for inflation by the CPI Annual Adjustment defined below.~~

~~"CPI Annual Adjustment" means the annual increase from the first day of the month immediately preceding each anniversary of the date of your Franchise Agreement (the "Measurement Date") (for example, if the Agreement is signed on December 20, 2004 the Measurement Date will be November 1, 2005 and each November 1 thereafter), to the extent of any percentage increase that occurred in the Consumer Price Index for All Urban Consumers (All Items, Base 1982-1984 = 100) as published by the United States Department of Labor, Bureau of Labor Statistics for the San Francisco - Oakland - San Jose Metropolitan Area (the "CPI"), since the later of (a) the date of your Franchise Agreement or (b) the immediately preceding Measurement Date on which there was a CPI Annual Adjustment to the Royalty Fee, whichever is later (the "Base Date"). The adjustment shall be calculated by multiplying the Royalty Fee amount then in effect by a fraction, the numerator of which is the CPI in effect on the Measurement Date, and the denominator of which is the CPI in effect on the Base Date. If the CPI on the Measurement Date is not greater than the CPI on the Base Date, no adjustment will be made.~~