The contracts are malicious legal traps that are designed by the best attorneys that money can buy to ensure that those franchisors whose franchisees survive in the markeplace will continue to serve the franchisor whether or not there are profits. It is public policy to protect the franchisor and the franchisees who survive from those who fail because the government believes that this serves the "greater good" of the public.

This dirty little secret of franchising and the alliance of all of the special interests is what perhaps what combined to destroy Cindy —-but the experts would have you believe that it is because she didn't do her due diligence on Butterfly Life and find out the great risk of the offering, etc.. and the consequences of failure that is what really destroyed Cindy.

Sean is a good man who is trying to help us sort this out. Would Cindy have been saved if she had done extensive due diligence on BF and discovered the ACTUAL RISK of the investment. Would that have saved her?

Something to think about!

May God Bless and comfort Cindy's family in their great grief.

Carol

• Butterfly flying

Aug 27, 2008 at 5:55 pm

Thank you for responding Dr Widman...if that's who you really are.

Carol,

I love the term "due diligence"......and I think that your inferring that Cindy didn't do her "due diligence" was kind of a slap in the face...not that I truly believe you meant it that way but it knocked me back as though it were. I think that we all went into this trusting the people that we thought were the experts only to find out they were experts as scam artists. We BELIEVED what they were saying and I know that we (my mom and I) felt that we did our due diligence as I'm sure Cindy did and all else who got caught in the web of deceit by Butterfly Life Corporate. It is now time for them to own up to what they have done and try to undo some of it. If the have any kind of a concience they will or at the very least I hope they will.

Carol Cross

Aug 27, 2008 at 6:34 pm

Butterfly Flying:

Yes, you did due diligence the best you could on Item 20 but because franchisors of new franchise concepts are permitted, under regulation, to overseed for the purpose of rapidly growing system visibility in the economy, you or Cindy could not have knowm the true risk of the investment by looking at your UFOC or talking to franchise references in Item 20. Your franchisor, of course, didn't talk to you about risk and only talked to you about success but he tricked you into signing a contract wherein you have given up your due process rights because, in reality, you have acknowledged that you bought your franchise with no promise from the franchisor of success or profits.

In the beginning of the life of a new franchise, all franchisees are trying to break even and there is no performance history available to the first new franchisees and there is always a year before franchisees have to report in the next FD (UFOC) if some of the startup franchisees are failing to

thrive. The failures either terminate or give their businesses away as reflected in Item 20 in the first years of the franchise.

All new franchisors would be delighted if all of their new franchisees were successful and if there were no failures. But, government and the experts and franchisors know there will always be failures and regulation is all about protecting the franchisors so they will TRY to grow franchise systems that feed the economy.

I am trying to explain that franchisees are a calculated sacrifice under government regulation that the franchisors take advantage of because they CAN.

I am not at all chastising you or Cindy for not doing the best due diligence you could do under the circumstances.

Please read my post again and understand what I am asking you to think about in this post!

I hope your franchisor will try to undo some of it but concience has nothing to do with it. Franchisors are encouraged to franchise new concepts to stimulate the economy and their protection from those who fail is an inducement for them to franchise a concept.

Ugly reality and truth that franchisees must understand.

Carol

Cindy's Friend

Aug 27, 2008 at 7:09 pm

Regina-If you indeed requested your picture and bio be removed from the BFL website, lets see how long it takes them to do that. (It is nothing more than a phone call from Cathy G.) I am wondering if it will be removed as fast as the franchisee's that quit paying, or did not have enough money to pay the royality fees. Smart woman! Run while you can. I hope your practice and reputation are intact. Honestly, I do. Too many people have already been hurt and damaged.

Cindy and her partner did their due diligence, as did many others before and after them. I remember my mother saying "Do not go looking for trouble, unless you want to find it." If we had been looking for trouble (dirt) I guess we are all gulity of "not digging deep enough".

Carol wrote:

Could Cindy have been saved if she had done extensive due diligence on BF and discovered the ACTUAL RISK of the investment. Would that have saved her?

That is a question we will never know the answer to. If I had done "extensive" due diligence and discovered the AUTUAL RISK of the investment, I would NOT have taken the risk with BFL. I do remember the very first club I visited. The owner handed me several "ads" and said to me "Never leave a club without taking something with you." I remember reading them, or so I thought! On the bottom back side of this one flyer it said 101 Clubs with cities all across the U.S.A. listed. What I did not see or read was the small fine print that stated not all clubs are open. Why didn't I read that? Because I was caught up in the "NEW and EXCITING". After all these are successful (wealthy) business people with over 75 combined years of experience-why wouldn't I want to believe them! That was in 2006 when there were only 18 clubs! BFL even had me call 6-7 of what I now know to be "the choosen ones". Part of following your dreams-is to be able to believe in them, is it not? We all believed-for awhile.

Cindy had her problems like many other people do today. She was not a bad person, just

broken. If her club was open today with 279 members (her break even) and if all the BS with BFL Corp. did not exist-I believe Cindy would still be with us. Maybe the ex-franchisee's in Georgia should band together and send a message to all of Georgia's goverment. Maybe every state should do the same. One may just listen and take notice. But one thing is for sure-do nothing-get nothing.

Cindy, I miss you. May you rest in peace.

Sean:

What would you do in this situation? Which way do we turn now? I do not ever want to hear of another death like Cindy's. God Bless us all!

Grow Up

Aug 27, 2008 at 7:24 pm

It's sad to see people pouncing on Dr Widman when obviously she's been victimized like the rest of us. I commend her for coming forward and telling her truth. With the childish behaviour that I've seen expressed how could ever think that any other "BFL Expert" would come forward and tell her story. This board has a lot to offer but all the cattiness makes it lose credibility.

Hotel California

Aug 27, 2008 at 9:12 pm

To Carol:

I am not sure who you are, friend or foe and the reality you speak of is created by government, legislators, lawyers, bureaucrats who us poor schmucks, franchisees, pay their salaries. And if their incentive is to stimulate the economy etc. then who does the follow-up ,where is the accountability. I haven't had a job in my life where I had no accountability. If fact, their very process has created a deficit for the economy in many states because the powers that be are great at initiating, patting themselves on the back that they have schlepped a pile of papers and launched a venture. The true failure comes in the FACT that their job, or percieved responsibily ends. They don't care what happens down the line and I guess because no one makes money on follow through the book gets closed. So Ms. Cross, if the franchisors are encouraged to franchise concepts to stimulate the economy would you not assume (there it is ass u me) that they would check or someone would check to see if that in fact has happened. Do you or they think that we beleagured BFL, Contours, Cuppys Curves, Quizno's etc. franchisees are stimulating the economy. Quite the opposite we fill the bankruptcy courts, the forclosure statistics and the suicide stats. All because "they" passed it on down shook hands and went on. Why are those that create economic disasters not penalized! "Due Diligence" is a misnomer. You can only read what is not hidden and they "have to print" and they are "required" to reveal so little, I guess to stimulate the economy. If I had know that 12 of the 16 franchisees in existence were failing and organizing against BFL do you think I would have signed!!! But those folks were listed as happy campers in my UFOC. I even called some of them and they were so harrassed by and afraid of Mr. Golob and Gergley that they lied, some even paid \$50k to get rid of them. That wasn't printed anywhere.

In this country we have so many definitions of murder 1st, 2nd, special circumstances. But to the victim and his or her family there is only ONE.....DEAD! Take the analogy anywhere you want.

Cindy we love you and it wasn't your fault.

Mark and Tom we will not go away we have "angels".

• Hotel California

Aug 27, 2008 at 10:01 pm

P.S. Ms Cross.

I guess my massive investment stimulated the economy, however my outcome will reverse the 2005 gains. But I guess that was then and this is now and never the twain shall meet. Does anyone do any ROI (true ROI) any more. The states have netted goose eggs from ther eown employees.

<u>This has gotta stop!!</u>
 <u>Aug 27, 2008 at 10:24 pm</u>

Carol Cross,

Could you write a basic letter that we could all

send to our state representatives as well as representatives in Washington. I think if everyone had a basic letter to start with they could personalize it and maybe a letter writing campaign would begin - not just for BFL franchisees, but everyone in Seans Blogs.

Hotel California

Aug 27, 2008 at 11:01 pm

My claim to fame on this website was the published list of open and closed. We are working on an update although it is hard as the closure situation with BFL needs hourly monitoring. Suffice to say they touted @216 and growing last year in their postcard campaign yet have only 73 on their website. "Where have all the flowers gone long time passing" We have confirmaton that several Area Reps have stopped their fees. Given the reports we have on franchisee situations, I think fees to corporate are not what one would think. The five left plus wives are it that is your support system. IS YOUR FRANCHISE SYSTEM SUPPORTED BY A REAL STAFF OR THE CREW THAT HAS RUN COMPANIES TO THE GROUND FOR YEARS.Contact Sean Kelly. I would be happy to talk to any of you, including you MR. HOKENSON, yes I am still open and would love to give you background your UFOC couldn't possibly provide.

Do you know who you are in bed with? Do you have the body parts to contact me directly? Sean if he does you have my permission to release my e-mail and contact info. In memory of Cindy.

• <u>sean</u>

Aug 28, 2008 at 12:31 am

Grow Up wrote: It's sad to see people pouncing on Dr Widman when obviously she's been victimized like the rest of us. I commend her for coming forward and telling her truth.

I agree, and think that Dr. Widman is to be commended for joining the discussion, and for asking to be removed from the Butterfly Life website and list of "expert" advisors. She was obviously sold on the illusion that Butterfly Life represented a way that she could help women live happier, healthier lives *and* get paid for doing so - the same appealing proposition that attracted Butterfly Life franchisees. It seems that her name, photo and professional reputation was then used primarily to sell franchises, and she received no compensation whatsoever. Take a look at the experts page on the Butterfly Life website: http://www.butterflylife.com/pages/c_experts.html

At the bottom of the page her picture is accompanied by the words "MEDICINE Dr. Regina Widman, M.D. Read Bio and watch video"

The expectation is set that the video would be informational and medical in nature. The video that accompanies her bio is, in fact, the franchise sales video.

Not only should Dr. Widman be thanked for speaking out, perhaps the other experts should be made aware of their true purpose with Butterfly Life.

Butterfly flying

Aug 28, 2008 at 7:09 am

Hello, all

I don't feel that Dr. Widman was pounced on...there were some concerns at first that maybe it wasn't her posting ~~~ the first message wasn't clear on what her postion on Tom was. We know that corporate posted on this blog pretending to be other people....some of us recognized writing style etc,. Dr. Widman should be commended and I believe WAS thanked for posting. I wish her only the best and hope that her name has not been damaged from being connected with that group!

Carol Cross

Aug 28, 2008 at 9:20 am

Good morning Butterfly Flying, Hotel California, and "This has got to stop" --

I have researched franchising the past few years because my family members suffered great loss of money and great pain and stress with the franchise, The UPS Store, and finally failed.

I wanted to know what happened and why and how it happened! I now want to warn others and share what I have learned. Please use your Google Search and research under Franchise Fraud and Churning in an effort to start to try to understand the big picture.

There are others in your BFL system who are organized and taking legal action, I believe, and you should ALL join together to confront your franchisor because you cannot win "one-on-one" because the deck is stacked against the franchisee. (Read NOLO's TEN GOOD REASONS NOT TO BUY A FRANCHISE in Forbes.Com. to start your research)

I know that you are subjective now because of your personal situations but you are not alone! What has happened to you has happened to others here and throughout the world because franchisors ARE subsidized with government regulation because franchisors DO stimulate the economy. (If 50 fail and 50 stand for however long, the 50 who stand do feed the economy) Franchisees, under law, are rendered merely a resource for the franchisors who serve the economy for what government deems to be the "greater good."

When the federal government took franchisors out from under common law fraud statutes of the States in the late 1970's, retail franchising started to grow in our economy because The FTC Rule and the State UFOC/FDD does generally protect franchisors from common law fraud charges in both arbitration and the courts while permitting them to hype and freely sell their franchises OUTSIDE of the UFOC/binding boilerplate contract that is a red herring that diverts the buyer's attention from effective investigation of the risk.

Franchisors are permitted to hype and hard sell franchises OUTSIDE of the contract as long as the UFOC and the actual franchise contract that the franchisee signed contains language that protects franchisors from charges of misrepresentation and fraud in arbitration and the courts. Franchisors get "special" treatment under the Truth in Advertising Laws and franchisees, generally, under most state laws are not considered to be "consumers."

Franchisors, themselves, are NOT required, under law, to disclose any UNIT financial performance statistics that are in their possession at the time they sell you the franchise and this is the FATAL flaw of the FTC Rule and the State UFOC's (now FDD's) upon which prospective franchisees are supposed to conduct due diligence before the purchase.

In my opinion, the FTC Rule is a subsidy of the franchise industry and does not meet the PURPOSE of the FTC Rule, as stated by the FTC, themselves.

It would be better if you wrote to your Governor and your state representatives and federal representatives and senators out of your own understanding —-but, if Sean agrees, I will try to draft a "form-type" letter for you to send to your elected officials.

I'm sure Dr. Widman is like millions of others and like our own Congress, many of whom don't know the difference between a franchisor and a franchisee, and was just taken in in her effort to do a good thing.

Carol

RP

Aug 28, 2008 at 1:12 pm

As personally knowing Dr. Widman for a year now I can honestly convey to you that she has recieved no compensation for her participation of promoting this company. It was not until this past weekend that she had learned of the problems surrounding Butterfly Life in which she was very surprised. She has since contacted Butterfly Life and requested that her profile be removed from their website. Dr. Widman had been contracted for a year back in 2004 to make a dvd and due to scheduling issues her appointments were canceled and the dvd was never made. Dr Widman was on a one year contract which experied three years ago. I think you need to give her credit for coming forward here.

Dr. Widman was very supportive of the initial concept of Butterfly Life and womans health. She has been described as one of the top family phyisicans in Marin County and although I am not a doctor I can confirm her dedication to her practice and patients. Dr Widman's concerns with the issues at present with this company displays her professional attitude and support for all parties involved.

Sunshine

Aug 28, 2008 at 1:57 pm

Well said Carol and thank you for your post and offers to help.

Blown Away

Aug 28, 2008 at 3:46 pm

Lies, lies and more lies! Many of us were told that they tried to produce DVD's but that Dr. Widman was too nervous and stumbled "on camera" so they weren't able to produce a DVD that they could use. It makes me wonder where Dr. Sanford's DVD's are????? Actually, I have to wonder what the truth is regarding ALL the other "experts" too?

Hotel California

Aug 28, 2008 at 4:26 pm

Dr. Widman,

Thanks for coming forward. Perhaps you can contact other "advisors" and let them know of the true evolution of Butterfly Life.

• E. Regina Widman, M.D.

Aug 28, 2008 at 4:47 pm

I never produced any dvd's nor did I ever have any trial runs for a dvd and therefore the comment posted today regarding me was totally untrue. I wonder who posted the comments. All the experts produced several minute spots that ran on the BFL commercials on TLC, which included myself and were shown around the country.

Sunshine

Aug 28, 2008 at 6:15 pm

Hello everyone.....while on the subject of "experts" has any one checked the site lately? How long has Beth Shaw, the yoga expert been gone? Smart woman!

Dr. Widman, your profile and picture are still on the BFL web site. You might want to consider sending your request to them by certified mail. (Proof you requested to be removed.) I am pleased you are reading and posting to this blog because many of us know that BFL also reads and post here. As Sean has pointed out to us before-speak the truth and you have nothing to fear. Or was that Mario????

My last count of Calif. "open" clubs was 16. Tonight | notice only 12. Has anyone else seen this? I think I shall go and recount all of them...good night my friends.

Hotel California

Aug 28, 2008 at 8:07 pm

Dr. Widman,

No one has malice toward you if you are legit. However, none of us are in the financial position to sign an agreement expect payment and then years late realize you have not received that payment.

If you have known Mark for all those years have you never heard of his involvement with Elaine Powers and how he raked someone who took him in as a young man. Or the demise of Linda Evans...we are a very suspicious group, we don't doubt you have been taken by these guys...And as kind as my previous email the part I have a hard time with is knowing Golob all those years and believing he is a stand up guy. For most of us it only took as long as him taking our money and never delivering. Time will tell. Have you challenged your friend?

Curious

Aug 29, 2008 at 4:40 am

Can anyone answer what the status of the lawsuit/arbitration is. I'm thinking of joining the AAFD and with BFL unable to sell any new franchises I'm worried. (Sean could you please pass on my email to the person I should speak to)

Wondering

Aug 29, 2008 at 5:48 am

Regarding the question of Beth Shaw being removed from the website, it does state in the old UFOC that BFL can use her DVD's in perpetuity but otherwise agree to cease using her image

and likeness in promotional materials after Dec. 31, 2007. She was removed from the website on or around that date.

 <u>This has gotta stop!!</u> Aug 29, 2008 at 7:33 am

> It is no surprize to me that someone with Beth Shaw's reputation should want to walk away from these sleazy operators. She has built a top notch Yoga empire and is highly regarded in the fitness industry. Good for you Beth Shaw! I'd love to read her 2 cents on this blog.

Wondering

Aug 29, 2008 at 7:56 am

Again, referencing the old UFOC, Beth Shaw had filed suit against them in 2005....seems her original contract alledgedly ended in Oct. 2004 but BFL continued to use her image after that date. As part of the settlement, she allowed them to use her imagine until Dec '07.

• Butterfly flying

Aug 29, 2008 at 8:30 am

In reference to the Beth Shaw ordeal ~~~ we (club owners) were never told to stop using her DVD's after Dec '07. Are the clubs still using them? Or was it just her image on the website and the pitch regarding her to perspective owners that had to stop?

Wondering

Aug 29, 2008 at 12:52 pm

It appears that they can continue to use her DVD's but they cannot use her image in promotional materials (website, sales materials, advertising, etc.).

Confused??

Aug 29, 2008 at 5:24 pm

Wondering-If Beth Shaw's image could not be used after Dec. 07-then why are her posters in the windows of the remaining open clubs? Should she be alerted of this? Could someone tell me the name of her business?

I want to express my deepest sympathy to Cynthia Holt's family, friends and co-franchisees. The news of her dealth is sad.

Wondering

Aug 30, 2008 at 5:55 am

Beth Shaw is the president of YogaFit.

Broke

Sep 1, 2008 at 10:25 am

Stay focused people. This blog is not about Dr. Wideman or Beth Shaw. It is about those crooks at BFL ruining peoples lives. BTW I hope Cindy's family sues the pants off their cowardly little asses for wrongful death. Bastards!

<u>sean</u> <u>Sep 1, 2008 at 11:19 am</u>

BUTTERFLY LIFE FRANCHISEE INTERVIEWS

At UnhappyFranchisee.com, Butterfly Life franchisees Jeff Marks, Carol King, Linda McBride, Julie Franco, Lisle Head, Michael Motes share their experiences at:

http://www.unhappyfranchisee.com/2008/08/butterfly-life-franchise-discussion/

You can contribute by:

- Adding comments and encouragement
- Emailing the link to interested parties
- Linking to the BL page whenever possible

- Visiting site sponsors

- Adding your own story. Contact unhappyfranchisee[at]gmail.com for interview form.

This has gotta stop!! Sep 1, 2008 at 11:45 am

I've done some research and you can issue complaints against your franchisor online at the sites below:

CA Dept of Corp: http://www.corp.ca.gov/about/complaint.asp

CA Assemblymen: http://www.assembly.ca.gov/acs/acsframeset7text.htm

Governor Schwarzenegger: http://gov.ca.gov/interact

Dept of Justice http://www.usdoj.gov/contact-us.html

Dept. of Consumer Affairs: dca@dca.ca.gov

Federal Trade Commission: https://www.ftccomplaintassistant.gov/FTC_Wizard.aspx?Lang=en

U.S. Better Business Bureau: (There are no complaints listed!) https://odr.bbb.org/odrweb/public/GetStarted.aspx ON THE LIST AT THE bbb SITE THEY ARE: Butterfly Life 2440 San Ramon Valley Blvd Ste 155 San Ramon, CA 94583-1602 http://www.butterflylifehome.com

If you need an example of letters to send, contact Sean & ask him to give your email address to one of the BFL trustees. Email: unhappyfranchisee[at]gmail.com

<u>This has gotta stop!!</u>
 <u>Sep 1, 2008 at 12:38 pm</u>

I've compiled a list of government agencies for you to email your complaints to:

CA Dept of Corporations (DOC) http://www.corp.ca.gov/about/complaint.asp

Governor Schwarzenegger http://gov.ca.gov/interact

CA Attorney General http://ag.ca.gov/contact/complaint form.php?cmplt=CL

US Attorney General http://www.usdoj.gov/contact-us.html

List of CA assemblyman http://www.assembly.ca.gov/acs/acsframeset7text.htm

Federal Trade Commission https://www.ftccomplaintassistant.gov/FTC_Wizard.aspx?Lang=en

Better Business Bureau (No Complaints Currently Listed) https://odr.bbb.org/odrweb/public/complaintlink.aspx Name: Butterfly Life

Phone: (800) 288-8373 Fax: (925) 743-8820 Address: 2440 San Ramon Valley Blvd Ste 155 San Ramon, CA 94583-1602 Principal: Mark Golob, CEO • <u>http://www.butterflylife.com</u>

If you need an example of a letter already sent to these agencies about BFL ask Sean to give your email one of our Trustees & she'll email you one. Email: unhappyfranchisee[at]gmail.com

Lets make as much noise as possible

• <u>Titanic</u> Son 4, 2008 at 4:00

Sep 4, 2008 at 4:09 pm

Did everyone go on holiday? No blogging since Monday . . . Everyone must be writing their letters as suggested in the last blog!

