



December 11, 2007

Dear Valued Butterfly Life Owner:

I am writing with exciting news for Butterfly Life franchise (BLF) owners in 2008. We are offering some unique opportunities that will assist all franchisees and improve the overall franchise operating system. Our goal for this coming year is to provide those of you who want to enroll in our upgraded franchise system with a variety of new revenue producing programs and services.

The best news is there is no cost to enroll. We expect that you just need to complete the paperwork by about the **January 4, 2008 deadline**. These programs and services are the result of feedback we have received throughout the year from franchisees and Area Reps alike. Here is a list of the revenue producing and value added programs and services:

- **\$200/month** reduction in Royalty fee for calendar year 2008
- Group PT Training School: provides owner revenue and better member results
- Masters Group X Workshops: live workshop provides revenue and excitement
- Group X Membership Option: limited live classes plan for higher monthly dues
- Group Wt Loss Xpress: provides owner revenue and better member results

In addition we just completed a powerful new sales training tool. Our Sales Training A-Z Program is a 1 hour 40 minute DVD produced in the clubs. It covers all aspects of boosting membership sales. We are certain you will find it to be a valuable teaching and resource tool. We are also offering the following upgrades to the system:

- Establishment of 7 Member Franchisee Advisory Council (FAC)
- Establishment of 7 Member Area Representative Council (ARC)
- FAC and ARC input into important policies, programs and marketing decisions
- BLF assist in selling any requested franchisee club with **all** proceeds to franchisee
- BLF assist in selling any closed territory with **50%** of proceeds to franchisee
- BLF assist in selling equipment of closed clubs with **all** proceeds to franchisee

We hope that you are as excited about the new programs and system upgrades as we are. If for some reason you do not wish to enroll in this program, please contact Cathy Galli in the next few days at cgalli@butterflylife.com. Otherwise we will send you the necessary amendment to your franchise agreement so we can add these upgraded programs and services. To be eligible, we expect you will have until about **January 4, 2008** to sign and return the amendment agreement. This e mail is not an offer, which will be made when we send you the amendment agreement.

Thank you again for your helpful feedback, continued support and ongoing loyalty.

Warm Regards,

A handwritten signature in black ink, appearing to read "T. Gergley", is positioned above the typed name.

Thomas Gergley
Chairman
Butterfly Fitness, Inc.