I'd like to see an Area Rep put in their 2 cents on the blog - I'm sure you are reading this tell us your side of the story!

Curious

Sep 4, 2008 at 8:02 pm

I just looked at the BFL website, Dr. Wideman is still there. Has anyone else tried to contact any if the other "experts"

• Breathe

Sep 8, 2008 at 5:12 pm

Just wondering.....

With all the information on BFL and the sad loss of a Cynthia Holt. Does anyone know if BFL corporate is able to sell franchise's at this current time and are people actually still interested in this franchise?

Butterfly flying

Sep 8, 2008 at 5:27 pm

I see no activity towards new clubs opening here in CA. They just keep closing. There are only 12 left. Anyone that asks my opinion....I tell my story and it's not pretty!

Breather

Sep 9, 2008 at 4:23 pm

I just checked the BFL website and E. Regina Widman, M.D. profile is no longer on the website. Thank You Dr. Widman for having the courage to stand up for your beliefs and strength to do the right thing. I am sure everyone on this blog is thankful!! I hope the word reaches out to the other advisors to do the same thing and remove themselves from BFL Corporate.

E. Regina Widman, M.D.

Sep 9, 2008 at 4:48 pm

Thank you for your kind words. I had no idea what was happening and had not been updated about any of the ongoing serious issues. I had hoped the association between myself, the other advisors and ButterflyLife would be a very positive experience for the women who were members of the clubs. The initial vision of the Butterflylife clubs was very comprehensive and positive and exciting. I am sorry that this has not been the reality for so many club owners and area reps.

Linda

Sep 9, 2008 at 6:35 pm

Thank you Dr. Widman for doing the right thing and having your name removed from the BFL website. Please understand that so many franchisees have been financially ruined beyond repair and their anger that remains is understandable. Hopefully, the other BFL advisors will look towards their conscience and have ther names removed from this pathetic corporation that is only interested in taking your money. We, too, believed that this was a great concept and a wonderful way to inspire and motivate women to become someone they were proud of. Unfortunately, without Mark Mastrov and Bruce Fabel, Golob and Gergley had no business running BFL. You stated several times in prior blogs that you never received any compensation for your services. Truthfully, no one cares or has ever questioned that. We were just surprised that someone of your stature would be associated with these types of people. This should be a lesson to anyone who lends their name and reputation to a company to do a frequent status check. I believe we all assumed that your 30 year association with Mark Golob would have disclosed more than you described. Again, thank you for having the courage to come forward and respond to these serious issues.

<u>This has gotta stop!!</u>
 <u>Sep 9, 2008 at 8:01 pm</u>

Sadly enough the Butterfly Life program that was sold to me was an awesome one. The plan was good but the execution was terrible. I can't blame Dr. Widman for believing in the program, Mark and Tom are great salesmen. I imagine Mark Masteroff and Bruce Fabel Were still involved at that time too.

Greed set in and rather than helping some

clubs become successful & profitible and

getting some brand name recognition out into the public - Mark and Tom spent all the advertising money on advertising to sell more franchises.

All of us agree that We got lots of attention until the ink Was dry on the contract then all We got Was ignored - they Were too busy finding more people that believed in the "plan" to sell to.

Sadly hundreds of us believed that these guys Would do What they promised at the time of the sale. Hundreds of us have lost hundreds of thousands of dollars in the process. Hopefully the DOC is doing What they are supposed to do

by making it impossible for Mark Golob and Tom Gergleyn to hurt other people both financially and psychologically. This failure has sent most of us into a depression -a feeling of failure that for Cindy Holt cost her - the ultimate sacrifice - her life.

One thing I can not forgive Mark and Tom for is the way they have made me hate them and the deceit they stand for. . . the fact that they continued to carry on business as usual - maybe they had the ball of deceit rolling so fast they didn't know how to stop it. If Tom is the Christian he claims to be, I don't know how he lives with his actions. I find it hard to believe that Mark Golob has ever had a conscience.

Sunshine

Sep 10, 2008 at 7:26 am

Dr. Widman... I would like to say "Thank you" for your courage and concern. Courage to stand up for yourself and your reputation, concern enough to read our blogs and find out the TRUTH about Butterfly Life's finest boys! I say boys because I honestly believe that if Tom and Mark were real men-they would step up, admit their wrongs, and make the entire situation better for all concerned.

To any franchisee's (past or present) that knew (by person, phone or email) Cynthia Holt- then you knew how happy and eager she was in the beginning. I can not imagine the turmoil of her last months, weeks, days and hours. Cindy-we are sorry and miss you.

Breathe-believe it or not-from the Aug. list of open and closed clubs-several listed as "opening soon" in Aug. are now open. One club in AZ. was contacted and ask why she chose BFL and if she knew the situation of today. Her reply was she believed in the concept, it was better than owning a Curves and she knew all about the good, bad and ugly-and still chose to open her club. A couple of the others are in their "charter member phase". When these clubs were sold I don't know, but believe it or not there are some still opening as of this month!

But then again, you go to FL. and it says Orlando opening soon-that has been there for over a year. Maybe we should all send our complaints to the DOC, maybe someone will start paying attention to us. I see nothing wrong with sending our complaints to the FTC either. The worst thing to happen would be for them to ignore us, the best thing could be just one person takes notice. We have nothing to lose, yet stand to gain so much more!

Vice Versa

Sep 10, 2008 at 9:43 am

<u>SBRONSON@corp.ca.gov</u> - THIS IS THE EMAIL ADDRESS FOR THE PERSON (STEVE BRONSON) IN CHARGE OF OUR COMPLAINT AT THE DEPARTMENT OF CORPORATIONS. PLEASE, PLEASE, PLEASE - ALL OF US SHOULD SEND HIM OUR STORIES BEFORE HE CHANGES HIS EMAIL ADDRESS!!!!! THIS IS A VERY CRITICAL TIME AND EVERYONE NEEDS TO TAKE RESPONSIBILITY IF THEY WANT CHANGES MADE AND RESTITUTION FROM BUTTERFLY LIFE!!!!!!!! LET'S MAKE MORE NOISE......

• Butterfly flying

Sep 10, 2008 at 9:59 am

I sent an e-mail to Steve Bronson a few days ago, no response, I just hope he reads it!

Dr. Widman, I am sorry that you got caught up in the whole Butterfly mess...I'm sure you felt as we did....a way to help women become healthier and in turn happier people. They pulled a first class con game on us all!

carol cross

Sep 10, 2008 at 11:27 am

BF - -You see that professionals who are used to shill NEW concepts can also be taken in because they TOO believe that a franchise is a "Proven Concept" and they don't think in terms of the possible failure of the the proven concept in great numbers, as has been demonstrated by BFL.

Because franchising is regulated to PERMIT OVERSEEDING in the initial offering of the concept to the public, and TIMELY disclosure of unit performance statistics is not mandated to be disclosed to new buyers under law, we see the great blood shed of BFL franchisees.

Who is the enabler of all of this blood shed?

• No Disrespect

Sep 10, 2008 at 11:50 am

My fellow bloggers. Why are we wasting time congratulating a woman who admits she has had a 30 year relationship with Mark Golob. Who still has a job, a home, a reputation when there are so many who are one step away from following Cindy. All the other experts probably don't even know they should come forward. I mean no disrespect to Dr. Widman. Could she help by contacting her fellow experts and spreading the word?

• <u>sean</u>

Sep 10, 2008 at 2:05 pm

No Disrespect: your comments and participation here has opened the eyes of a respected expert in the field, and a compassionate and influential supporter. Give yourself some credit. Your refusal to go away quietly has not been a waste of time.

And give Dr. Widman the credit she's due. She not only took the time to read your stories, she contributed as well. She took the action to have herself removed from the site. And she she's voiced her support and sympathy for your plight.

Knowing that you helped spread the word so others don't make the same mistakes - and knowing that you provided each other with mutual support to get through this tough time - is

going to be the most valuable reward you can hope for - no matter what the legal outcome. You are getting the word out - that's not wasted time.

<u>Titanic</u> <u>Sep 10, 2008 at 2:49 pm</u>

Thank you Sean - Well Said! Also, Thank you Carol Cross you always inform; make me think and keep me fired up!

Final Moment Sep 12, 2008 at 2:07 pm

Another one bites the dust. And as I sit in my club with my world crumbling I wonder how many others have sat in my seat. 80-100 I have lost all and still continue to believe that I should have been able to do something about it. Just try harder, do this, do that. Please pray for me and my family. We fell for the — Martha Stewart, TV Commercials, Book in every BB and Barnes and Noble.... Pitch !! Trust me this franchise will blow up and you want to be part of it... Yeah right !! I have read this blog on and off and continued to push to get more members, ect. At first it was difficult for me to understand why someone would take there life. I can function no longer. God Bless everyone who has gone before me. I pray that you all get closure to your law suite. Time for me to pick up my pieces. I should have done my due diligance. Fooled me once, fooled me twice. Oh yeah I can even remember being told - dont have the lawyer go in depth on the franchise aggreement, it is a standard aggreement. I've lost everything and it is my fault.

Linda

Sep 12, 2008 at 7:32 pm

Final Moment: First of all, it's NOT your fault! There is life after franchising.....don't let them win! We all believed the "experts" because they had 75 years of experience in the business. You buy a franchise because it's been "proven" and all the legal issues have been worked out. That's the point. These sleazy guys were great salesmen and conned many of us who already had successful businesses and were aware of the pitfalls. They're good at what they do.....taking advantage of honest people! These are tough times and we need to support each other no matter what the legal outcome is. Restitution would be fantastic, but shutting them down or putting them in a place where they get three meals a day and A LOT of attention!!!!.....would be great too. We give each other strength and that's what it's all about. We all have sad stories to tell, but we have to look forward and not back. Feel free to get my email address from Sean if you want to talk to someone who's been at this for a long time! I WILL see this through!!!!! Stay strong, your an important part of this story and we need you to stay involved.

Hotel California

Sep 12, 2008 at 9:06 pm

Final Moment

It isn't your fault!! These guys have years of practice, you have your honest intent. You are not alone. I sit struggling to save my world too. But giving in is a WIN for them. We all have challenges brought on by Mark Golob and Tom Gergley and all associated with them, Janet, Denny, Cathy, LISA Gergley,

SUSAN Golob, TAYLOR Golob, CHERYL Hoke, all of you. The next step is criminal fraud. I sat with the DA from the county last night!...do not give up. They are criminals and we will not give up or

go away, we have angels. You have friends and support please contact us. Sean feel free to give my e-mail to Final Moment. I want to talk to this person. We are with you. Life is in this fight. The fault rests in San Ramon... not with the individuals duped.

Contact me.

Butterfly flying

Sep 12, 2008 at 10:45 pm

Final Moment, I hate to repeat what has already been said, but.....believe me, it is NOT your fault! We are all in the same boat. Where was your club? We need to stick together in this thing and make sure that BFL Corporate gets their due!!!!! You can contact me as well, I would be more than happy to talk with you. Please consider joining the AAFD, I have so much faith that they will help us get through this and win...even if it's putting Golob and Gergley in jail! Keep your chin up and let us hear from you. Sean has my information as well! God Bless you!

 <u>This has gotta stop!!</u> Sep 12, 2008 at 11:00 pm

Final Moment - I just wanted to reach out and give you a hug! I too would like Sean to give you my email. I closed a year ago and the journey has been a tough one not an impossible one! Keep your chin up and don't forget to Breathe! I will be praying for God to give you strength and I know many franchisees who share your pain will be praying for you too! You are not alone! God Bless

Wondering

Sep 13, 2008 at 6:11 am

Final Moment - Hang in there and realize that you do not stand alone. All of us have been blind sided by this nightmare! Hurting yourself is NOT the answer - it only leaves your friends and family with a hole in their hearts forever. There is no shame is reaching out for help!

 <u>This has gotta stop!!</u> Sep 14, 2008 at 6:06 pm

I wish Final Moment would let us know that they are ok.

Final Moment

<u>Sep 14, 2008 at 6:27 pm</u>

Thank you for all the kind words, encouragement, and concern. I am okay and for today I will continue on. I anticipate an emotional roller coaster. Thank you all very much.

 <u>This has gotta stop!!</u> Sep 19, 2008 at 5:00 pm

There is more info about clubs closing at the following blog site:

http://www.unhappyfranchisee.com/2008/08/butterfly-life-linda-mcbride-former-franchiseowner/

Final Moment this night mare just goes on and on for so many of us and it looks like 4 more are in Minnesota.

I'm so glad that you are staying strong. If you feel it bottleing up, blog about it - It makes me feel better.

<u>Titanic</u> <u>Sep 21, 2008 at 7:32 pm</u>

I hadn't read the blog below in a few months, Go there and read the "Luxej" post toward the end. This is some one who has worked at corporate Linda Evans and has seen the scammers at work.

http://www.franchisepick.com/butterfly-lifes-golob-failed-franchise-owners-should-blame-themselves/

Linda

Sep 22, 2008 at 8:38 am

Thanks Titanic - Hadn't read it either...I posted on that site asking Luxej if they would provide testimony in arbitration if needed and for Sean to release my contact info.

Still Curious

Sep 23, 2008 at 9:22 am

This is info I located online about Beth Thorp, I wonder if she really wants to be associated with these chumps.

Beth Thorp, AICI CIP

Coaching Topics: Corporate workshops and seminars; Diversifying your business to maximize results; Color; Personal shopping.

Beth Thorp is the President of Winning Ways Institute, an image management company in Carlsbad, CA. Beth is a sought-after speaker, media spokesperson, media stylist and author. She is the national fashion expert for Butterfly Life, a Fitness and Weight Loss company where she has written and produced DVDs on her style, color and image programs. She is a corporate trainer who trains employees on her Powerful Impression Seminars, and she's been featured on many TV and radio programs.

T: (760) 603-0982 — Carlsbad, California, USA E: <u>beththorp@roadrunner.com</u>

Final Moment

Sep 29, 2008 at 12:53 pm

Can someone update me on the results of the class action case?? I would really like to know. Corp is trying to get me to sign my rights over and I will not until there is resolution on the case.

Hotel California

Sep 29, 2008 at 11:28 pm

To Final Moment

If Corporate is trying to have you sign your rights away you can be sure that it will only benefit them. Please give Sean your contact information. Do not sign any release, termination or any other document from corporate until you have spoken to those in the know. Sean feel free to give my contact information.

Hotel California

Sep 29, 2008 at 11:54 pm

To Final Moment

I apologize, your question. There is no resolution to the legal issue. However, the franchisee side stays strong and is moving forward. On the California Dept. of Corporations front their is great movement within the enforcement division. Stay Tuned.

You have to think, why does anyone need to sign their rights away . You didn't do anything wrong, Did they ? They seem worried.

Otherwise why the document.

Please contact me through Sean.

No Mercy

Sep 30, 2008 at 12:02 am

Oh what tangled webs we weave.... No truer words have been spoken. To Corporate BFL, and Taylor we know you read this: The walls are talking, loudly. Sometimes when you tell so many tales you lose track. Unfortunately in this case those told the tales remember very accurately. This will not go away, it is not a small group, in fact it grows as the closures continue. Where did all the money go?

BFL, you can not run or hide.

<u>sean</u>

Sep 30, 2008 at 6:30 am

Please visit and comment on the interview with Butterfly Life franchise owner Matt Wilson.

Please forward these links to others who would be interested, and encourage them to comment.

Franchise Pick: <u>BUTTERFLY LIFE: Unhappy Franchisee Interview With Matt Wilson, Franchise</u> <u>Owner</u>

AllBusiness.com: Unhappy Franchisee Matt Wilson Shares His Expensive Lessons UnhappyFranchisee.com: BUTTERFLY LIFE: Interview With Franchisee Matt Wilson Read other Butterfly Life franchisee interviews

• <u>Barb</u>

Sep 30, 2008 at 7:40 am

Matt's story is very similar to my story, although I am from another 30 minute workout franchise.

It seems these con artists use the same format to induce people into buying a fitness business. BF used a doctor and played on your dream of being a successful business owner. They keep you on the hook by telling you are the problem. If we took all the horror stories of the 30 minute circuit or fitness businesses, I am sure you will be amazed how these bad people premeditate robbing the hard working people of our country.

Ever since Curves came out many con men have copycated their system hoping to get a piece of the pie of Curves's success. Curves is having their problems too. Encroachment problems. Many are going out of business.

My family has been suffering tremendous loss and I can't express how I feel for all your stories of BF.

The fitness business is so saturated that no one should touch it. Too much competition. When

we opened our club there were nine fitness centers. We closed our club 9 months later. 5 clubs opened when we closed. 2 Curves and our club closed within a short time.

There are ways to fight. I understand many are emotionally hurt and financially bankrupt. At this time I can't post it. I can tell Sean and somehow you can contact me via e-mail. My prayers are with all the broken BF people. It is amazing how our stories are consistent.

Barb

Sep 30, 2008 at 8:53 am

Eliza stop misleading people.

I know from experience it is difficult to get into hospitals and schools in the fitness business. Stop making people believe it is so simple.

You're like the salesperson who told me he could sign up 380 members in two weeks. Please stop puffing material facts.

With all the competition out there, what makes you special? Are all the unfortunate stories of BF all whiners and losers? I think not.

People's lives have been destroyed and all you can say is you are making it and trying to make these people look like they didn't try.

You are an obvious shill for corporate.

People do not invest hundreds of thousands of dollars to purposely lose it. Are you that shallow and devious to mislead people?

I have heard the same story in the franchise I was involved with only to find that many are not making it.

Stop the BS.

Linda

Sep 30, 2008 at 10:39 am

Sean - Barb says "there are ways to fight" and we can get her contact information through you. Can you put us in touch with each other?

Thanks for all your continued efforts to bring truth and honesty into franchising.

• CAH

Oct 2, 2008 at 6:23 pm

Hotel California.... We patiently await your update on the closure list. Didn't it make you famous??? LOL You bring up an important player in all of this RH... I still regret the day we met, so sucked into the pitch... I could tell you stories on the lies that were told. Looking back, I truely regret sucking other family members into this! Hindsight is always better than forsight! We will all survive, I have faith!

• <u>Titanic</u>

Oct 3, 2008 at 9:44 am

It is difficult for anyone to keep up with the Club Closures within Butterfly Life I counted 6 in a 30 day span in August 10-Sept 9. (1 Arkansas, 1 Calif, 1 Okla. 1 Texas & 2 Minn.)

We keep promising a new closure list but they all need researched & just when we think we are done, more close. Hotel California & I are working on it this weekend & have a goal of publishing it here & Franchise Pick probably next week. Wish us luck (a prayer would be better)!

• CAH

Oct 5, 2008 at 12:20 pm

There is only one left in MN... Notice Texas has lost a bunch. You guys are doing a good thing. I signed in order to liquidate my useless junk, before the offer came out to lower the fee for letting them off. Just tried to save another alittle money, think they have a really nice TV in their basement now. If nothing else we know we will survive all this, we are strong and all here for each other!!! God Bless, we are all blessed!

carol cross

Oct 5, 2008 at 12:30 pm

Are they still selling this franchise out the front door while hiding all of the failures?

Isn't this some kind of fraud? You, who post here, do a public service, and maybe prevent those who are about to buy a BFL franchise from financial ruin and emotional stress.

• CAH

Oct 5, 2008 at 5:11 pm

Sean can you please email me, I Have a private question for you...

Also wondering

Oct 6, 2008 at 8:58 am

Carol - From what I am hearing, they have not produced an FDD since the new requirements were put in place....has to make you wonder! My area director told me that he was told that they decided to temporarily suspend selling to focus on the clubs, but I'm wondering if there are other reasons they haven't prepared the FDD.

I'm preparing to close my club and am wondering if it's accurate that the Dept of Corporations has moved from investigating them to taking some type of action. Do this mean they have to pay restitution and if so, do we need to file our own individual complaint with the Dept of Corps?

Butterfly flying

Oct 6, 2008 at 9:51 am

Great points and questions, Also Wondering! Thanks for asking and we are all awaiting the answers!!

• Vice Versa

Oct 6, 2008 at 10:49 am

Also wondering - Which new requirements? Your area rep would have the most up-to-date information regarding the FDD. They did publish a 2008 UFOC/FDD that was filed with the DOC on 12/28/07. It's published at the end of each year but sometimes amended during the year to fit their needs. The DOC is extremely interested in resolving our issues with BFL and are doing everything they can to bring them to justice, be it restitution, shutting them down or filing criminal charges. There is no need to file an individual complaint, but it would be very helpful if everyone contacted the DOC asap and let them know that you're another victim of these scammers. (Steve Bronson, <u>sbronson@corp.ca.gov</u>) We need to make as much noise as possible with all legislators in California, the FTC in Washington DC where the rules are made, the US

Attorney General, your State Attorney General, Governors and City Councilmen. If you are a member of the AAFD, please contact the trustees directly for more detailed information.

Also wondering

Oct 6, 2008 at 12:15 pm

Vice Versa - weren't new government regulations implemented in June or July of this year that required the change from a UFOC to a FDD and new disclosure regulations? I'm just starting to learn about this site so maybe I am a little off on my research. My area rep is the one that told me they are not selling right now and that there is no FDD at the moment...which prompts another question...Is the FDD only required if they are selling franchises? Can they continue to operate without one?

• Vice Versa

Oct 6, 2008 at 7:57 pm

Also Wondering - As I said before, please contact me or the trustees of the AAFD if you would like detailed information. Ask Sean, the editor of this sight, to release our contact information. We would be happy to answer your questions.

• <u>Titanic</u>

Oct 6, 2008 at 9:34 pm

Also wondering

I think it changed in 2007...

According to my rersearch, the Franchise Disclosure Document, or FDD,- was known before July 1, 2007 as the Uniform Franchise Offering Circular or UFOC

• <u>sean</u>

Oct 7, 2008 at 3:49 am

Also Wondering:

July 1st, 2008 the Franchise Disclosure Document (FDD) replaced the Uniform Franchise Offering Circular (UFOC). Since this document is used for pre-sale disclosure of information to prospective franchisees, it is only necessary if a franchisor is actively selling franchises. I would imagine that they'd need one for renewals. There's no requirement, though, if they're not selling.

This post explains more:

http://www.franchisepick.com/guest-post-hello-fdd-goodbye-ufoc/

Also wondering

Oct 7, 2008 at 6:48 am

Sean - one more question...do you know if an FDD is required to resell/transfer an existing club?

Also wondering

Oct 15, 2008 at 2:02 pm

Does anyone know what happened? I've been told they moved out of their office and haven't been able to reach anyone.

Butterfly flying

Oct 15, 2008 at 2:56 pm

Also wondering

This is the first I've heard this but I'm anxious to know if it's true. How did you find out about it? I may drive up tomorrow to see if anyone is there. I didn't try to call but sent an e-mail to one of our AAFD people. Let's see what she knows.

• Breathe

Oct 16, 2008 at 4:07 pm

To all of you wondering:

On my way to the grocery store today, I drove by the corporate office. All the Butterfly posters and signage are no longer on the building. The 2nd floor corner windows were Tom G's. office is/was, all the chachkie's that sat on the window sill's of his office (and he had a lot, it looked like a teens room) which you could see from the street are no longer there. I would have to say that it seems Corporate Butterfly is no longer in this office building.

• <u>Titanic</u>

Oct 16, 2008 at 10:59 pm

Last Oct 07 Lost in confusion Wrote on this blog:

Oct 2, 2007 at 8:47 pm

Where's Waldo?.....oops......I mean Mark Golob? Have you been banned from corporate or are you taking a lengthy vacation with the money from those who never opened?

Almost a year later, Mark is missing again and his entire office is gone too!

Breather

Oct 17, 2008 at 2:04 pm

For those of you interested: I had to run some errands right across the street from Butterfly Corporate Office today and there are moving trucks and movers taking out all Butterfly Office equipment, cubicles, etc.

• CB Oct 20, 2008 at 11:28 am

Breathe.. Do you have an email?

Hotel California
 Oct 20, 2008 at 5:04 pm

UPDATED CLOSURE/STATUS LIST We know more closures are imminent.

Life is ever changing. Cherish Yesterday, Live and Enjoy Today, Tomorrow is not a Given.

Butterfly Life Franchise Closures City/Open/Closed/Change Info. List is Subject to change and is a compilation of information given by various sources Adds/Changes/Deletes welcome ARIZONA

Glendale, AZ.1st owner 04/04-04/05 Glendale, AZ. Corporate resale 2nd owner NOW CLOSED Mesa, AZ 04/06- Closed 8/06

ARKANSAS

Benton, AR Closed 8/08 Little Rock, AR Closed 8/08

CALIFORNIA

SAN RAMON, CA. BFL CORPORATE OFFICES, GONE! RELOCATED?10/16/08 No one knows. Antioch,CA. never opened (pd \$30K) Brentwood, CA. 2/04 - Closed 3/05 Burlingame, CA Paid \$? never opened Cameron Park, CA. 11/04- DEBRANDED AFTER A FEW MONTHS(open operating as an independent) Clovis, CA . 08/06- Closed 3/07 (3purchased 2 never opened) Clovis, CA .(North) (3purchased 2 never opened) Cupertino, CA (Pd \$10K - never opened) Fairfield, CA 6/04 -Closed 12/05 Folsom, CA Closed Foster City Ca. Open 2005? Closed 11/07 (3purchased 2 never opened) Fremont, CA. Spring/05-Summer/07 Corporate resale NOW CLOSED Fresno, CA (3purchased 2 never opened) Glendora, CA.12/04-02/05(1ST Owner pd corporate \$50K) sold- 2nd owner NOW CLOSED Hayward, CA 2nd owner Still Open (not a standard format Butterfly) Hemet, CA - 4/07 never opened Hunnington Beach, CA. 11/04- Closed 6/05 Jackson, CA. Closed late 06-05/07 (only opened a couple months) Lafayette, CA Paid, never opened Lincoln, CA. 02/07-8/07, Corporate resale 2nd owner NOW CLOSED Martinez, CA. (pd corporate \$10K) never opened Menlo Park, CA Paid\$? never opened Modesto, CA CLOSED 8/08 Mountain View, CA - Closed Murrieta, CA- 4/07 -never opened Pacifica, CA. Spring 05-Spring 07 (2nd owner , independent sale - still open) Palm Desert, CA - Closed Palo Alto - Still Open -Pleasanton, CA 7/04 DEBRANDED BUT OPEN Not standard format, full service fitness Richmond, CA pd \$? never opened Roseville, CA - Opened 7/04 closed 9/04 Bought 9 (NINE!) Sacramento/Roseville, CA - never opened 2004 (pd \$125K) Sacramento (Natomas) Opened 09/07 Closed 4/08 Salinas, CA -Paid Never Opened San Bruno, CA-paid-never opened San Francisco, CA (Marina District) 1/06- Closed 3/06 San Francisco, CA. (Downtown) Still open but corporate removed from website

San Jose(area), CA pd \$10K never opened

San Jose, CA. pd \$30k never opened San Jose, CA. pd \$50K never opened San Leandro,CA. Summer 04 - Closed 4/06 San Mateo, CA. Pd 10K never opened San Mateo, CA. Fall2006/ Closed San Ramon, CA 6/04 DEBRANDED STILL OPEN Not standard format, full service fitness Sausilito, CA. 10/05- Closed 05/07 Scotts Valley, CA - Closed or never opened Temecula - April 07 - never opened Vacaville,CA. 06/04- Closed01/06 Walnut Creek, CA (Treat Blvd) (purchased from Linda Evans) 3/05 - debranded 9/07 still open Walnut Creek, CA (Ygnacio Valley Rd) / / Debranded late 2007 Walnut Creek, CA. 07/04-06/05 sold 06/05-07/06 2nd owner NOW CLOSED Woodland, CA. Spring 2004/sold 12/05(corporate resale) 12/05- 2nd owner NOW CLOSED Woodland Hills, CA. 10/04 - Closed 4/05

COLORADO

Boulder, CO. 06/06- Closed 8/06 Colorado Springs, CO - Closed Fort Collins, CO - Closed Littleton, CO -Closed Lone Tree, CO - Closed

CONNECTICUT

Cromwell, CT Closed Groton, CT. Spring 05-selling Groton, CT closed 10/07 Newington, CT - Closed Norwich,CT. Early 06 - Closed 09/07 Southington, CT Closed Trumbull, CT Closed

FLORIDA

Claremont, FL Closed Lake Worth, FL Closed Melborne, FL Closed Miramar, FL Closed Orlando, FL Pd \$29,500 never opened South Daytona, FL Closed 6/07 Tampa, FL Closed

GEORGIA

Atlanta, Ga. Fall/05-Closed Early 06 Atlanta, GA - Pd \$10K never opened Atlanta, Ga. Fall/05-05/07 Corporate resale NOW CLOSED Atlanta/Roswell/Alpharetta, Ga. 2/ 04 - 11/05 (3 clubs) Buford, Ga. club closed 10/07 Lawrenceville, GA Closed Lithonia, Ga. 05 pd. \$10k never opened or received UFOC Lithonia, Ga. 05/07 - Closed 06/08 Rome, GA 04 /06 Debranded - still open Roswell, GA. 04 Pd. \$10k never opened

IDAHO

Bosie, ID. Pd. never opened Meridan, ID Fall 05- Closed 07/07 Meridan, ID Pd never opened Meridan, ID Pd never opened

IOWA

Johnston, IA 1-07 -Closed 10/07

MINNESOTA

Burnsville, MN Closed Rosemount, MN Closed 8//08

NEW JERSEY

Audubon, NJ opened 11/05 – closed 2007 Blackwood, NJ Opened 8/06 - Closed Cherry Hill, NJ 7/06 - closed 5/07 Cherry Hill, NJ Pd \$10K never opened Glendora/Blackwood, NJ - Pd \$10K never opened Howell, NJ Pd. \$10K never opened Turnersville, NJ Closed Paid for 3, opened one

NORTH CAROLINA

Ashville, NC Pd for 3 , opened one. Cary/Apex,NC. Pd for 3, opened one Cary, NC. 12/06-sold 09/07 Durham, NC Purchased 06, attended University 12/06 Never Opened -Fayetteville, NC Pd.for 3 locations opened one Murphy, NC Closed Raleigh, NC. Pd. \$10K never opened Raleigh, NC (Brier Creek Pkwy)open 12/05 closed 12/07 Rutherfordton, NC Barely holding on! Holly Spring, NC.opened 11/07, closed 02/08 Moorsville, NC. Pd \$29,500 never opened

OKLAHOMA Bakerview Rd, OK Closed Tulsa, OK (6967 S. Lewis Ave) Closed 08/08

OREGON

Bend, OR - Closed Hillsboro, OR Paid \$10K never opened Medford, OR. 04/06- Closed 3/07 Redmond, OR -Closed Tigard, OR - Closed

PENNSYLVANIA Palmerton, PA 5/06 – closed 4/07 West Hazelton, PA 11/05, sold 9/07 (for a song) Weissport, PA - Closed

SOUTH CAROLINA Lexington, SC - Closed Taylors, SC - Closed

RHODE ISLAND Westerley, Rhode Island Closed 9/07

TEXAS

Arlington, TX. CLOSED - 4/ 2008 Granbury, TX - CLOSED 2008 Irving, TX. Spring 06- Closed Summer06 Keller, TX 04/07-09/07 Corporate resale -2nd owner closed 9/2008 North Richland Hills, TX Closed 09/2008 San Antonio, TX - Closed - 08/08

VIRGINIA Ashburn, VA. 11/06- Closed 2/07

WASHINGTON Bonney Lake, WA - Paid never opened Federal Way, WA CLOSED 10/08 LONGVIEW, WA - Opened Dec 06 - Barely holding on Mil Creek, WA -Closed

WISCONSIN Reedsburg, WI CLOSED 05/08 Viroqua, WI CLOSED

More Closed Oct 21, 2008 at 7:58 am

MN- Apple Valley Open for short time and closed this summer. MN- Shakopee. Open for 7 months. Bought 3 areas 2 never opened. One closed after 7 months. I am sure more are not listed.

Vice Versa

Oct 21, 2008 at 9:21 am

Sean - thanks for linking us to Joel's explanation of the new UFOC/FDD. He does a great job in explaining the changes. Since BFL has not published a new FDD by July 1st, I guess that only means one thing.....they're not selling any longer. Also, I'm sure they didn't want to acknowledge the Butterfly Life Association that's been around for three years. They were asked by letter in Feburary, 2008 to disclose the Association in their new UFOC/FDD. Golob has always been afraid the franchisees would talk with each other and his gig would be up! And I'm sure they don't want to disclose their affiliates either. Hope the Area Reps sue them for fraud......I know some people who would like to join in that suit if it goes forward. With the Department of Corporations breathing down their neck, the arbitration that has been filed by the Association and hopefully a lawsuit by the AR's....I'd leave the country if I were them!!!!

BFL Relative

Oct 21, 2008 at 1:16 pm

I apologize if someone already clarified this, but my mother (a current owner) said that corporate went bankrupt. I'm not sure if by that she meant just closed down or actually declared bankruptcy. Does anyone know about this? Also, is the website down? I wasn't sure if it was my computer.

• Breathe

Oct 21, 2008 at 2:21 pm

To CB:

For personal protection, I do not give my email address out to people I do not know.

• CB

Oct 21, 2008 at 2:25 pm

I understand however I have some usefull information to share.....

Vice Versa

Oct 21, 2008 at 3:17 pm

CB - Send your information to Sean (unhappyfranchisee@gmail.com) and he will forward it to Breathe. I am a trustee with the Butterfly Life Chapter of the American Association and Franchisees and Dealers who filed a complaint with the CA Dept. of Corp. and also filed a class action against BFL. and would be happy to communicate with you also. If you like, have Sean send your info to me and I will contact you. Everyone is suspicious because we have had corporate people come on and impersonate franchisees....pretty obvious though.

• CAH

Oct 21, 2008 at 4:00 pm

Burnsville, Mn 4 club deal 3 never opened

 Hotel California Oct 21, 2008 at 4:02 pm

СВ

The best way to get your information to the appropriate person is to send it through Sean. He is aware of the trustees and can forward it.

Many have been targeted by corporate and singled out. Any of the trustees would be happy to speak with you.

Breathe

Oct 21, 2008 at 5:33 pm

BFL Relative: The BFL Website does seem to longer exist. CB: Have Sean forward me any information that you feel you need to share with me.

Butterfly flying

Oct 21, 2008 at 7:11 pm

I wasn't able to access the BFL website but my mom was. Very weird....I'll try again tomorrow and see what happens.

• CAH

Oct 21, 2008 at 7:32 pm

They are gone... with all our money, hopes and dreams... We stay strong, pick up the pieces and move on!

Ghost

Oct 21, 2008 at 11:49 pm

Tom and Mark,

Do you know what your attrition rate is at this moment? Unmeasured guess, upward of 75%+ that is unprecedented in franchise history(fraud)

You have a new office address. Why? What brand equity can be valued in BFL. If you are rebranding, a name change needs to be in that effort. But scratch is your starting point. And when you restart we will be here. Until you atone for your BFL sins, you will never resurface. Mark, Tom, Lisa, Susan, Taylor, Cheryl, Cathy, Carly, Janet, Amiee all of you will be named. If bankruptcy is your route then the DA is ours. Common law fraud pierces the corporate veil. You lost in Southern Califorina and you will lose here. Everytime you resurface we will be there. You have no network, no pipeline, NO FRANCHISE! You took 6 million dollars, we will find it.

Breathe

Oct 22, 2008 at 7:08 pm

To CB:

I received the email you had Sean forward to me. I just do not understand why you zero'd in on me to tell me this information that has nothing to do with BFL Corporate or anything I would find remotely interesting. Please do not send me any emails again.

To Sean: Please do not forward me any emails from this particular person. Thank you.

thankful

Oct 24, 2008 at 7:18 am

I am so thankful for all of the postings I have found on here. My sister-in-law and I have been wanting to open a women's fitness center and were considering Butterfly Life. I even sent them an email over a week ago requesting franchise info and was wondering why I never heard from anyone. I guess now I know! Thank you for keeping us from making a huge mistake!! Best wishes to others who have lost so much with this company!

CAH

Oct 24, 2008 at 3:37 pm

Heres the latest, they moved... And the website is back up!!!! ———- Forwarded message ———-From: Denny Marsico Date: Tue, Oct 21, 2008 at 7:18 PM Subject: FW: Server is back up - draft To: Cc: Cathy Galli , Thomas Gergley

Hi All,

Due to the office move our server has been down for nearly 2 weeks. We are terribly sorry that the email we sent to notify you was not received by most.

However we are happy to say that we are up and running again. We have many emails to work through, so please be patient as we get back to you over the next few days.

Also, please note that our new address and phone numbers are:

2415 San Ramon Valley Blvd. # 4158 San Ramon, CA 94583

Cathy 925-786-9395 Denny 925-786-9396

Lastly, please mail any Martha Stewart subscription forms or documents to the above address. We will inform you as soon as our fax is in operation.

Thank You

Denny Marsico

Unbelievable
 Oct 24, 2008 at 3:50 pm

CAH - If you read some of the other topics Sean posted, you'll see this address appears to be a PO BOX and the phone numbers are for cell phones.

• CAH

Oct 25, 2008 at 7:56 am

Opps sorry, alittle behind

 Unbelievable Oct 26, 2008 at 9:26 am

It just keeps getting better. After they all squeezed into their PO Box, they sent out an email suggesting we add live classes. Keep in mind, this is after we were all sold on how great their Life Vision concept was....ya know....the great advantage we have over other gyms since we don't have the added payroll required to hire instructors. Instead of sending us updates for our Life Vision library, we get an email suggesting we hire intructors and, just wait..here's the best part....we charge our members who want to participate in the class. So, how many other fitness centers charge extra to take a live class? Let's see, they can join my gym and pay a monthly membership fee plus a fee per class or they can go down the road and join a gym where, what do you know, live classes are included in their membership!

Butterfly flying

Oct 26, 2008 at 11:21 am

The whole deal is bad....was bad from the beginning and just gets worse. I am so glad to be out of the business....looking forward to these criminals getting their due! I feel bad for those of you that are trying to maintain....I think it's hopeless but with all my heart wish you the best of luck!

Curious 2 know

Oct 29, 2008 at 6:06 am

Sean....you may have already answered this question months ago, but I want to ask it again. What are franchisee's to do when their business is bottoms up, they are out of money yet the landlord for the overpriced, oversized space that BFL insisted on you leasing refuses to allow you out of the lease? Some people can file bankruptcy against the landlord and BFL-where as others can not file bankruptcy but also do not have \$4,000.+ every month to pay that lease. With the economy of today-commercial spaces are vacant every where. What is your suggestion to the ex-franchisee's? Talking, begging, pleading with the landlord does not work.

<u>sean</u>

Oct 29, 2008 at 6:22 am

Some people can file bankruptcy against the landlord and BFL-where as others can not file bankruptcy

You need to talk to a good attorney and/or a bankruptcy attorney in your area. FYI bankruptcy is not the end of the world - it's called "bankruptcy protection" for a reason. It doesn't mean you lose your house, etc. It protects you and relieves the pressure.

The key thing is to remember this is just business. Business is business. Landlords deal with thisall the time - figure on it. Don't let it personally devastate you and don't prolong a situation that you know isn't going to get better.

Your business is not you, and you are not your business.

There's nothing to be ashamed of in pursuing a worthwhile dream. There are many, many in your situation... You'll get through it and live to fight another day... wiser, and with thicker skin.

Linda

Oct 29, 2008 at 8:06 am

Great answer Sean. Many successful business people were scammed by the lies that Golob told. It's no ones fault except those who helped him spin his tales. Their time will come. I'm sure that Golob and Gergley know there are many of us out here who stand together and we will pursue him till the end of the earth. Our numbers keep growing! It will be impossible for him in ANY state to do business until he settles with those he screwed! I advise those who stand by him to exit while they can or be prepared to pay the price. If anyone wants to obtain information about our Chapter of the American Association and Dealers, please go to http://www.aafd.org. Sean - thanks so much for this public forum and letting franchisees expose those who take advantage of innocent victims.

CAH

Oct 29, 2008 at 5:09 pm

Ok, in the state I live in, Chapter 7 is not an option... Sadly enough we make too much money, which in nothing for a family of 5 one car payment and a mortgage. The laws have changed!!! We have no expediable income to pay back a Chapter 13. So to say its all about image and feeling less of a person. For some its not an option! Sorry hits to close to home!

• BJA

Nov 1, 2008 at 10:36 am

OMG! I can not believe this.

A new club opening in North Carolina-with a ribbon cutting ceremony scheduled for Monday

Nov. 3, 2008? Owners: Edna J. Ennis and Sher-Lene Dickson

Address: 6801 Parker Farms Dr. Wilmington, NC 28405

Butterfly flying
 Nov 2, 2008 at 9:15 am

BJA.....give it a few months and they'll be on the list of closed ones!!! Such a shame they aren't reading this blog or maybe they live in a fantasy world! I wish them luck but not sure it will help!!! Maybe we should send them a good luck note and the contact info for AAFD!!

• <u>Titanic</u>

Nov 2, 2008 at 10:49 am

Yeah I think We should mail them the application to keep on file for the inevitible.

HoW can you trust a leadership team that has set up shop in a p.o. box in the UPS store?

Unbelievable

Nov 2, 2008 at 11:35 am

I spoke with the owner about a month ago and offered her my equipment. Apparently, she bought her franchise over a year ago and had signed a lease but is only opening now. She bought all of her equipment from someone in Georgia and has had it in storage. She said she's been working with Aimee at the corporate office. I told her to check this site, wished her all the best and told her that she would really need to think outside the box in order to make it!!!

Not Surprised But Disapppointed

Dec 25, 2008 at 7:07 am

What are the updates on the new concept? Hard to believe with the economy the way it is...that anyone is going to be buying in to a concept run by a group of people who have two fairly monumental failures under their belts.

Denny, Janet and Cathy....have some pride. There are other jobs...you don't need to keep sticking around out of some misguided sense of loyalty. You are three intellegent women who need to step back and break the ties that bind. Do it now!

Jackie

Jan 7, 2009 at 7:59 pm

Hey Sunshine and everyone else,

Thought I would throw you an update. First of all, I'm so sorry for all of your losses, especially Cynthia Holt. Her family has suffered the ultimate loss. I'm one of the lucky ones who never opened so I'm only out about \$40K. I was close to signing a lease when I decided to wait and see what was going to happen with corporate. That was the best decision I made since Discovery Day. I still think it's a great concept - too bad corporate is run by greedy bastards. Out of my BL University, 3 are still in business (I'm not sure how) and 1 (against my advice) is opening in about a month. I wish that there was this much info in cyberland when I was researching BL. I can't see how anyone would buy a BL franchise now...there's so much info out there. I wish you all a better year than last! It was kind of funny reading over the past post. Accusing me of being Denny...really?

sunshine

PS

Jan 11, 2009 at 7:49 am

Jackie,

Thanks for the update-but we tried to tell you and glad you waited about going any further. The friend of yours that is opening...if she is still in need of sign, or any of the other "REQUIREMENTS" from BFL-she can certainly purchase them from any number of people including my family-who is out over \$300,000. and still having to pay off a landlord.

• sunshine

Jan 11, 2009 at 7:54 am

Jackie- you may want to let your friend know that at this point BFL can not sell any new franchises-so where does that leave her? With about 20 other open clubs that are getting NO support from that new post office box that Corp. calls an office.

• CAH

Jan 19, 2009 at 8:24 pm

Guess Corporate is suing all the owners who closed and didn't sign the agreement. Hello... they financially ruined all of us, what do they expect to get... Blood out of a turnip? Big whatever!!! Guess they will do anything to suck more money out of us!

EXHIBIT B

1:91-cv-00924 Wulf v. Women's Workout Worl, et al Ilana Diamond Rovner, presiding Date filed: 02/12/1991 Date terminated: 04/12/1991 Date of last filing: 06/21/1991

Case Summary

Office: Chicago Jury Demand: Plaintiff

Nature of Suit: 442 Jurisdiction: Federal Question County: Cook Origin: 1 Lead Case: Related Case: Filed: 02/12/1991 Demand: \$0 Cause: 42:2000e Job Discrimination (Employment) Disposition: Dismissed - Settled Terminated: 04/12/1991 Reopened: None

None

Other Court Case: None

Defendant Custody Status: Flag: TERMED

Plaintiff: Lisa Dewey Wulf	represented	Arthur S. Gold	Phone: (312) 372-0777
	by		Email: asg@gcjustice.com
Plaintiff: Lisa Dewey Wulf	represented	Robert H.	Phone: (312)372-0777
2	by	Rosenfeld	Email: rhr@rhrassociates.com
Defendant: Women's	represented	Frances H.	Phone:(312)263-3600
Workout World, Inc.	by	Krasnow	Email: fran.krasnow@hklaw.com
Defendant: Audrey Sedita	represented	Frances H.	Phone:(312)263-3600
	by	Krasnow	Email: fran.krasnow@hklaw.com
Defendant: Mark Golob			

EXHIBIT C-I

Legal Mess Over Using Actress Linda Evans as Spokeswoman / Health ... http://www.sfgate.com/news/article/Legal-Mess-Over-Using-Actress-...

MARIC GOLOB LANSU. T WITH LINDA EVANS

July 29, 1994

Legal Mess Over Using Actress Linda Evans as Spokeswoman / Health club owners sue 'Dynasty' ex-star Charlie Goodyear, Chronicle Staff Writer

Published 4:00 am, Thursday, July 29, 1999

Her name and image has been used to sell everything from diet drinks to health clubs to beauty aids, but now a major legal battle is brewing over exactly who owns the right to use Linda Evans as a celebrity spokeswoman.

The former "Dynasty" star was the first to go to court last year, accusing two executives who run a string of women's health clubs in the Bay Area bearing Evans' name of breach of contract, among other allegations.

The executives, Mark Golob and Thomas Gergley, fired back with a \$5 million lawsuit of their own this week that targets Evans and two companies that sell facial products in cable television infomercials.

The two men -- who run 11 Linda Evans Fitness Clubs in the Bay Area -- also accuse Evans of initiating litigation in an attempt to break a contract she signed in 1994 guaranteeing exclusive rights to her name.

"We believe the lawsuit was a pretext of getting out of the deal," said attorney Scott Hammel, who represents Golob and Gergley. "We believe she was misinformed and ill-advised by her Hollywood handlers. Not only are all of the allegations in the lawsuit false, all of the allegations in the cross complaint will be proved true."

Evans is represented by a variety of attorneys, including Johnnie Cochran's law office in Los Angeles. But none of them will comment on the case.

Golob and Gergley only learned of Evans' deal to sell the "Rejuvenique Ultimate Facial Toning System" -- a facial mask -- and other products in May. That deal allegedly violates their contract with the celebrity because the products, like the women's health clubs, are tied to the fitness industry.

"She says in the ads that the mask does for your face what 500 sit-ups do for your stomach," Golob said.

Evans' lawsuit is especially galling to the executives because they contend they helped build her image as a spokeswoman for health and fitness.

"We spent millions of dollars to develop her image but she refuses to return our stock," Golob said. "Our countersuit is about enforcing our license right under the original contract, and we plan on opening 15 more clubs in the immediate future under the name 'Linda Evans.'

Evans has made a host of accusations against the two men, claiming they improperly put their two wives on the company payroll while failing to pay her share of the business. Golob and Gergley have denied any impropriety.

And with legal fees and bad publicity growing, Evans' attorneys have reportedly offered to settle the dispute out of court. But time may be running out. Evans' 5-year contract with the companies that make the facial products is scheduled to kick in this September, Hammel said yesterday. And she may stand to gain as much as \$2 million.

"They're desperate to get to the table and talk about a resolution," Hammel added. "But when that contract kicks in, that will be money due to my clients."

Last week, a judge ordered Evans' lawsuit transferred from Los Angeles to Contra Costa County. Any court action in both cases will be played out here.

As is the case with many celebrity endorsements. Evans does not actually run any of the operations at the health clubs.

"Linda has been hired as a spokesperson and she's a good spokesperson," Golob said. "But we want customers to know that our service is not going to be touched by any of this."

REARST NO. AND

1 of 2

EXHIBIT C-2

4:99-cv-03957-DLJ Linda Evans Fitness v. Woman's Workout D. Lowell Jensen, presiding Date filed: 08/24/1999 Date terminated: 11/02/1999 Date of last filing: 07/15/2002

Case Summary

Office: Oakland **Jury Demand:** Defendant Filed: 08/24/1999

Demand: \$2500000

Nature of Suit: 840 Jurisdiction: Federal Question County: Contra Costa Origin: 2 Lead Case: Related Case: Cause: 15:1125 Trademark Infringement (Lanham Act) Disposition: Transfer/Remand -Remanded to State Court Terminated: 11/02/1999 Reopened: None None

Other Court Case: C98-02800[Contra Costa]

Defendant Custody Status: Flags: AO279,CLOSED,REMAND

Plaintiff: Linda Evans	represented	Joseph W.	Phone: 650-697-6000
Fitness Centers, Inc.	by	Cotchett	Fax: 650-697-0577
			Email: jcotchett@cpmlegal.com
Plaintiff: Linda Evans	represented	Virginia Fogg	Phone: (650)697-6000
Fitness Centers, Inc.	by		
Plaintiff: Linda Evans	represented	Scott Hammel	Phone: (925) 930-9550
Fitness Centers, Inc.	by		Fax: (925) 930-9588
Defendant: Woman's	represented	George John	Phone: 415-362-2580
Workout and Weight	by	Ziser	Email: George.Ziser@lewisbrisbois.com
Loss Centers, Inc.			
Cross-claimant: Linda	represented	George John	Phone: 415-362-2580
Evans Fitness Centers,	by	Ziser	Email: George.Ziser@lewisbrisbois.com
Inc.			
Cross-claimant: Mark	represented	George John	Phone: 415-362-2580
Golob	by	Ziser	Email: George.Ziser@lewisbrisbois.com
Cross-claimant: Thomas	s represented	George John	Phone: 415-362-2580
Gergley	by	Ziser	Email: George.Ziser@lewisbrisbois.com
Cross-defendant: Linda	represented	Joseph W.	Phone: 650-697-6000
Evans	by	Cotchett	Fax: 650-697-0577
	-		Email: jcotchett@cpmlegal.com
Cross-defendant: Linda	represented	Virginia Fogg	Phone:(650)697-6000

Evans	by		
Cross-defendant: Tuffy	•	Joseph W.	Phone: 650-697-6000
Nine Company	by	Cotchett	Fax: 650-697-0577
			Email: jcotchett@cpmlegal.com
Cross-defendant: Tuffy	represented	Virginia Fogg	Phone: (650)697-6000
Nine Company	by		
Cross-defendant:	represented		Phone:415/882-5000
Salton, Inc.	by	Frankel	Fax: 415/882-0300
Cuasa dafandanti	nonvocantad	Damial D	Email: steven.frankel@dentons.com
Cross-defendant: Salton, Inc.	represented by	Guggenheim	Phone: (415) 882-5000
Cross-defendant:	IJу	Ouggeinienn	
Maxim Housewares			
Cross-defendant: Salton	represented	Steven H.	Phone: 415/882-5000
Maxim Housewares	by	Frankel	Fax: 415/882-0300
	- 0		Email: steven.frankel@dentons.com
Cross-defendant: Salton	represented	Daniel R.	Phone: (415) 882-5000
Maxim Housewares	by	Guggenheim	
Cross-defendant: Salton	l		
Maxim Housewares, Inc.			
Cross-defendant:			
Salton/Maxim			
Cross-defendant:	represented		Phone:415/882-5000
Aesthetics, Inc.	by	Frankel	Fax: 415/882-0300
		D 11D	Email: steven.frankel@dentons.com
Cross-defendant:	represented		Phone: (415) 882-5000
Aesthetics, Inc.	by	Guggenheim	DL
Cross-defendant:	represented	Steven H. Frankel	Phone:415/882-5000 Fax: 415/882-0300
George Springer	by	FTANKEI	Email: steven.frankel@dentons.com
Cross-defendant:	represented	Daniel R	Phone:(415) 882-5000
George Springer	by	Guggenheim	Hone. (115) 862 5666
Cross-defendant: Lund	represented		Phone: 415/882-5000
Steven	by	Frankel	Fax: 415/882-0300
	5		Email: steven.frankel@dentons.com
Cross-defendant: Lund	represented	Daniel R.	Phone: (415) 882-5000
Steven	by	Guggenheim	
Cross-defendant: Reed	represented	Steven H.	Phone: 415/882-5000
Rene	by	Frankel	Fax: 415/882-0300
			Email: steven.frankel@dentons.com
Cross-defendant: Reed	represented		Phone: (415) 882-5000
Rene	by	Guggenheim	
Cross-defendant:			
William B. Rue			
Cross-defendant:			

Leonard Dreimann Cross-defendant: David C. Sabin Cross-defendant: Technical Sources International Cross-defendant: Nobukuni Taneya Cross-defendant: Joe J. Zhou		Jonathan M. Cohen	Phone:415-446-9220 Fax: 415-223-3468 Email: jcohen@josephandcohen.com
Cross-defendant: Larry	represented	Jonathan M.	Phone: 415-446-9220
J. Kola	by	Cohen	Fax: 415-223-3468
			Email: jcohen@josephandcohen.com
Counter-claimant:	represented	Steven H.	Phone: 415/882-5000
Salton, Inc.	by	Frankel	Fax: 415/882-0300
			Email: steven.frankel@dentons.com
Counter-claimant:	represented		Phone: (415) 882-5000
Salton, Inc.	by	Guggenheim	
Counter-claimant:	represented		Phone: 415/882-5000
Aesthetics, Inc.	by	Frankel	Fax: 415/882-0300
			Email: steven.frankel@dentons.com
Counter-claimant:	represented		Phone: (415) 882-5000
Aesthetics, Inc.	by	Guggenheim	
Counter-defendant:	represented		Phone: 650-697-6000
Linda Evans Fitness	by	Cotchett	Fax: 650-697-0577
Centers, Inc.			Email: jcotchett@cpmlegal.com
Counter-defendant:	•	Virginia Fogg	Phone: (650)697-6000
Linda Evans Fitness	by		
Centers, Inc.		G	
Counter-defendant:	*	Scott Hammel	Phone: (925) 930-9550
Linda Evans Fitness	by		Fax: (925) 930-9588
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Salton, Inc.	by	Frankel	Fax: 415/882-0300
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Counter-claimant:	represented		Phone: (415) 882-5000
Salton, Inc.	by	Guggenheim	$\mathbf{D}_{\mathbf{h}} = 415/882.5000$
Counter-claimant:	represented		Phone:415/882-5000
Aesthetics, Inc.	by	Frankel	Fax: 415/882-0300
Counter-claimant:	ronrosontad	Doniel P	Email: steven.frankel@dentons.com
Aesthetics, Inc.	represented	Guggenheim	Phone: (415) 882-5000
Counter-defendant:	by represented		Phone: 650-697-6000
Linda Evans Fitness		Cotchett	Fax: 650-697-0577
	by	Colonell	
Centers, Inc.			Email: jcotchett@cpmlegal.com

Counter-defendant: Linda Evans Fitness Centers, Inc.	represented Virginia Fogg by	Phone: (650)697-6000
Counter-defendant: Linda Evans Fitness Centers, Inc.	represented Scott Hammel by	Phone: (925) 930-9550 Fax: (925) 930-9588

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EXHIBIT D

Gym Members Seeking Refunds After Closures - Los Angeles Times

http://articles.latimes.com/print/2004/jul/07/local/me-evans7

Los Angeles Times | ARTICLE COLLECTIONS

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Orange County

Gym Members Seeking Refunds After Closures

Women balk at Linda Evans Fitness Center's efforts to transfer them to coed facilities.

July 07, 2004 | Claire Luna | Times Staff Writer

Carol Edmonston doesn't dislike men. She just doesn't want to work out next to them.

But when the women-only fitness center a mile from her Fullerton home closed in May, the company sent her to 24 Hour Fitness gyms in neighboring cities and told her it had fulfilled its contractual obligations. But the convenience wasn't the same, she said, and more important, the comfort level was gone.

"We as women just feel much more comfortable being in a women's-only facility," said Edmonston, 56, who joined Linda Evans Fitness Center as a charter member in fall 2002. "To be given the option of going to a coed one is not cutting it with any of us."

She believes she's entitled to a refund of her prepaid \$724 membership fee, but the company has denied her requests. Now she and 30 other disgruntled Linda Evans members have hired a lawyer to send a letter this week to ask again for refunds -- with possible court action to follow.

Calls to the chain's San Ramon, Calif., headquarters seeking comment were not returned. Messages left at Butterfly Life, a new women-only fitness franchise being launched by Linda Evans' chief executive and founder, also were not returned.

Edunonston has also tried to contact Evans, the "Dynasty" star who loaned her name to the California chain of gyms in the mid-1990s but who has since disaffiliated herself, in the hope that the celebrity might put some pressure on the company.

So far, she has not received a response.

Six of the seven Linda Evans Fitness locations in Orange County have closed since November, with two reopening as 24 Hour Fitness gyms. The Fountain Valley gym remains open, and a manager there said Tuesday that it will continue to operate.

Since Edmonston received a form letter from the company telling her about the gym closures -- several days after her gym locked its doors -- she has been walking a three-mile route on the horse traff by her home for exercise.

She has checked out the 24 Hour gyms, but said they don't offer anything close to the yoga classes she had been taking at Linda Evans. When she joined Linda Evans, it was her first gym experience. The location was key, she said, but most appealing was the all-women factor.

"Women have all kinds of reasons: weight, religion, age," said Edmonston, an inspirational speaker who talks to groups about her two battles with breast cancer. "I don't want to be in those skintight clothes around men. I shouldn't have to justify that."

In the last two months, the Better Business Bureau has received at least five complaints about the company's actions, said an official in the organization's Colton office. Several other complaints about the company's financial practices have been filed since it opened.

"If you look at the total picture," said Bill Mitchell, head of the BBB's Colton office, "this outfit seems to have a pattern of not holding up their end of the deal."

In recent years, after many fitness centers have consolidated into the mammoth 24 Hour Fitness and Bally's 'Total Fitness chains, Mitchell said complaints about smaller gyms ripping off consumers have dwindled. He said gym users should beware of putting a lot of money up front into smaller companies.

"With the smaller businesses, there's no guarantee they will be here two years from now," he said. "If they don't make it, they're likely to take your money with them."

Even if Evans officials open more women-only gyms under the new company name, members of the old gym said, their experience has soured them.

"Based on my experience, I will steer wide and clear of them," said Sally Zivitz, 63, who joined the Fullerton location 18 months ago. Lured by offers of a free massage and a personal training session, she recently signed a new 30-month contract for \$400. Two months later, the gym closed.

"I got what I thought was a great deal at the time," she said. "Now I wouldn't dare give anyone associated with them my money. Although come to think of it, they already have it."

3/7/2014 8:42 AM

Los Angeles Times | ARTICLE COLLECTIONS

- Back to Original Article

The Region

D.A. Takes Case of O.C. Women Losing Their Fitness Centers

July 23, 2004 | Claire Luna | Times Staff Writer

Orange County prosecutors are investigating a women's-only fitness club chain that more than 100 members in the county say refused to refund their membership fees after closing the gyms.

Many members of the four Linda Evans Fitness Centers franchises that have closed in Orange County have declined an offer by another chain, 24-Hour Fitness, to honor the memberships because those centers are not women-only.

The Linda Evans chain's actions violate the women's contracts because female-only clubs aren't comparable to clubs for men and women, the members say -- and at a meeting Monday night, Dist. Atty. Tony Rackauckas agreed.

"We're going to take your case, absolutely," he said.

Senior Deputy Dist. Atty. Joe D'Agostino said that after gathering as much information from as many gym members as possible, his office will contact the chain's attorney. If the chain doesn't settle, he said, the district attorney's office will file a civil lawsuit.

"To us, comparable means a women's-only facility or your money back," he said.

Calls to Linda Evans corporate headquarters in San Ramon, Calif., and a lawyer representing the company were not returned. The chain is no longer affiliated with the former "Dynasty" actress who lent it her name a decade ago.

In a letter some women received from attorney Gary Brett Beeler, representing the chain, he said they were mistaken in believing that the gyms were intended solely for women.

"The facility was constructed to accommodate both men and women," Beeler wrote.

Members disputed that, however, pointing to a printout from the gym's website that shows a serene woman in a yoga pose above the words "designed for women."

Orthodox Jew Goldie Perelmuter, a 22-year-old student who lives in Long Beach, said joining the Linda Evans gym in Garden Grove was the only way she could work out on quality equipment while following the religious stricture of not wearing revealing clothes around men or socializing with men before marriage.

She said she joined the gym with her older sister in February, attending step classes and working out on weight equipment -- scaled smaller to accommodate women -- trimmed in lavender and pale gray and perfect for her less-than-5-foot frame. She prepaid nearly \$500 for an 18-month membership. "It was a great deal," she said. But four months after she joined, the club closed with one week's notice.

Of the more than 100 women who have contacted former Fullerton gym member Carol Edmonston and filled out questionnaires in a survey she initiated, all said the main reason they joined Linda Evans was its women-only status.

Beeler, the attorney representing Linda Evans, had stated in his letter that it would violate state law to block men from joining. But Edmonston said she had spoken with three Orange County men who tried to join but were refused.

After the meeting, she said it thrilled her that prosecutors would assist them.

"We have the clout of gathering and raising our voices," said Edmonston, a motivational speaker and two-time breast cancer survivor. "They have the legal clout."

Before attending the meeting, former Garden Grove club member Jodie Tyo, 56, had assumed that her \$707 in unused membership fees for herself and her 19-year-old daughter was gone forever. That money included \$149 for three facials she said she never received.

Tyo's memberships started just two months before the club closed.

Now she has joined an L.A. Fitness gym near her home, taking aerobics classes attended mostly by women so she "can sort of pretend I'm still at an all-women's gym." But she misses the friendliness of the trainers and the other women working out.

"Linda Evans taught me to love exercise and make fitness a part of my life," Tyo said. "Then, without warning, it was taken away. I still get up in the morning and put on my gym shorts, but the pleasure and enjoyment aren't there anymore."

Edmonston said it was a lack of integrity in the chain that was pushing her to see justice done.

3/7/2014 8:51 AM

Linda Evans gym centers trim back - San Francisco Business Times

From the San Francisco Business Times :http://www.bizjournals.com/eastbay/stories/2004/08/02/story2.html

Aug 1, 2004, 9:00pm PDT Updated: Jul 30, 2004, 4:44pm PDT

Linda Evans gym centers trim back

Susan L. Thomas

Linda Evans Fitness Centers of San Ramon is shutting the doors of some of its businesses, just months after its founder joined with another industry heavyweight to open a new women's fitness center business.

The closures have left some Linda Evans gyms in Southern and Northern California in the hands of 24 Hour Fitness Worldwide Inc. of San Ramon. A 24 Hour Fitness spokeswoman said that the company has acquired six Linda Evans gyms, one each in Alamo, San Jose, Cupertino, Los Gatos, Huntington Beach and Tustin.

Mark Golob, CEO of Linda Evans Fitness Centers, said five Linda Evans gyms remain in Northern California and that the company has no plans to close them.

"As of right now, we're not shutting it down," Golob said.

Financial details of the ownership transfers of the gyms were not announced.

Golob and 24 Hour Fitness CEO Mark Mastrov joined forces in January to open Butterfly Life, a new women-focused fitness center set to compete with Curves. The gym targets women who traditionally have not exercised. Golob said the decision to close the Linda Evans centers had nothing to do with Butterfly Life. The two gyms, Golob added, are based on completely different concepts.

The move to close Linda Evans Fitness Centers in Orange County has raised the ire of some of its now-former members, and has prompted the Orange County District Attorney to launch an investigation, according to published reports. At the heart of the members' complaints is that the Linda Evans centers gave little or no notice when it closed the gyms, and then it refused to refund members their advance payments.

Carol Edmonston, a Fullerton resident who is organizing the former members, said that the women received letters refusing the refunds on the grounds that a "comparable" facility within close proximity would honor their memberships. The facility cited was 24 Hour Fitness. But Edmonston says a coed gym is not comparable. The members who joined Linda Evans sought a women-only environment for personal or religious reasons, she says.

"Women joined a women-only gym because they wanted a gym for women only," said

1 of 2

3/7/2014 8:41 AM

Linda Evans gym centers trim back - San Francisco Business Times

http://www.bizjournals.com/eastbay/stories/2004/08/02/story2.html?s= ...

Edmonston, who said she is owed \$725.



Golob disagrees. He says he plans to fly to Southern California next week with his attorney to convince the women he is right.

"They caused a lot of ruckus for us," Golob said.

Linda Evans' Web site advertises the gym as "dedicated to women's health and fitness," and "designed for women."

Golob concedes that Linda Evans is marketed to women, but he argues that the gym is not a women-only facility.

"There's no such thing as a women-only club," Golob said. "There's no discrimination allowed whatsoever."

Golob argues that if instead, for competitive reasons, he had decided to market the gym to men as well, "How in the world could you stop me?" What's more, he added, he had every right to close unprofitable clubs, and he went out of his way to find another club that would honor their memberships. Members who requested refunds within 30 days were granted them, he said.

The Southern California closures occurred in late May, and about 160 women have contacted Edmonston since then to express anger at the club's unresponsiveness and to join the campaign for refunds, she said.

"Down here they all have basically closed, except two of them have become 24 Hour Fitness," Edmonston said. "The issue has to do with money, but 100 percent it's the lack of ethics and integrity."

Edmonston said the district attorney's office has said it will take a couple of weeks to do its investigation.

According to reports from the Better Business Bureau, consumers have complained about Linda Evans Fitness Centers before. In Northern California, for example, the company has an "unsatisfactory" record because of one or more unanswered complaints or two or more unresolved complaints in the past 36 months. The disputes, the bureau notes, are generally "over the contract and/or refunds."

The private firm began in 1992.

Reach Thomas at slthomas@bizjournals.com or 925-598-1432.

3/7/2014 8:41 AM

REGISTER

New law takes sweat out of fitness contracts

2005-10-12 03:00:00

In the wake of the Linda Evans Fitness Club scandal, Assemblyman Todd Spitzerproposed a law that would protect consumers from operators who sign up members, close the gym and keep the money.

That proposal was combined with a similar one by Sen. Liz Figueroa, and last week, the governor signed SB581 into law.

Gyms currently have to give you your money back if you ask to cancel the contract within three business days of signing it. When SB581 takes effect Jan. 1, that extends to five days for all contracts under \$1,500, with an increased "cooling-off" period as the amount of the contract increases. For example, a \$2,500 contract requires 45 days.

When a gym company begins selling memberships to a club that hasn't yet opened, it now must put all the fees into a trust or obtain a security bond so that if it never opens, members will get their refunds. Also, if the club eliminates or significantly changes amenities, there are provisions for pro-rated refunds.

This law would have helped in the Linda Evans case. As it was, a Fullerton woman named **Carol** Edmonston had to go to the D.A.'s office, which, after protracted negotiations, forced a settlement with the owners that benefited scores of women.

After one of the Linda Evans columns I wrote, I got a call from a guy named Stephen Priest, who has a 12-year-old women's-only gym in Fountain Valley called Ms. Fitness.

Priest's fitness credentials go back to Portsmouth, England, where in the '70s he regularly worked out at a gym with a guy you might have heard of, **Arnold Schwarzenegger**.

In 35 years in the gym business he's worked for **Joe Weider**, Gold's, 24-Hour Fitness, **Jack La Lanne** and others. In other words, he knows the business. I asked him if he'd share some insight into why some gyms fail.

His belief. The routine collapse of gyms is fated because of the economics involved.

Big fitness companies like, say, Curves, are giant corporations that sell licensing agreements to individual operators for, say, \$25,000 or so. They sell a staggering number. According to Club Business International, a trade magazine, Curves went from about 1,200 gyms worldwide in 1999 to 8,500 in 2004 - that's *four new gyms a day*.

Priest did an inventory of competitors near his gym, at Talbert and Magnolia.

"We have 12 Curves in a five-mile radius," he said.

And that doesn't count all the 24-Hour Fitnesses, Ballys, etc.

Priest estimates that in Orange County, a gym owner would have to charge about \$55 a month to make a decent profit on a standard (not high-end) not-too-crowded gym with good equipment.

3/7/2014 9:17 AM

EXHIBIT E

Butterfly Fitness, Inc. 2404 San Ramon Boulevard, Suite 200 San Ramon, CA 94583 Dept. of Corporations-PSS UNIT-San Francisco Office DEC 2 8 2006

INFORMATION FOR PROSPECTIVE FRANCHISEES REQUIRED BY FEDERAL TRADE COMMISSION

To protect you, we have required your Franchisor to give you this information. <u>We have not checked it and DO NOT know if it is correct</u>. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. DO NOT RELY UPON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ YOUR ENTIRE CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT HAS BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE FRANCHISING LAWS IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

FEDERAL TRADE COMMISSION WASHINGTON, D.C. 20580

EFFECTIVE DATE: December 27, 2006

ELECTRONIC DISCLOSURE STATEMENT

If you are viewing this disclosure document on a computer, or it is an electronic version, you will need a PC, Windows version 2000 or higher, an Internet connection allowing downloading of documents of this size – approximately 5 MB, and Adobe Acrobat version 6.0 or higher. You may wish to receive your disclosure document in another format, including paper, that is more convenient for you. To discuss the availability of disclosures in different formats, contact us at the address and telephone number listed on the next page.

Butterfly.

FRANCHISE OFFERING CIRCULAR

BUTTERFLY FITNESS, INC. a California corporation 2404 SAN RAMON BOULEVARD, SUITE 200 SAN RAMON, CA 94583 (800) 290-2977 (phone) (925) 743-8820 (fax) WWW.BUTTERFLYLIFE.COM

The franchisee will operate a fitness and weight loss center by providing instruction and equipment for short work outs. The initial franchise fee for a Butterfly Life location is \$29,500. You may develop multiple centers pursuant to the terms of the Area Development Agreement (See item 12 and Exhibit "E"). Under an Area Development Agreement (with a minimum of three centers), a franchisee will pay a discounted initial franchise fee ranging from \$24,000 to \$26,000 per center (based on the formula in Item 7) to be opened during the term of the Area Development Agreement. The development fee is nonrefundable. The estimated initial investment for a single location ranges from approximately \$89,566 to \$138,658. The estimated initial investment for development of three to ten units ranges from \$258,198 - \$1,331,580.

An area representative will also pay 100,000 - 250,000 under an Area Representative Agreement. The estimated initial investment for an area representative, in addition to any per unit investment ranges from approximately 118,000 to 287,000.

See Items 5 and 7 for further information concerning the total investment.

Risk Factors:

THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO ARBITRATE WITH BUTTERFLY ONLY IN CALIFORNIA. IF YOU DO NOT RESIDE IN CALIFORNIA, OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE IN CALIFORNIA THAN IN YOUR HOME STATE.

THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

THESE PROVISIONS MAY BE SUPERSEDED BY CERTAIN STATE LAWS. SEE STATE ADDENDA IN EXHIBIT D FOR A SUMMARY OF SOME OF THESE LAWS.

Information about comparisons of franchisors is available. Call the state administrator listed in Exhibit "B" or your public library for sources of information. The states listed in Exhibit "B" may require registration or filing of this Offering Circular.

REGISTRATION OF THIS FRANCHISE WITH THE STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS OFFERING CIRCULAR. IF YOU LEARN THAT ANYTHING IN THIS OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPLICABLE STATE ADMINISTRATORS LISTED IN EXHIBIT B. PLEASE SEE EXHIBIT D - STATE REQUIRED ADDENDA FOR ADDITIONAL DISCLOSURES.

iii

Issuance Date (as most recently amended) for states not requiring registration: December 27, 2006.

Effective Dates for Registration States:

North Dakota:	California: Hawaii: Illinois: Indiana: Maryland: Minnesota: New York:	
	Rhode Island: South Dakota: Virginia:	

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BUTTERFLY FITNESS, INC. OFFERING CIRCULAR

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.......

ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

THE FRANCHISOR

The Franchisor is Butterfly Fitness, Inc., a California corporation. In this offering the Franchisor will be referred to as "Butterfly," "we", "us", and "our". "You" means the person or persons who buys a franchise, the franchisee. If the franchise will operate through a corporation or limited liability company, "you" also includes the franchisee's owners.

On April 18, 2003, Butterfly Fitness, Inc. was incorporated to own and develop the franchise business of Butterfly.

We do business under the name of Butterfly Fitness, Inc. and Butterfly Life. Our principal business and mailing address is 2404 San Ramon Boulevard, Suite 200, San Ramon, CA 94583. Butterfly's agents for service of process are listed in Exhibit "B" attached to this Offering Circular.

Butterfly does not have any predecessors. However, many of Butterfly's owners and officers were also owners and officers of Women's Workout and Weight-Loss Centers, Inc. of San Ramon, California ("WWWLC"). WWWLC owned womens fitness centers that were larger facilities (in excess of 5,000 square feet) than Butterfly Life Centers. As of the date of this Circular, all WWWLC centers have been sold or converted into Butterfly Life Centers. Converted WWWLC centers are located in Hayward, Pleasanton, San Ramon, and Walnut Creek.

Butterfly does not have any affiliates that are offering franchises in any line of business or that are providing products or services to Butterfly franchisees, except for the WWWLC centers that were converted into Butterfly Life Centers.

THE FRANCHISOR'S BUSINESS

We grant franchises to operate Butterfly Life Centers to qualified persons to own and operate fitness centers. We do not have any other material business activities that are not incidental to the ownership, operation and franchising of centers.

Neither we nor our affiliates have offered franchises to own and operate centers to any other parties.

THE FRANCHISED BUSINESS

The business you will conduct, as a Butterfly franchisee is the operation of a Butterfly Life Center. You will sign a franchise agreement ("Franchise Agreement") with Butterfly. The Franchise Agreement is attached to this Offering Circular as Exhibit "C." Certain provisions of the Franchise Agreement will also apply to your partners (if you are a partnership), to your shareholders (if you are a corporation) and to certain other parties involved in your business, such as guarantors and managers. You will be required to operate the Butterfly Life Center in accordance with the Franchise Agreement and our standards and specifications (the "Operating System").

The Butterfly Life Centers offer fitness and weight loss programming to a predominately female customer base. Each center will offer fitness and nutritional programming, variable resistance strength equipment, nutritional and weight loss supplements, and other consumer products.

Butterfly does not currently operate any company owned Butterfly Life Centers, or other businesses of the type being franchised. Butterfly has no other business activities other than the sale of franchises, support of its franchisees and development of its Operating System.

The Butterfly Life Center must be built to our specifications as to interior and exterior design and must use specified exercise equipment and point-of-sale computer hardware and software packages. Most Butterfly Life Centers are anticipated to be located at convenient sites of approximately 2,000 square feet. Smaller Centers may be permitted

and may be branded "Butterfly Life (Light)." All franchisees sign the same Franchise Agreement and this offering circular applies to both larger and smaller Centers.

We will provide certain of our franchisees with an opportunity to develop multiple centers under the terms of our Area Development Agreement (See Item 5 and Exhibit "E"). Under an Area Development Agreement, a franchisee is obligated to begin construction of and open an agreed number of centers on or before predetermined dates in order to maintain exclusive development rights within a specified geographic area (as defined in the Area Development Agreement).

We also offer an area representative franchise under the terms of our Area Representative Agreement (See Item 5 and Exhibit "F"). An area representative will act as our authorized representative in actively promoting the sale of Butterfly Life Centers and in providing services to Butterfly Life Centers within a specified territory. We reserve the right to grant or not grant, and to enter into all franchise agreements, and an area representative may not grant franchises or subfranchises or bind us to do so.

The target market for the goods and services sold through Butterfly franchises is comprised of females between the ages of 35 and 60 years old of all occupations, and ethnic groups. Your sales are generally not seasonal. The fitness center business is highly competitive. By operating a Butterfly Life Center, you will be competing with other local, regional and national centers offering similar fitness, weight loss, and nutritional services products as well as with other centers offering other products. You may also have to compete with other franchised or company-owned Butterfly Life Centers. The market for our services and products is well developed in some areas, but in other areas may be underdeveloped.

There may be state and other governmental regulations that apply specifically to the fitness center industry. For example, federal FDA regulations require certain disclosures must be made for weight loss programs, medical claims made to sell nutritional products, and certain health warnings must be given. In addition, state laws in many states: require that health club or fitness center contracts have specific financial disclosures to customers; require limitations on advance membership fees; limit other contract terms; have bonding requirement; and other consumer protections.

For example:

Maryland: Maryland Health Club Services Act ("Act") requires every business that sells health club services in Maryland to register with the Consumer Protection Division. The Act also requires that health clubs that sell health club services agreements must purchase a bond. The bond must be in an amount sufficient to protect the members' fees or deposits up to \$200,000 per facility. In addition, every club that has a pre- opening sale must post at least \$50,000 before it can sell any memberships, regardless of how much money the club later collects. When the club's sales exceed \$50,000, the pre-opening bond must be increased to match the dollar amount of memberships sold. A health club services agreement is made whenever a facility collects more than three months' payment in advance for its services, or charges an initiation fee greater than \$200.

California: Civil Code Sections 1812.80 to 1812.95 limit the maximum term of a fitness center contract to three years and the amount that can be paid under the contract to \$1,000, as well as other consumer protection provisions including cancellation rights and triple damages for violations. California Civil Code Section 1812.97 requires anabolic steroid warnings at all athletic facilities. California Civil Code Sections 1694.5 to 1694.9 require disclosures and cancellation rights for weight loss contracts.

You should discuss the applicable regulations that apply in your community with your attorney. The maximum amounts that may be paid in advance may be lower in some states than in others, and bonding and other requirements vary as well.

You must also comply with all local, state and federal laws that apply to your operations and to public accommodations generally. Those laws include health, sanitation, smoking, civil rights and non-discrimination, Equal Employment Opportunity Commission ("EEOC"), Occupational Safety and Health Administration ("OSHA"), Federal Trade Administration ("FDA") - advertising, Food and Drug Administration ("FDA"), employment and

sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people in certain businesses open to the public, and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, parking, drinking facilities, etc. You must also obtain real estate permits and licenses and operational licenses. Land use and zoning requirements might also apply to your facility. You should consult with your attorney concerning these and other local laws and ordinances that may affect your center operations.

Area representatives must also comply with franchise disclosure requirements when promoting the sale of our franchise. We will pay the costs of offering circular registration and disclosure compliance, but you will pay your own costs if any broker or similar registration (see Item 7). Area representatives may not promote franchises for sale in any registration states unless we have an effective registration to offer franchises in the respective state.

An integral part of the Butterfly system is its membership management system. Federal and state laws protect consumer and member privacy regarding information about the members. You will be required to safeguard this information and obtain specific disclosures and waivers from the members that you enroll. In addition, all member data and information will belong to Butterfly.

We have been offering Butterfly franchises since August 20, 2003. We have not offered franchises in any other line of business. We do not currently conduct a business of the type to be operated by you.

ITEM 2. BUSINESS EXPERIENCE

BUTTERFLY FITNESS EMPLOYEES:

Mark Golob, Chief Executive Officer and President

Mark Golob is a founding shareholder and has been a Director, Chief Executive Officer and President of Butterfly since incorporation, April 2003. He is a founder and from March 1991 to June 2003 served as Chief Executive Officer of our affiliated corporation, WWWLC, in San Ramon, California, a premier health club chain for women.

Thomas Gergley, Chairman of the Board

Thomas Gergley is a founding shareholder and has been a Director and the Chairman of Butterfly since incorporation in April 2003. He is a founder of, and from March 1991 to June 2003, served as President of, WWWLC in San Ramon, California.

Susan Zager Golob, Director of Marketing

Susan Golob has been our Director of Marketing since June 2003. From March 1991 to June 2003, she served as Director of Marketing for WWWLC in San Ramon, California.

Lisa Bellini, Executive Director of Nutrition Services.

Lisa Bellini has been our Executive Director of Nutrition Services since June 2003. From March 1991 to June 2003, she worked as Director of Nutrition for WWWLC in San Ramon, California.

Denny Marsico, Executive Director of Fitness Services / Training University

Denny Marisco has been our Executive Director of Fitness Services since April 2003. From September 2002 to April 2003, she served as Executive Director of Fitness at WWWLC in San Ramon, California; and from 1988 to April 2002, she served as Corporate Director of Fitness for 24 Hour Fitness in San Ramon, California. From April 2002 to September 2002, Ms. Marisco was not employed.

Michael Carroll: Director of Area Representatives

Michael Carroll has been Director of Area Representatives since July 2006. From January 2004 to June 2006, he was Account Executive with Susquehana/SF Cumulus Media Partners in San Francisco, California. From January 2000 to May 2003, he was Director of Sales with ATT Media Services/SF in San Francisco, California. From May 2003 to January 2004 he was unemployed.

Rachelle Parks, Contract and Compliance Administrator

Rachelle Parks has been Contract and Compliance Administrator since March 2005. She was Director of Franchise Operations for Butterfly from October 2004 to March 2005. From October 2002 to October 2004, she worked in Broker Relations with Travel Insurance Services in Walnut Creek, California. From February 2001 to October 2002, she was a Marketing Assistant with California Bank & Trust in Oakland, California.

Taylor Golob, Vice President Business Development and Interactions

Taylor Golob has been Vice President Business Development and Interactions for Butterfly since January 2004. From December 2002 to January 2004, he was Director of Business Development of Linda Evans Fitness Centers in San Ramon, California. From November 1999 to December 2002, he was an Account Manager at CBS Radio Infinity Broadcasting in San Francisco, California.

Cathy Galli-Veneveld, Director of Franchise Operations

Cathy Galli-Veneveld has been Director of Operations since January 2006. From April 2005 to December 2005, she was Store Manager with Shane Co. in Novato, California. From June 2004 to April 2005, Ms. Galli-Veneveld was Assistant Store Manager with Shane Co. in Walnut Creek, California. From December 1995 to December 2005, she was Director of Membership Services with WWWLC in San Ramon, California.

Carly Golob, Director of Corporate Marketing

Carly Golob has been Director of Corporate Marketing since June 2006. From March 2004 to June 2006, she was Account Executive with B.A.R.C. Communications in San Francisco, California. From January 2003 to March 2004, she was an Intern with SHIFT Communications in San Francisco, California. From October 2002 to July 2003 she was a Sales Associate at Nordstrom. From 1998 to September 2002 she was a student at the University of Arizona.

Julie Storm, Franchise Marketing Manager

Julie Storm has been Marketing Manager since August 2006. From June 2004 to August 2006, she was Consumer Marketing Coordinator with Contra Costa Newspapers in Walnut Creek, California. From May 2003 to June 2004, Ms. Storm worked in Administration/Marketing with Toupin Construction in Walnut Creek, California. From May 2002 to March 2003, she was Marketing Specialist with Coldwell Banker in San Ramon, California. From May 2001 to May 2002, Ms. Storm was unemployed. From May 2000 to May 2001, she was Field Marketing Coordinator with Sydran Services.

Janet Lossick, Senior Sales/Training Executive

Janet Lossick has been a Senior Sales/Training Executive with Butterfly since October 2004. From February 2001 to December 2004, she was the Regional Sales Manager of Linda Evans Fitness Centers in San Ramon, California. From January 1999 through January 2001, she was an owner of Club Performance Network in Denver, Colorado.

Flora Aube, Franchise Sales Executive

Flora Aube has been a Franchise Sales Executive for Butterfly since November 2004. From August 2003 to November 2004, she served as a Director for Torch Academy in Pleasanton, California. From December 2000 to August 2003, she was a Center Director of a Sylvan Learning Center in Danville and Pleasanton, California. From September 1998 to February 2001 she served as a Corporate Trainer for the Foundation for Creative Learning in Danville, California.

Hakan Degirmenci, Franchise Sales Manager

Hakan Degirmenci has been a Franchise Sales Manager with Butterfly since March 2005. From May 2005 to February 2005, he was Sales Specialist with Tigi Linea in San Francisco. From January 2005 to May 2005, he was Senior Loan Specialist with Beacon Financial in Highlands Ranch, Colorado. From December 2003 to January 2005, he was co-founder and Director of Operations of Hope Center for Pain and Injury, Inc. in Minneapolis, Minnesota. From January 2001 to November 2003, he was Account Executive with Spectrum Sales Consultants in Denver, Colorado.

Cheryl Hoke, Franchise Sales Manager

Cheryl Hoke has been a Franchise Sales Manager with Butterfly since October 2005. From February 2005 to September 2005, she was Director of Operations of VFI in Livermore, California. From October 2004 to February 2005, she was not employed. From July 2003 to October 2004, Ms. Hoke was an Independent Consultant in Ft. Collins, Colorado. From June 2000 to May 2003, she was Assistant Director of Marketing and Enrollment at Regis University in Ft. Collins, Colorado.

Yolanda Fagen, Franchise Sales Executive

Yolanda Fagen has been a Franchise Sales Executive for Butterfly since November 2005. From February 2005 to November 2005, she was in Sales with First American Title in Anaheim, California. From September 2004 to February 2005, she was unemployed. From August 2003 to September 2004, she was in Sales with Sentinel Publishing in Danville, California. From December 2001 to August 2003, she was unemployed. From March 2000 to December 2001, Ms. Fagen was Sales Manager with Fusion Staffing in San Francisco, California.

Penny Crook, Franchise Sales Executive

Penny Crook has been a Franchise Sales Executive for Butterfly since April 2006. From January 2004 to April 2006, she was unemployed. From August 2003 to January 2004, Ms. Crook was Investment Advisor with Washington Mutual Financial in Richmond, California. Form August 2000 to August 2003, she was Owner/President of Emerald Coast Financial in Pensacola, Florida.

Melissa M. Lee, Franchise Sales Executive

Melissa Lee has been a Franchise Sales Executive for Butterfly since August 2006. From May 2005 to August 2006, she was Area Sales Manager with La Weight Loss in Hersham, Pennsylvania. From November 2004 to May 2005, Ms. Lee was unemployed. From July 2004 to November 2004, she was Director of Admissions with BCTI in Vancouver, Washington. From January 2004 to July 2004, she was a Sales Representative with Mens Warehouse in Portland, Oregon. From March 2003 to January 2004, Ms. Lee was unemployed. From December 2002 to March 2003, she was Executive Director of La Weight Loss in Portland, Oregon. From August 2001 to December 2002, Ms. Lee was Manager of Vista Optical in Vancouver, Washington.

Margaret M. Welch, Franchise Sales Executive

Margaret Welch has been a Franchise Sales Executive for Butterfly since September 2006. Since January 1994, she has also be President of White Swan Inl., Inc. in Portland, Oregon. From October 2001 to September 2006, she was Assistant General Manager and Real Estate Agent with Global Intervals, Inc. in San Mateo, California.

Leslie Harris-Petrie, Franchise Sales Executive

Leslie Harris-Petrie has been a Franchise Sales Executive for Butterfly since September 2006. From February 2003 to August 2006, she was Director of Sales with Spa Salon Solutions in Pleasant Hill, California. From February 2002 to April 2003, she was Sales Executive with DIBI, Inc. in Bergamo, Italy. From April 1998 to November 2001, Ms. Harris-Petrie was Sales Executive with Dermalogica in Pleasanton, California.

Jeff Moraes, Franchise Sales Executive

Jeff Moraes has been a Franchise Sales Executive for Butterfly since September 2006. From April 2005 to September 2006, he was Vice President of Business Development with Valuation Broker in Sacramento, California. From September 2003 to April 2005, he was Executive Director of Sales and Marketing with Arden Hills Resort Club and Spa in Sacramento, California. From May 2002 to September 2003, Mr. Moraes was Regional Sales and Marketing Manager with W.U. Corporation in Hayward, California. From February 1999 to May 2002, he was Director of Membership Sales with Claremont Resort and Spa in Berkeley, California.

Derek Rey, Franchise Sales Executive

Derek Rey has been a Franchise Sales Executive for Butterfly since September 2006. From July 2005 to September 2006, he was an Agent with Pacific Union GMAC Real Estate in San Francisco, California. From January 2005 to July 2005, he was unemployed. From October 2003 to January 2005, he was an Analyst with Global Aquarius/APCCO in Manica, Philippines. From February 2003 to October 2003, Mr. Rey worked for Global Aquarius/APCCO as a Marketing Analyst. From January 2002 to February 2003, he was an Analyst with Parker Hannifin in Modesto, California. From November 1999 to December 2001, Mr. Rey was a Supervisor with United Parcel Service in Modesto, California.

Anna Pomazanova, Operations Assistant

Anna Pomazanova has been Operations Assistant for Butterfly since April 2006. Ms. Pomazanova was previously employed at Shane Company in Walnut Creek, California beginning in May 2003 as a Sales Associate and ending as a Sales Manager in April 2006. From March 2003 to May 2003, she was Assistant Manager with Forever 21 in Concord, California. From November 2002 to February 2003, she was Sales Associate with Forever 21 in Concord, California. From January to October 2002 she was unemployed.

Jennifer Kleist, Administrative Assistant

Jennifer Kleist has been our Administrative Assistant since September 2006. Since July 2006, she has also been employed as a Child Care Supervisor with Cornerstone Fellowship in Livermore, California. From July 2006 to September 2006, she was a Coffee Seller with Parchments Café in Livermore, California. From March 2006 to June 2006, Ms. Kleist was a Café Seller with Borders Books and Music and Café in San Diego, California. From September 2004 to June 2006, she was a Student Work Financial Aid in San Diego California. Form March 2002 to August 2005, she was a Server/Trainer with Chili's Bar & Grill in Livermore, California. From November 2001 to January 2002, Ms. Kleist was Administrative Assistant with Ry Nck Tire and Auto in Pleasanton, California.

AREA REPRESENTATIVES:

We franchise to Area Representatives the right to assist us in the establishment and support of Butterfly Life Centers in certain territories. Our Area Representatives are listed below:

<u>Terry A. Cichocki, Area Representative</u> (Territory Limited to State of North Carolina)

Terry Cichocki has been a Butterfly Area Representative since February 2005. From August 1995 to January 2006, he was the Manager of Nippon Express in Morrisville, NC.

Candace Azzolino, Area Representative

(Territory Limited to State of California)

Candace Azzolino has been a Butterfly Area Representative since August 2006. From April 1984 to August 2006, she was in Sales with Nordstrom in Vancouver, Washington

Eric Rosner, Area Representative (Territory Limited to State of New Jersey)

Eric Rosner has been a Butterfly Area Representative since March 2006. From March, 2006 to Present, he was a self-employed Realtor at SER Enterprises, LLC in Moorestown, New Jersey. Prior to March 2006 he was a self-employed realtor in Moorestown, New Jersey.

Janeene Fitzgerald, Area Representative (Territory Limited to State of Colorado)

Janeene Fitzgerald has been a Butterfly Area Representative since July 6, 2006. From January 1, 1995 to August 1, 2006, she was the Office Manager for The Fitzgerald Group, LLC in Colorado Springs, Colorado.

Seth Goodman, Area Representative

(Territory Limited to State of South Carolina)

Seth Goodman has been a Butterfly Area Representative since May 2006. From June, 1990 to present, he has been an Airline Pilot with Northwest Airlines in Minneapolis, Minnesota.

Michael Funkhouser, Area Representative

(Territory Limited to State of South Carolina)

Michael Funkhouser has been a Butterfly Area Representative since May 2006. From December, 1994 to present, he has been an Investigator with ISD in Lexington, North Carolina.

Geoffrey I. Henderson, Area Representative

(Territory Limited to State of Colorado)

Geoffrey I. Henderson has been a Butterfly Area Representative since June 2006. From October, 1988 to the present, he has been an MSRP, Reg. Rep. For Omnivest, Inc. in Denver, Colorado.

Susie Henderson, Area Representative

(Territory Limited to State of Colorado)

Susie Henderson has been a Butterfly Area Representative since June 2006. From September, 1997 to September, 1998, she was Airline Sales Account Manager for The Travel Society, Inc. in Littleton, Colorado. From September, 1998 to September, 2000, she was Director of Group Air Sales for TG Worldwide, Inc., in Denver, Colorado. From

July, 2001 to November 22, 2004, she was Director of Sales and Marketing for The Travel Society, Inc. in Denver, Colorado.

Donna Barnhart, Area Representative

(Territory Limited to State of Arkansas and Oklahoma)

Donna Barnhart has been a Butterfly Area Representative since December 2005. From August, 1999 to February, 2002, she was a Sales Executive for Clear Channel in Little Rock, Arkansas. From February, 2002 to Present she has been a Sales Executive for Pitney Bowes in Little Rock, Arkansas.

David Heun, Area Representative

(Territory Limited to State of Pennsylvania)

David Heun has been a Butterfly Area Representative since March 2006. From 1980 to Present, he has been selfemployed in Warrington, Pennsylvania.

Ken Uptain, Area Representative

(Territory Limited to State of Washington)

Ken Uptain has been a Butterfly Area Representative since July 2006. From June 1998 to present he has been an Owner of Essentia Water, Inc. in Bothell, Washington.

Haesook Kim, Area Representative

(Territory Limited to State of California)

Haesook Kim has been a Butterfly Area Representative since July 2006. From June, 2005 to February, 2006, Haesook was Nurse Manager for Kaiser Permanente Medical Center in Sacramento, California. From April, 2000 to December, 2004, Haesook was President of Secure Nursing Service, Inc. in Los Angeles, California. From January, 1989 to February, 2000, Haesook was Nurse Manager for Cedars Sinai Medical Center in Los Angeles, California.

Ryan Hokenson, Area Representative

(Territory Limited to State of Minnesota)

Ryan Hokerson has been a Butterfly Area Representative since January, 2006. From January 2006 to Present he was the Owner of Dakota Blessing. From April, 2006 to August, 2006, he was in Sales for Sears in Bloomington, Minnesota. From October, 2005 to April, 2006, he was in Outside Sales for MJ's Contract Appliance in Oakdale, Minnesota. From January, 2003 to November, 2005, he was in Sales for Sears in Bloomington, Minnesota. From June, 2000 to December, 2002, he was a Manager for Wireless Concepts in Grand Forks, North Dakota.

Russell Amerson, Area Representative

(Territory Limited to State of South Carolina)

Russell Amerson has been a Butterfly Area Representative since January 1, 2006. From December, 1998 to December, 1999, he was a Representative for Edward Jones in Elgis, South Carolina. From January, 2000 to June, 2003, he was a CFP for Amerson & Arsils in Elgis, South Carolina. From July, 2003 to December, 2005, he was a self-employed CFP in Elgis, South Carolina. From January, 2006 to present, he was a CFP for A&A Small Business Solutions in Elgis, South Carolina.

David B. Nagle, Area Representative

(Territory Limited to State of Pennsylvania)

David B. Nagle has been a Butterfly Area Representative since December 2005. From August, 1999 to October, 2004, he was a General Manager for Odyssey Fitness in Wilkes-Barre, Pennsylvania. From November, 2004 to Present, he has been self-employed in Forty Fort, Pennsylvania.

Kelly Davidson, Area Representative

(Territory Limited to State of Oregon and Washington)

Kelly Davidson has been a Butterfly Area Representative since June 2006. From January, 2001 to Present, Kelly has been the Owner of Home Instead Senior Care in Bend, Oregon. From February, 1989 to July 12, 2002, Kelly was Sales Supervisor for High Desert Beverage in Bend, Oregon.

Ali (Alene) Davidson, Area Representative

(Territory Limited to State of Oregon and Washington)

Ali Davidson has been a Butterfly Area Representative since June 2006. From January, 2001 to Present, Ali has been a Director for Home Instead Senior Care in Bend, Oregon. From September 1997 to February 2005, Ali was a self-employed Counselor in Bend, Oregon.

Matt VanSooy, Area Representative

(Territory Limited to State of Oregon and Washington)

Matt VanSooy has been a Butterfly Area Representative since June 2006. From September, 1998 to June, 2001, he was a Student at Linfield College in McMinnville, Oregon. From June, 2001 to December, 2002, he was an Insurance Agent for AFLAC in Portland, Oregon. From June, 2002 to December, 2002, he was an Investment Advisor Representative for Securian Financial Services in Portland, Oregon. From January, 2002 to December, 2003, he was an Independent Consultant for Property Management/Business Consulting in Portland and Bend, Oregon. From December, 2003 to September, 2004, he was Resident Manager for Princeton Property Management in Portland, Oregon. From June, 2005 to August, 2006, he was Investment Advisor Representative for Waddell and Reed in Bend, Oregon. From October, 2004 to Present, he was Office Manager for Home Instead Senior Care in Bend, Oregon.

Darwin W. Chevalier, Area Representative

(Territory Limited to State of Washington)

Darwin W. Chevalier has been a Butterfly Area Representative since July 2006. From January 1990 to Present, he has been Owner of Perkins School.

There are no franchise brokers other than as described in this Item 2.

ITEM 3. LITIGATION

Shelly's Body Shoppe, LLC v Lorraine Cervoni, Patricia Jarusinsky, and Butterfly Fitness, Inc., (State of Connecticut, Superior Court, Case No. CV-064010769). This action was filed on May 25, 2006. The plaintiff, who owns a women's fitness center in Connecticut, alleges breach of a non-compete contract and tortuous interference with plaintiff's contracts and business relations by defendants Cervoni and Jarusinsky, who are former employees of plaintiffs, and unfair trade practices by all defendants. Defendant Cervoni is currently a Butterfly Life franchise

owner in Connecticut, and defendant Jarusinsky is employed at defendant Cervoni's Butterfly Life business. Plaintiff alleges that we knew or should have know that defendant Cervoni was subject to restrictive covenants. The plaintiff is seeking an injunction (i) restraining defendant Cervoni from participating in the ownership or operation of her competing Butterfly Life business, and (2) restraining defendant Jarusinsky from participating in the operation of defendant Cervoni's Butterfly Life business; unspecified damages; unspecified punitive damages; and attorney's fees and costs. We denied the claims against us. This matter was settled on September 18, 2006, by payment of an agreed amount by an insurance carrier to the franchisee's former employer, without any admission of liability on our part or on the part of our franchisee. The case was dismissed with prejudice.

Butterfly Life, Inc. v Susan Kruse and Linda Coogan, (American Arbitration Association, Western Case Management Center, Case No.: 74 114 00618 05). On September 9, 2005, we filed an amended claim for arbitration against the named franchisees for breach of contract pursuant to a November 5, 2003 Franchise Agreement; breach of the implied covenant of good faith and fair dealing; misappropriation of trade secrets; and interference with economic relationship. The franchisees filed a counter claim for fraud, intentional misrepresentation, violation of the California Franchise Act, breach of contract and breach of the duties of good faith and fair dealing. We filed a general denial and affirmative defenses against the franchisees' counterclaim. On October 6, 2005, the parties entered into a Settlement Agreement which resolved all differences without either party admitting liability. No money was paid. There was a mutual release of claims by the parties and the case was dismissed.

Beth J. Shaw vs. Butterfly Fitness, Inc., (Superior Court of the State of California, County of Los Angeles, Case No.: BC329592). On March 1, 2005, Ms. Shaw filed suit against us alleging improper use of a person's name or image in advertising or soliciting under California Civil Code Section 3344; appropriation of likeness; quasi contract and breach of contract. Her complaint demanded (without specifying an amount) damages for profits and compensation from the unauthorized sale of products and services using her picture and name, damages from emotional distress, punitive damages, and attorneys fees and costs. Ms. Shaw entered into a Trainer Independent Contractor Agreement for certain yoga, training and consulting services with us on October 15, 2003, which we believe gave us certain rights to exploit the results and proceeds of Ms. Shaw's services in perpetuity. Ms. Shaw alleged that the agreement terminated on October 15, 2004 and that any further use of her name or likeness is unauthorized. The parties entered into a Settlement Agreement on November 1, 2005. We agreed to paid Ms. Shaw \$10,000, and Ms. Shaw agreed to complete a shoot for five new yoga DVDs for us. Ms. Shaw will receive royalties on the sales of these five DVDs. We may market, promote and sell the DVDs in perpetuity, but otherwise agreed to cease using Ms. Shaw's image and likeness in promotional materials after December 31, 2007. The case has been dismissed.

Other than these three actions, no litigation is required to be disclosed in this Offering Circular.

ITEM 4. BANKRUPTCIES

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed by this item.

ITEM 5. INITIAL FRANCHISE FEE

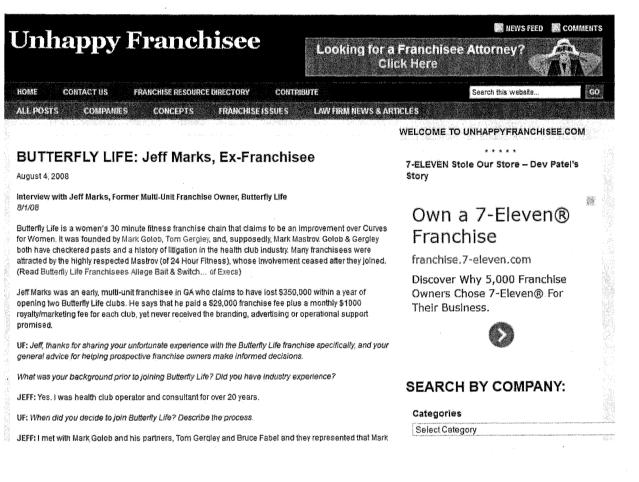
The initial franchise fee for any Butterfly Life Center is \$29,500. The initial franchise fee is payable upon the signing of the Franchise Agreement and is nonrefundable. In addition, equipment cannot be ordered and an opening cannot be scheduled until you have completed your orientation training.

If you are an existing Butterfly franchisee who has operated a center under a Butterfly franchise agreement for which the initial term has expired, you may elect to renew your franchise agreement as described in Item 17. You must pay us a renewal fee of \$5,000, described in Item 6.

The initial franchise fee does not include the cost of equipment, sales tax, shipping or installation which you must pay directly to approved vendors of Butterfly Fitness, Inc. The cost range is described in Item 7. You are also required to purchase or lease a point-of-sale computer system and accounting software. This point-of-sale equipment is not included in the initial franchise fee and you will be responsible for purchasing the system.

EXHIBIT F

EXHIBIT: Screenshot of "Butterfly Life: Jeff Marks, Ex-Franchisee" Blog Post originally published August 4, 2008:



TEXT VERSION of full blog post including comments:

BUTTERFLY LIFE: Jeff Marks, Ex-Franchisee

August 4, 2008

Interview with Jeff Marks, Former Multi-Unit Franchise Owner, Butterfly Life 8/1/08

Butterfly Life is a women's 30 minute fitness franchise chain that claims to be an improvement over Curves for Women. It was founded by <u>Mark Golob</u>, <u>Tom Gergley</u>, and, supposedly, Mark Mastrov. Golob & Gergley both have checkered pasts and a history of litigation in the health club industry. Many franchisees were attracted by the highly respected Mastrov (of 24 Hour Fitness), whose involvement ceased after they joined. (Read <u>Butterfly Life Franchisees Allege Bait & Switch... of Execs</u>)

Jeff Marks was an early, multi-unit franchisee in GA who claims to have lost \$350,000 within a year of opening two Butterfly Life clubs. He says that he paid a \$29,000 franchise fee plus a monthly \$1000 royalty/marketing fee for each club, yet never received the branding, advertising or operational support promised.

UF: *Jeff, thanks for sharing your unfortunate experience with the Butterfly Life franchise specifically, and your general advice for helping prospective franchise owners make informed decisions.*

What was your background prior to joining Butterfly Life? Did you have industry experience?

JEFF: Yes. I was health club operator and consultant for over 20 years.

UF: When did you decide to join Butterfly Life? Describe the process.

JEFF: I met with Mark Golob and his partners, Tom Gergley and Bruce Fabel and they represented that Mark Mastrov was also involved and that they had as much money as they needed to grow and brand this franchise. They wanted me to open flagship clubs on East Coast and represent them in 7 states.

UF: *How did you first learn about the general concept? What did you find appealing about this type of business?*

JEFF: Mark Golob was previous acquaintance. I found it appealing because I thought it sounded like an improvement on Curves and Curves was growing rapidly, and they had Mark Mastrov's experience and reputation on the team.

It made sense and the owners represented their personal and financial commitment as well as Mark Mastrov's

UF: Describe the company's sales process and your interaction prior to becoming a franchisee. **JEFF**: I met them in California and they explained future of company. I was going to be one of the first so much of what they promised was not yet developed.

UF: *How was the company's training and pre-opening support. Was it a positive experience?* **JEFF:** It was a positive experience but not very impressive.

UF: *What marketing and promotional guidance, programs & support were provided? Were they effective? Why or why not?*

JEFF: Marketing was horrible and not prepared. It was reactive-they made it up after I asked

for it. They had represented to me that they would put their own money into building the brand in Atlanta because I had their flagship clubs on the East Coast. Then they refused to put up anything.

UF: How was your grand opening and your first year as a franchisee?

JEFF: Things went wrong from the beginning because they couldn't deliver what they promised. Nothing was ready on time.

I struggled from day 1. The name had no meaning to anyone and without brand building, it was very hard to get traffic into the clubs. Couldn't hit any reasonable numbers.

It was a terrible experience.

UF: *Was the ongoing support what you expected?*

JEFF: There was no support and the materials, classes, videos, weight loss program, and everything I needed was not ready when I needed them. They pushed all the blame onto me and accepted no responsibility.

UF: *Have you tried to resolve your issues with the franchisor? What was the outcome?* **JEFF:** After much pleading for help and receiving none, I made a final attempt to save the business—I offered to give it to them for \$0 if they would take over the leases and run them themselves. I already had over \$250,000 sunk into the businesses that was gone. They told me they "were not in the business of running clubs, just selling them" and refused.

UF: *How has your franchise investment decision affected your life? What is your current situation?*

JEFF: It set me back financially about 10 years and I went through untold personal and financial hardships. I declared Chapter 11 bankruptcy in July 2005. I had to start over from the bottom and work my way up again. It's been a long road.

UF: Do you think that the franchise concept is a viable? Under what conditions? **JEFF:** I think the concept is viable but not under current leadership and culture. They are in business to sell and not to service.

UF: What mistakes did you make? Looking back, what would you have done differently? I should never have gone into a new concept franchise that didn't have an established track record. As far as running the clubs, I did everything I could have done.

UF: *What advice would you give to prospective franchise owners? What questions should they ask? What warning signs should they look for?*

JEFF: I would tell prospective franchise owners to do their homework and talk to those who failed. There are so many successful franchise concepts out there, I would suggest they go with one that has a good reputation for servicing their franchisees.

UF: *Was there a positive aspect of your experience?* **JEFF:** There's always a positive, I just haven't found it yet.

UF: Thanks for sharing, Jeff.

Related Reading: IS BUTTERFLY LIFE A GREAT FITNESS FRANCHISE?

Will the REAL Butterfly Life Franchise Please Wave Its Wings?

Franchise Dreams Becoming Nightmares for Many Fitness Club Owners

Disclaimer: The statements and opinions of those interviewed by Unhappy Franchisee are neither verified for accuracy nor reflect the opinions of Unhappy Franchisee or Relentless, Inc. As always, do your own investigations and come to your own conclusions.

Written by ADMIN · Filed Under <u>30 Minute Fitness</u>, <u>ALL POSTS</u>, <u>Butterfly Life (Edit)</u>

Comments

12 Responses to "BUTTERFLY LIFE: Jeff Marks, Ex-Franchisee"

1. BUTTERFLY LIFE: Interview with Former Franchisee Jeff Marks says:

August 6, 2008 at 11:20 pm (Edit)

[...] BUTTERFLY LIFE: Jeff Marks, Ex-Franchisee [...]

Fool Me Once savs:

August 20, 2008 at 7:04 pm (Edit)

Jeff Marks was the very first franchisee to open in the US. Prior to this, he was very respected in the fitness industry and a person of high morales and values. If Mark Golob of Butterfly Life would have divulged this information to us, as he should have by law, we could have contacted him and gotten the whole story and stayed far away from this scammer. Jeff knew after three months that this franchise was destined for failure and tried to bring this to Golob's attention so his franchises could be salvaged before opening any others......but NO......Golob was too egotistical to hear the truth. After all, Golob made everyone believe that Mark Mastrov of 24HrFitness was the main man behind the scenes....and everyone was going to be wealthy. Too bad he had no business sense, and Mastrov's name was only used to enduce buyers. Sadly, there are still some out there that believe Mark Golob's and Tom Gerlgey's words. I wish you luck.....you're gonna need it with a 10% survival rate.....not make a profit.......just survive!

3. Stop the Butt Flies says:

August 21, 2008 at 1:51 pm (Edit)

I find Jeff's story very interesting! I remember all too well being told that Dayna Vidal and her sister were the FIRST club to EVER open in Georgia. Honesti would soon be opening-the second. At one time Georgia had 9 clubs open-now there are NONE! What does that say for Butterfly Life- it is more than unhappy franchise owners-however they (Mark and Tom) are correct about one thing. The problem being "bad business people and bad management"-it all started at the top! I say let's stop them in their tracks. Enough is enough! Gentlemen-(haha) your nightmare is a long way from being over. There are a lot more of us than there is of you two!

4. *This has gotta stop!!* says:

August 23, 2008 at 7:26 pm (Edit)

Mark Golob told me in the presentation (about 20 times) that the reason for buying a franchise is for the branding. He failed, however, to tell me that I would be doing the branding for him.

I remember going to health fairs near the club and 90% of the people would come up the the booth and say what is Butterfly Life? Even the 10% that had heard of it still didn't know what it was – the name says nothing about fitness!

24 Hr Fitness Curves, Contours, Fitness 19 workout express they all give you a hint – BUTTERFLY LIFE – NOTHING! LINDA EVENS – NOTHING Isn't Mark Golob supposed to know something about marketing?

5. J. Flack says:

November 10, 2008 at 4:37 pm (Edit)

I am in the group of franchisees who wish they would have known more and dug a little deeper before taking the leap with Butterfly Life. I do not have a branded Franchise. Every day someone comes to my gym or calls my gym and asks "What is Butterfly Life anyway?". The month after we bought in, we stopped seeing ads on TV and anywhere else for that matter. We have not been given what we paid for in the beginning.

SMART DOC says:

February 4, 2011 at 9:06 pm (Edit)

MARK GOLOB IS AT IT AGAIN!!! VISIT TOPDOCAMERICA.COM. SAME OLD BAIT & SWITCH, HE WILL DO OR SAY ANYTHING TO GET THESE POOR UNSUSPECTING DOCTORS TO WRITE A BIG FAT CHECK TO THE COMPANY. ALL PROMISES, NO RESULTS.

THERE IS NO REAL AWARD FOR THESE DOCTORS – THEY JUST LANDED ON A MAILING LIST THAT WAS BOUGHT BY TOP DOC AMERICA. THE DR AGREED TO A MEETING BASED ON WINNING THIS BOGUS AWARD AND WAS TALKED INTO PURHCASING A MARKETING PROGRAM. HAD THE DR NOT PURCHASED THE PROGRAM TOP DOC WOULD SIMPLY MOVE ONTO THE NEXT DR ON THE LIST. IT'S CALLED "BAIT AND SWITCH" AND TOP DOC HAS THIS DOWN TO A TEE!! THERE ARE DRS (LIKE MYSELF) THAT WERE ABLE TO SEE THRU THE SMOKE & MIRRORS AND REALIZED THIS PROGRAM IS ALL A BUNCH OF NONSENSE. THE DRS ARE TOLD THEY WILL RECEIVE NEW PATIENTS, YET IN THE FINE PRINT, TOP DOC MAKES NO PROMISES THAT THE DR WILL RECEIVE NEW PATIENTS AND SO ON AND SO FORTH. THE DRS ARE ALSO TOLD THEY WILL BE ON THE DR OZ SHOW, WHAT A JOKE.

HOPING THIS WILL GET THE WORD OUT TO THE POOR, UNSUSPECTING DOCTORS THAT HAVEN'T FALLEN PREY TO TOP DOC AMERICA YET. GOOGLE THE NAME MARK GOLOB TO FIND OUT MORE ABOUT WHO IS BEHIND THIS COMPANY, HE HAS BEEN SCAMMING PEOPLE OUT OF MONEY FOR YEARS AND YEARS.

IT'S TOO BAD WE CAN'T FIGURE OUT A WAY TO GET THIS MAN OUT OF THE BUSINESS WORLD, JUST REMEMBER THIS, IF IT SOUNDS TOO GOOD TO BE TRUE, THEN IT USUALLY IS. THIS MAN'S DEMEANOR SHOULD BE A TELL TALE SIGN OF A SCAM ARTIST IN ACTION – BEWARE!

NOTE: According to a threatening letter sent to the publisher of this website by Scott Hammel, an attorney representing Top Doc America, Inc., "Mark Golob is not an officer, director, employee, agent or representative of Top Doc America..." As always, our readers are invited to do their own research and draw their own conclusions. ADMIN

7. *Guest* says:

February 5, 2011 at 1:46 pm (Edit)

Smart Doc: How do you know Mark Golob is behind Top Doc America? Do they make reference to his involvement anywhere? Would love to see some external reference to his involvement.

The press release certainly smacks of classic Golob. It brings back flashbacks of all the media claims made to Butterfly Life franchisees about having their own show, regular segments on Oprah, etc. Sound familiar?

"Top Doc's National health care promotion will benefit participating health care professionals by generating new patient referrals. The multi-media marketing campaign includes the below platforms

1.Marketing program with FOX to run a weekly commercial segment entitled, "Meet the 2011 Top Doctors and Dentists."• The segment produced by Top Doc America will air in each local market during the commercial break of the Dr. Oz Show and will feature award-winning Doctors and Dentists.

2.Individual Doctor and Dentist television commercials to run on various network stations which include: FOX, NBC, ABC and CBS.

According to Baqi Kopelman, Top Doc Executive Director of Media, "Top Doc has assembled a National production team that will produce introductory videos and commercials for participating Doctors and Dentists. We will place their videos online as well as on television so patients can learn more and book their appointment online."• 3.Print ads to run in the top newspapers in each local market. Newspapers include: the New York Times, New York Post, Chicago Tribune, Los Angeles Times, San Francisco Chronicle, Boston Globe and more.

4.Online Google AdWords campaigns"

8. *SMART DOC* says:

February 7, 2011 at 12:14 am (Edit)

Hello "Guest on February 5th, 2011 1:46 pm" -

I am one of the doctors that took a meeting with a sales representative from Top Doc America after receiving a "form letter" from the company stating that I had been chosen to receive the "2011 Top Doctors & Dentists Award". It sounded interesting so I called. Long story short, I knew after hearing this hard-core sales persons pitch that they only wanted me to purchase a \$12,000 a year marketing program, plus a \$995.00 membership registration fee. The promises that were made were ludicrous and the sales rep was illinformed and was just making up answers to the questions I was asking. After thinking the whole situation over, I called a friend of mine who sits on the board at the ADA (American Dental Association) and asked if they had heard of Top Doc America. I was surprised to hear that they actually have heard of the company and what they heard wasn't good. Reports of "scamming" and "bait and switch" have been made by members of the ADA and were also reported to their local dental society. I got the name of a dentist who had a bad experience with the company, this person said they spoke to a person high up in management at Top Doc America and his name was Mark Golob. I tried to reach Mark Golob thru the sales rep who came to my office, but I have not received a call from Mr. Golob to date. So, guess what I did, I googled his name! I found out what I had suspected was really true by reading about all his failed ventures in the franchise world. Mr. Golob appears to be at it again, this time targeting doctors and dentists. As you already know, there is no reference to the people behind the company listed on the website. Now we know the reason why the company heads are staying anonymous.

I just hope this helps anyone who comes into contact with Top Doc America or any of it's representatives. The only name that came up in association with the company in the press releases I read is Steve Simons, the CFO. After a good amount of researching I found one connection between Mark Golob and Steve Simons, they both live in a city called Comptche in northern California. That would be one hell of a coinsidence so I added it up and it makes sense that this is the same Mark Golob.

BEWARE!!

SMART DOC says: 9

February 7, 2011 at 12:54 am (Edit)

Mark Golob, topdocamerica.com, Butterfly Life

10. *Guest* says:

February 7, 2011 at 9:33 am (Edit)

Looks like the new Golob family business. The topdocamerica.com domain is registered to Beau Golob:

Domain Name: TOPDOCAMERICA.COM Created on: 17-Jul-10 Expires on: 17-Jul-11

Administrative Contact: golob, beau <u>beau@topdocamerica.com</u> 814 mission street san francisco, California 94103 United States +1.8889229362

The Top Doc blog domain is also registered to Beau Golob, but the company is listed as Doctors Improving Healthcare, Inc. On Manta, Taylor Golob is listed as Principal of Doctors Improving Healthcare, Inc. If you search the Spear street address it comes back as a virtual office suite "starting at \$95 per month"

Domain Name: DOCTORSIMPROVINGHEALTHCARE.COM Created on: 24-Jan-09 Expires on: 24-Jan-12 Last Updated on: 25-Jan-11

Administrative Contact: Golob, Beau <u>beau@dihealthcare.org</u> Doctors Improving Healthcare Inc. 201 Spear Street, Suite 1100 San Francisco, California 94105 United States +1.4152942300 Fax — +1.4154948218

http://www.manta.com/c/mtbp7q5/doctors-improving-healthcare-inc

Yeah, this sounds legit.

11. ADMIN says:

February 16, 2011 at 4:50 pm (Edit)

We received recent comments stating that a Mark Golob was now selling for a company called Top Doc America. However, an attorney representing that company informed us that "Mark Golob is not an officer, director, employee, agent or representative of Top Doc America..."

12. John Blaze says:

January 31, 2012 at 1:25 am (Edit)

I know TopDocAmerica inside and out. Worked for them. They are a bunch of scammers. Beau Golob is the President/Ceo, but his father Mark often coached us. He's one of those old time pushy salesman. The company is BS. They're not selling anything, just going from door to door down a list (like the old Yellow Pages salesman) and selling a spot on a crappy website that no one will look at.

SHARE A COMMENT HERE:

Logged in as <u>ADMIN</u>. Logout »

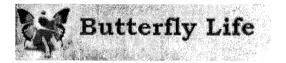
Speak your mind

EXHIBIT G

TEXT VERSION of full blog post including comments:

BUTTERFLY LIFE FRANCHISE DISCUSSION

August 28, 2008



Butterfly Life is a women's 30 minute fitness franchise chain that claims to be an improvement over Curves for Women. It was founded by <u>Mark Golob</u>, <u>Tom Gergley</u>, and, supposedly, Mark Mastrov. Golob & Gergley both have checkered pasts and a history of litigation in the health club industry. Many franchisees were attracted by the highly respected Mastrov (of 24 Hour Fitness), whose involvement ceased after they joined. (Read <u>Butterfly Life Franchisees Allege Bait & Switch... of Execs</u>).

Complaints include: "Marketing was horrible" "...they couldn't deliver what they promised. Nothing was ready on time." "The name had no meaning to anyone" "...without brand building, it was very hard to get traffic into the clubs." "There was no support" "They told me they "were not in the business of running clubs, just selling them"

Unhappy Butterfly Life Franchisee Interviews:

BUTTERFLY LIFE: Jeff Marks, Ex-Franchisee

BUTTERFLY LIFE: Carol King, Ex-Franchisee

BUTTERFLY LIFE: Linda McBride, Ex-Franchisee

BUTTERFLY LIFE: Julie Franco, Ex-Franchisee

BUTTERFLY LIFE: Lisle Head, Ex-Franchisee

BUTTERFLY LIFE: Michael Motes, Ex-Franchisee

BUTTERFLY LIFE: Interview With Franchisee Matt Wilson

LEAVE A COMMENT BELOW.

Written by ADMIN \cdot Filed Under <u>30 Minute Fitness</u>, <u>ALL POSTS</u>, <u>Butterfly Life</u>, <u>SPOTLIGHT</u> <u>1</u>

Comments

30 Responses to "BUTTERFLY LIFE FRANCHISE DISCUSSION"

1. <u>Vice Versa</u> says:

August 20, 2008 at 6:27 pm

These stories are sooooo sad and unfortunate, but I think this will start the ball rolling again with others who have the same sad stories about Butterfly Life. The government agencies know about these "legal" scammers but are unwilling to step up until they are publically challenged. As far as I'm concerned, these agencies are just as responsible for ruining so many lives as the franchisors! There should be a way to send these blogs to the CA Department of Corporations, the FTC in Washington, the Governor, Todd Spitzer our Assemblyman in Ca., the US Attorney General and anyone else who has anything to do with our laws that regulate business practices. We need to make it known that if they don't respond to these cries of outrage, they'll lose our votes.....you say there's only a few of us......let's put it to good use!

2. No Money Made says:

August 25, 2008 at 1:47 pm

If someone from Butterfly life try to sell you a franchise you better run fast as you can If ou dont you will end up broke, faceing Bankrupcy and possible homeless when your landlord finish sueing you for all the rent that you owe after you signed that contract for that five year lease that you cannot make good. And not to mention bad health from hypertension at the stroke level. email me Do I have some stories to tell. Mark Golab and his crew made a lot of promises that they did not keep They stole my my life from me I had retired I had to go back to work to pay the landlord.

3. *Sunshine* says:

August 25, 2008 at 9:40 pm

No Money Made- Know that you are not alone. We all understand that does not make one feel better-nor does it pay the bills. I believe so many of us went into this hoping to make a living and someday be able to retire without worries. Now we have all the burdens, worries, stress, bills, debt, no money, no job and no light at the end of the tunnel. If you have a story to share, we want to hear it. If you do not want to disclose your name, that is ok too. Send Sean your email info and one of the trustee's for the Butterfly Life Chapter of the AAFD will get in contact with you. The more people that come forward and share their story-the more we hope it will turn up the heat! If you are down, beaten, lonely, depressed...whatever you are feeling...talk to someone. They have taken your money, but the only way they can take control of your life is if YOU let it happen. We are here to talk, share and learn from one another. NEVER GIVE UP.

4. <u>This has gotta stop!!</u> says:

August 26, 2008 at 12:46 am

Cynthia,

Please know that your passing has only turned up our fire. We are going to fight the fight in your honor girl! You will always remain within our hearts and in our daily prayers.

Confused?? says: 5

August 29, 2008 at 8:33 pm

I would like to send my regards and sympathy to Cynthia Holt's family. Death is never easy, but when one feels no other choice than to take her own life, it fills the hearts and souls of everyone with much sadness. To her friends, members and co-workers-never forget Cynthia. Always remember her with that "peachy" smile. Rest in peace Cynthia Holt. May God have mercy on your troubled soul.

6. Titanic says:

September 4, 2008 at 7:32 pm

I would like to see the story of an area rep. for Butterfly Life on this blog. You can remain anonymous – don't be shy . . .

Many of you also own or owned clubs – we want to hear your side too. You probably have lost more money than others. Maybe Sean can create a blog for area reps to tell their story anonymously?!

7. *Dennis Cherry* says:

September 4, 2008 at 8:30 pm

Anyone serious about a class action lawsuit??

ANOTHER digruntled (and bankrupt) Franchisee

8. *This has gotta stop!!* says:

September 7, 2008 at 1:49 am

Dennis have you told Sean to give your email address to a trustee? That is your first step!

9. *Vice Versa* says:

September 7, 2008 at 3:37 pm

Dennis Cherry – the class action has already been filed. If you would like more information, please ask Sean to forward your email address to me and I would be happy to contact you. Where is your location?

10. <u>*Titanic*</u> says:

September 21, 2008 at 10:34 pm

I hadn't read the blog below in a few months, Go there and read the "Luxej" post toward the end. This is some one who has worked at corporate Linda Evans and has seen the scammers at work.

http://www.franchisepick.com/butterfly-lifes-golob-failed-franchise-owners-shouldblame-themselves/

11. Fool Me Once says:

September 25, 2008 at 6:20 pm

Dennis Cherry – You've been silent. Are you still out there? We would all love to know your location and your story. Hope you've been able to put your life back together. Did you sign a release with BFL? Remember, that doesn't stop your freedom of speech. We're all out here supporting each other.

12. IS BUTTERFLY LIFE A GREAT FITNESS FRANCHISE? says:

October 6, 2008 at 8:40 pm

[...] interviews with Butterfly Life franchisees at [...]

13. *Denise Draime* says:

October 31, 2008 at 5:06 pm

We had 4 locations in the Columbia, S.C. area in 2007. All will be closed as of Dec.1,2008. One was even owned by our area rep. I will be closing my doors on Nov. 15th. I opened in Sept. 2007 with the dreams that all of us shared. I now have lost my retirement and savings and health! I have the stress of the 5 year lease hanging over my head and \$20,000.00 worth of equipment. Any suggestions??

14. *Vice Versa* says:

November 2, 2008 at 2:46 pm

Denise – left you a message by phone on Friday and this morning. Please call me. There are many of us who have joined together to put a stop to scammers like the G boys and their employees who are well aware of the situation.

15. *perplexed* says:

November 7, 2008 at 8:32 pm

How do we get information on the class action?

16. *Skip Lowes* says:

November 13, 2008 at 10:52 am

I heard the class action arbitration was stopped because the franchisees didn't pay their arbitration fees, and that the company has filed motions to dismiss the franchisees' claims.

17. Fool Me Once says:

November 13, 2008 at 12:49 pm

Skip – Where is your club located? The AAA only requires that payments are made in good faith until full payment is required. After our first payment, we were advised that BFL closed their offices and moved into their "PO BOX" and most likely didn't have much money left in the corporation. We also heard that the few left at corporate were working out of Tom Gergley's house. Why waste anymore money? Without going into details, it was actually the AAA that dismissed the arbitration based on their attorneys breach of AAA protocal. There are other avenues being pursued. If you would like more info regarding those avenues, please have Sean put you in contact with me. Stay tuned!

18. Wende says:

November 14, 2008 at 2:54 pm

Well Hello fellow "run over by Butterfly ers" Long story short. We listened, they lied, my mom sent them 30,000.00, then we spent another mandatory 60,000 for equipment, carpet, paint, steps, office..etc So now my moms house is on the block. We were guarenteed things would be wonderful.

We have been open a little over a year. (Oct 15th 2007) Fortunately I have over 20 years of experience in the fitness industry and have owned 3 other successful gyms non-franchise. Our thought was franchise support would make us foolproof. right We have advertised on our own, tried Butterfly direct mail which not only did we pay for, but it was never delivered to the right areas or on the right dates. (all the post office fault of course..) We have live aerobic classes, yoga, pilates, we modified the circuit to fit the needs of our girls. We don't REQUIRE contracts, or extra money for everything. We offer child care, we have Drs speak on nutrition regularly. We take the girls to the food store to help them learn how to shop.

We are no longer Butterfly. We are now Ms. Fitt Aerobics and Fitness

Giving up is not an option or my 64 year old mom is in the street. (or at my house) We should have done this on our own from the beginning. Butterfly talked a big game, if they did what they professed the gyms would have made it..they just talked a big game and went silent. I wrote and called Tom dozens of times with NEVER a call back. NEVER. Thier butts should be sued off, we just don't have the money left pay to be a part of it.

Our prayers are with all of you out there...

Our first clue should have been that whole angle they paraded in our faces about Butterfly being women owned and operated..yet the G's are men..aren't they? We did not sign the release, we have not paid our fee since the mailers went to the wrong place on the wrong day. We have a registered letter sitting at the post office, I'm fairly positive it is from our self serving, manipulating, thieving,lieing area rep. Really, do they expect us to keep paying? I can better afford that darn fee with the Butterfly off my back, since the switch...non-stop traffic.

No Business Is A Success Which Ruins Men To Make Money Karmas a B@TC!

9. Georgette Lovelock says:

November 14, 2008 at 4:22 pm

I am so happy to hear that I am not the only BFL not paying their royalty fees, like everyone else, I have \$175,000.00 invested in my club and am now in the process of filing bankrupcy.

A few months ago I asked Denny what the royalty fees were for since there is not and has never been the national advertising, her response was for the gpt videos, the conference calls, labor and the support we get....LOL at that one.

In Sept. I informed Cathy Galli that the drafting has to stop because there is no money. 2 weeks ago I heard from her that they will start the drafting and that we need to make arrangements for the past 2 months. With that, I responded that I will be closing my doors, filing bankrupcy and (since I have defaulted on my agreement the equipment is theirs), so my landlord wants to know what they will be doing with the equipment. Shge wrote back and said, sorry I am closing, they do not want the equipment and that the franchaise agreement is still in effect.....I told her to stand on line with everyone else that I owe.

The really sad thing is the dedicated members who love the club, but reality is I can not keep borrowing and charging just to pay the bills. This was a very expensive lesson for me and everyone else who got suckered into this company. I have lowered our rates to \$25.00 monthly, no contracts and in due time we will change the name but for now nobody knows who Butterfly Life is so who cares what the name is,,,,my members are here because of me and my partners...,wishing u all the best.



November 16, 2008 at 3:05 pm

Georgette,

Email me directly please. I think I can help you. I hope I can help you! Hope to hear from you soon!

21. Fool Me Once says:

November 16, 2008 at 6:40 pm

Despite what many of you have heard, the Butterfly Life Chapter of the American Association of Franchisees and Dealers is moving forward to pursue justice. If you are interested in joining the fight we would love your support. Don't let your struggle be in vain. Please contact me directly through Sean on this site, or go to <u>http://www.aafd.org</u> and they will put you in touch with one of the trustees. Good luck to everyone.....my heart goes out to you.

22. *Lit* says:

December 9, 2008 at 6:40 pm

I used to work for the "management" of BFL.. One day the "so-called" Christian walks in with one of his Hench-women and hands me "my final check" (no severance) saying they were closing the club. A short time later I received propaganda asking if I wanted to take advantage of a new opportunity with them!! Seeing firsthand how they ran Linda Evans Fitness in to the ground was enough for me to RUN. They are horrible businessmen and

horrible people. Nothing (except a few friends I've retained) about my time spent with LEFC was positive. I only wish I could have warned more people.

I am sorry for your losses and I hope that you are finding strength and support...

23. *HKH* says:

February 27, 2009 at 7:25 pm

Please provide the latest info on pending lawsuits, etc. Lost my franchise a few months ago and it was a nightmare. FYI – for those of you trying to sell your fitness equipment, I liquidated most of my crap on Craig's List....just be careful of scammers.

24. Scott Hammel says:

March 14, 2009 at 9:11 pm

Update on the franchisee class action arbitration: The franchisees' claims are being terminated and dismissed because they failed to pay their allocated share of the arbitration fees. Several motions were pending against the franchisees when the arbitration proceedings were terminated.

Scott Hammel Attorney for Butterfly Fitness, Inc.

25. Slim Buster says:

March 15, 2009 at 12:18 pm

Heard that BFL's check bounced and the AAA dismissed the case. Also, heard that BFL was sold to the franchise equivalent of ambulance chasers!!!! Should we listen to the sirens?????

26. *Wende* says:

March 15, 2009 at 4:06 pm

Is Scott Hammell saying that we failed to come up with our allocated share of the arbitration fees, cause DUH...Butterfly took everything we have, and we are responible for 4 years of the 5 year lease (Butterfly demanded) even though we we're evicted 2 months ago for delinquent rent...If this kills my mom (ltterally) is there recourse for that? Please tell me I misunderstand something here....

27. <u>BUTTERFLY LIFE: CA Adds Insult to Injury : Franchise Pick - Picking the Perfect</u> <u>Franchise</u> says:

June 9, 2009 at 1:06 pm

[...] posted interviews with 7 Butterfly Life franchise owners, who told of hard sales pitches, unkept promises and, eventually, failure and [...]

28. Mark Golob Promotions : Franchise Pick - Picking the Perfect Franchise says:

October 9, 2009 at 2:56 pm

[...] that Butterfly Life founder Mark Golob has launched a pay-per-click Google advertising campaign designed to divert [...]

29. ADMIN says:

October 9, 2009 at 3:00 pm

See what <u>Mark Golob</u> is up to now:

http://www.bizzia.com/franchisepick/mark-golob-promotions/

30. Debbie Hogan says:

February 15, 2013 at 5:34 pm

Looking to purchase used Butterfly Life Circuit

SHARE A COMMENT HERE:

Name (required)
Guest

Email Address (required)

guest@yahoo.com

Website

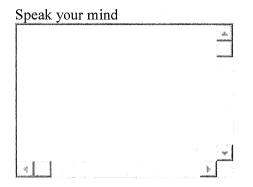


EXHIBIT H

LITIGATION ADVOCATES GROUP ATTORNEYS AT LAW

1990 NORTH CALIFORNIA BLVD., 8TH FLOOR Walnut Creek, California 94596 Telephone: (925) 932-7038 Facsimile: (925) 932-8043

SCOTT HAMMEL, ESQ. E-mail: <u>shammel@astound.net</u>

February 10, 2011

By email to: <u>seankelly@ideafarm.net</u>

Mr. Sean Kelly Idea Farm 266 W. Main Street Leola, PA 17540

Re: Defamation Claim Against Franchise Publicity

Dear Mr. Kelly

This law firm represents Top Doc America Inc. We are hereby notifying you of potential legal action against you and all persons, companies and others affiliated with the website www.franchisepublicity.com (the "Website") involved in publishing defamatory statements on the Website regarding our client.

Certain "blog postings" and articles published on the Website regarding Mark Golob and his affiliation with Top Doc America are false and defamatory. Mark Golob is not an officer, director, employee, agent or representative of Top Doc America and the statements on the Franchise Publicity Website linking him to Top Doc America are patently false. Other statements suggesting "bait and switch" tactics and "VISIT TOPDOCAMERICA.COM. SAME OLD BAIT & SWITCH, HE WILL DO OR SAY ANYTHING TO GET THESE POOR UNSUSPECTING DOCTORS TO WRITE A BIG FAT CHECK TO THE COMPANY. ALL PROMISES, NO RESULTS," and alleged fraudulent conduct involving Top Doc America are also patently false and defamatory. (*e.g.* see following links: http://www.unhappyfranchisee.com/butterfly-life-jeff-marks-ex-franchise, and http://www.franchisepublicity.com/mark-Golob-battles-franchise-pick).

You are hereby notified that if all references to Top Doc America and its association with Mark Golob, as well as all references to Mark Golob, are not permanently removed from the Website and unpublished from your computer servers within 48 hours, we intend to pursue legal action against Franchise Publicity, Idea Farm and you, personally, for all damages resulting from your publication of these false and defamatory statements on the Website, including punitive damages and attorneys' fees.

Very truly yours,

LITIGATION ADVOCATES GROUP

Scott Hammel

EXHIBIT I

	Λ
1	STATE OF CALIFORNIA
2	BUSINESS, TRANSPORTATION AND HOUSING AGENCY
3	DEPARTMENT OF CORPORATIONS
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5	
6	TO: Butterfly Fitness, Inc.
7	Mark Golob 2405 San Ramon Valley Boulevard, Suite 200
8	San Ramon, California 94583
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1	DESIST AND REFRAIN ORDER (For violations of sections 31203 and 31200 of the Corporations Code)
2	(For violations of sections 51205 and 51200 of the Corporations Code)
3	The California Corporations Commissioner finds that:
4	
5	1. Butterfly Fitness, Inc. (Butterfly) was incorporated in California in 2003 with a
6	principal business address of 2404 San Ramon Valley Boulevard, Suite 200, San Ramon, California
7	94583. Butterfly began offering franchises for the operation of fitness and weight loss centers.
8	Butterfly was initially registered to sell franchises in 2003, using any of the following names:
9	Butterfly Fitness, Butterfly Life or Butterfly Fitness and Spa.
0	2. At all relevant times, Mark Golob was the President and founder of Butterfly.
1	3. On April 13, 2004, the Department of Corporations approved Butterfly's renewal
2	application with the condition to the effectiveness of the registration of the offer or sale of franchises
3	that Butterfly defer the collection of initial franchise fees until the franchisee has completed the initial
4	training.
5	4. From April 13, 2004 through April 20, 2005 Butterfly accepted the initial franchise fee
6	from franchisees prior to the franchisees completing the initial training.
7	5. Based upon the foregoing findings, the California Corporations Commissioner is of
8	the opinion that Butterfly Fitness, Inc., and Mark Golob, violated a condition to the effectiveness of
F	-1- DESIST AND REFRAIN ORDER

State of California - Department of Corporations

the registration of the offer or sale of franchises in violation of the Corporations Code section 31203.
 Pursuant to section 31406 of the Corporations Code, Butterfly Fitness, Inc and Mark Golob are
 hereby ordered to desist and refrain from the further offer or sale of Butterfly Fitness franchises
 unless and until all conditions to registration are met.

6. Additionally, the California Corporations Commissioner is of the opinion that,
Butterfly Fitness, Inc. and Mark Golob willfully made an untrue statement of material fact in the
renewal application filed with the commissioner in violation of section 31200 of the Corporations
Code. Pursuant to section 31406 of the Corporations Code, Butterfly Fitness, Inc. and Mark Golob
are hereby ordered to desist and refrain from making any untrue statement of material fact in any
application filed with the commissioner.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies and provisions of the Franchise Investment Law.

By:

Dated: March 24, 2009 Sacramento, California



PRESTON DuFAUCHARD California Corporations Commissioner

ALAN S. WEINGER

Acting Deputy Commissioner Enforcement Division

-2-DESIST AND REFRAIN ORDER

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EXHIBIT J-1

HULSE & GERMANO, ESQS., L.L.C. George H. Hulse (GH9222) Gracy H. Hulse (GH6588) 406 High Street Burlington, NJ 08016 Telephone: (609) 387-5300 Facsimile : (609) 387-9169 Attorneys for Plaintiffs Eric and Susan Rosner

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

ERIC ROSNER and SUSAN ROSNER,

v.

Plaintiffs,

THOMAS GERGLEY, LISA BELLINI, individually and as husband and wife, MARK GOLOB, SUZAN ZAGER, individually and as husband and wife, TAYLOR GOLOB, JANE DOE GOLOB, individually and as husband and wife, CIVIL ACTION NO.

VERIFIED COMPLAINT

JURY TRIAL DEMANDED

Defendants.

Plaintiffs, by way of this Complaint, allege the following upon personal knowledge as to themselves and their acts and as to all other matters upon information and belief.

THE PARTIES

1. The Plaintiffs, ERIC ROSNER and SUSAN ROSNER ("Plaintiffs" or "ROSNERS"), are, and at all times relevant hereto were, residents of the State of New Jersey whose address is 2 Split Rock Place, Moorestown, New Jersey. The ROSNERS are husband and wife and purchasers of an Area Representative franchise to be operated in the State of New Jersey from BUTTERFLY FITNESS, INC. d/b/a Butterfly Life ("BFL").

2. Defendants, THOMAS GERGLEY and LISA BELLINI, are, and at all times relevant hereto were, residents of the State of California, whose address is believed to be 242 Lyndhurst Place, San Ramon, California. THOMAS GERGLEY and LISA BELLINI and are husband and wife, constituting a marital community under the laws of the State of California. THOMAS GERGLEY is a founding shareholder of BFL, doing business as Butterfly Life in San Ramon, Contra Costa County, California, and at all times material hereto, LISA BELLINI, was Executive Director of Nutritional Services for BFL. All acts and omissions of THOMAS GERGLEY and/or LISA BELLINI alleged herein were performed both individually and on behalf of their marital community.

3. Defendants, MARK GOLOB and SUZAN ZAGER, are, and at all times relevant hereto were, residents of the State of California, whose address is believed to be 85 Sleepy Hollow Lane, Orinda, California. MARK GOLOB and SUZAN ZAGER are husband and wife, constituting a marital community under the laws of the State of California. MARK GOLOB is a founding shareholder of BFL, doing business as Butterfly Life in San Ramon, Contra Costa County, California, and at all times material hereto served as its President and/or CEO and promoter. At all material times hereto, SUSAN ZEIGER was Director of Marketing for BFL. All acts and omissions of MARK GOLOB and SUSAN ZEIGER alleged herein were performed both individually and on behalf of their marital community.

4. Defendants, TAYLOR GOLOB and JANE DOE GOLOB, if she exists, are, and at all times relevant hereto were, residents of San Ramon, Contra Costa County, California, and are husband and wife, constituting a marital community under the laws of the State of California. Their specific mailing address is unknown at this time. TAYLOR GOLOB is a founding shareholder of BFL, doing business as Butterfly Life in San Ramon, Contra Costa County, California, and at all

times material hereto served as its Franchise Sales Executive and/or Vice President of Business Development and Interactions. All acts and omissions of TAYLOR GOLOB alleged herein were performed both individually and on behalf of his marital community.

JURISDICTION AND VENUE

5. This Court has jurisdiction over the subject matter of this action under 28 U.S.C.§1332. The matter in controversy exceeds the sum of \$150,000.

6. Venue is proper in this district pursuant to 28 U.S.C. §1391(a). As alleged herein, a substantial part of the events or omissions giving rise to the claims asserted occurred within this district.

7. In connection with the acts, conduct and violation of law detailed in this Complaint, Defendants, at all relevant times, directly and indirectly, utilized means and instrumentalities of interstate commerce, including the mails (regular and e-mail), telephone communications and wire transfers.

BACKGROUND

8. Plaintiffs repeat and incorporate by reference the allegations set forth in each of the paragraphs above as though set forth at length herein.

9. On or about April 18, 2003, THOMAS GERGLEY and MARK GOLOB incorporated Butterfly Fitness, Inc. doing business as Butterfly Life ("BFL") in San Ramon, Contra Costa County, California, to own and develop the franchise business of fitness clubs for women only.

At all material times THOMAS GERGLEY, MARK GOLOB, and TAYLOR
 GOLOB offered and sold BFL Area Representative franchises and BFL Center (or club)
 franchises to Plaintiffs.

11. Pursuant to the offer and sale of BFL Area Representative and/or Center

franchises to Plaintiffs, Defendants provided to each Plaintiff a BFL Uniform Franchise Offering Circular ("UFOC") containing numerous untrue or misleading statements of material

fact, including but not limited to:

- a. "Linda Evans Fitness Centers" is a d/b/a of Women's Workout and Weight Loss
 Centers, Inc. ("WWWLC");
- b. All WWWLC centers were sold or converted to BFL Centers;
- c. BFL grants franchises to operate Butterfly Life Centers to qualified persons to own and operate fitness centers;
- d. BFL sales are not seasonal;
- e. Franchise BFL Centers may have to compete with other company-owned BFL Centers;
- f. BFL will use monthly franchise advertising fees to coordinate national advertising;
- g. BFL does not derive revenue or material consideration from the sale to franchisees of inventory or other required purchases.
- h. BFL centers will offer nutritional and weight-loss supplements.
- 12. Pursuant to the offer and sale of BFL Area Representative and/or Center

franchises to Plaintiffs, Defendants provided to each Plaintiff a BFL UFOC that omits material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including but not limited to the following:

- a. That WWWLC and LEFC failed, ceased business and were dissolved;
- b. That most, if not all, of the work product of SUZAN ZAGER, LISA BELLINI,
 and Denny Marsico for which BFL paid and would continue to pay was
 previously created and/or produced for WWWLC, LEFC and/or 24 Hour Fitness;

- c. That Linda Evans sued for fraud, forgery and other wrongful conduct WWWLC, LEFC, THOMAS GERGLEY and MARK GOLOB, resulting in the payment by Defendants of money to Linda Evans. Furthermore, Defendants implied and insinuated there were successful products, when in fact the entities had failed and the products were not successful; Defendants represented that these products were created exclusively for BFL, when in fact they were all created for WWWLC, LEFC and/or 24 Hour Fitness.
- d. MARK GOLOB represented that Mark Mastrov was the funding source for BFL when in fact Mark Mastrov was no longer with BFL and subject to a noncompete agreement prohibiting his participation in BFL for some undisclosed period of time.

13. The untrue or misleading statements and/or omissions of BFL UFOCS detailed above were intentional, oppressive, fraudulent and malicious to Plaintiffs.

ROSNERS

14. Plaintiffs repeat and incorporate by reference the allegations set forth in each of the paragraphs above as though set forth at length herein.

15. The ROSNERS as a result of Defendants' sales pitches, which included untrue and misleading statements, purchased a BFL Club Franchise for Fifty Thousand Dollars (\$50,000) in February 2006. The ROSNERS, in continued reliance on Defendants' sales pitches and other continuing untrue and misleading statements, later converted the purchase to a BFL Area Representative Franchise to be operated in the State of New Jersey for an additional Two Hundred Thousand Dollars (\$200,000) in March 2006.

16. Prior to purchasing the BFL franchises, the ROSNERS received from Defendants a BFL UFOC containing the untrue or misleading statements or omissions detailed in the

paragraphs above.

17. The ROSNERS relied upon the untrue or misleading statements or omissions contained in the BFL UFOC when they purchased the BFL franchises to their detriment.

18. Defendants identified herein also made the following additional untrue or misleading representations of existing fact:

19. THOMAS GERGLEY, MARK GOLOB, and TAYLOR GOLOB, made representations to prospective franchisees of the BFL franchise system, including Plaintiffs, which were false and/or misleading during the sales process of franchises under the BFL system. Specifically, THOMAS GERGLEY, MARK GOLOB, and TAYLOR GOLOB, represented and acted as follows.

20. On or about January 31, 2006, the ROSNERS, as prospective franchisees, attended a BFL seminar in Atlantic City, New Jersey, at which TAYLOR GOLOB put on a presentation, including an oral narrative, slide show and a video presentation, and at which MARK GOLOB appeared through a video chat link.

The oral narrative and slide show included the following representations:

- a. TAYLOR GOLOB stated: "We will also show you the cost associated with opening a club . . ."
- b. TAYLOR GOLOB stated:

These are the costs associated with opening a Butterfly Life Center. If you decide to purchase one to two (1-2) units, the cost is Twenty-Nine Thousand Five Hundred Dollars (\$29,500) each. If you would like to purchase three to nine (3-9) unites, you would be considered an area developer and the cost of each unit is reduced by Three Thousand Five Hundred Dollars (\$3,500) or the total cost of Twenty Six Thousand

Dollars (\$26,000) per unit. By putting down a small deposit, you're able to secure three (3) clubs for Fifty Thousand Dollars (\$50,000). Now we don't require you to open them all at the same time; we'll put you on a graduated time table . . . we will give you more than enough time to get those clubs open. If you would like to purchase ten (10) clubs or more, you would be considered an area representative and the price is further reduced to Twenty-Four Thousand Dollars (\$24,000) per unit.

We charge a monthly royalty fee which is a flat fee of One Thousand Dollars (\$1,000) a month. So this model shows a range of Sixty-Five Thousand Dollars (\$65,000) for the franchise fee and the build out and opening costs. Additionally, you will want some reserve capital until your club breaks even. So that's what you really want to position yourself for if you plan on opening a club. We do have financing options available where you can lease almost everything inside of your club for a monthly payment . . . you can talk to one of our franchise counselors one-on-one on how easy this is to get it started.

We say that it takes roughly Eight Thousand Dollars (\$8,000) a month to operate a club; so if you charge Thirty-Nine Dollars (\$39) per month for each membership, or let's use simple math of Forty Dollars multiplied times Two Hundred members (\$40 x 200) would get you Eight Thousand Dollars (\$8,000) or break even. Now, do bear in mind that those numbers are taken from California, it will vary dramatically from one geographical location to another.

c. TAYLOR GOLOB stated:

Why purchase a Franchise?

Well franchise sales exceed One Trillion Dollars in the United States . . . forty percent (40%) of all sales are done by a Franchise. But, the key statistic that I draw our attention to is that ninety percent (90%) of franchise businesses are still operating after ten (10) years while only eighteen percent (18%) of independent businesses are still in operation. So it just goes to show you that by purchasing a Franchise you are buying a proven method of operating a business. We have a turnkey system so that if you follow our formula, you can be successful.

d. TAYLOR GOLOB further stated: "Additionally, as you can see by this aerial shot, one person can operate the club as it is a push and play operation."

21. During the week of January 31, 2006, Eric Rosner also attended two other BFL seminars, one in Cherry Hill, New Jersey, and another in Philadelphia, PA. At each seminar, the same oral presentation, slide presentation, and video chat presentation was made as more fully described above.

22. Additionally, at each seminar TAYLOR GOLOB and/or CHERYL HOKE represented that:

a. Break-even occurs within three to four (3 - 4) months with only two hundred (200) members; and

b. Butterfly Clubs are profitable within six (6) months of opening.

23. These representations were false and/or misleading in that, upon information, and belief, few if any BFL franchises are making a sustained profit, and certainly not at two hundred (200) members, and not within six (6) months. Break even is more likely to occur at three hundred fifty (350) members, if at all.

24. In or about February 2006, the ROSNERS, in reliance on the above described representations, signed a Franchise Agreement for three (3) BFL clubs.

25. In or about March 2006, the ROSNERS, attended BFL training.

26. In or about March 2006, the ROSNERS, were approached by MARK GOLOB and TAYLOR GOLOB, who suggested that the ROSNERS might want to consider becoming BFL Area Representatives.

27. In or about March 2006, the ROSNERS met with MARK GOLOB. MARK GOLOB stated that for the sum of money the ROSNERS were planning on spending to open their three (3) clubs under the above referenced BFL Franchise Agreement, they could spend less money and make more money if they became Area Representatives for BFL. At this meeting MARK GOLOB told the ROSNERS they could make two million five hundred thousand dollars (\$2.5 million) as Area Representatives. MARK GOLOB outlined how much money could be made using the info in the UFOC, relating to the cost of a club and the royalty payments over a ten (10) year period.

28. These representations were false and/or misleading in that MARK GOLOB failed to disclose the basis for said representations as required by 16 C.F.R. 436 *et seq.*, and MARK GOLOB had no reasonable basis for believing said representations to be true.

29. In or about February 2006, based on all the representations made above prior to entering into the three (3) club BFL Franchise Agreement, and based on the representations made regarding the Area Representative opportunity, as more fully described above, the ROSNERS executed an Area Franchise Agreement with BFL, and BFL and the ROSNERS agreed to void the three (3) club BFL Franchise Agreement.

COUNT I <u>COMMON LAW FRAUD</u> (Against all Defendants)

30. Plaintiffs repeat and incorporate by reference the allegations set forth in each of

the paragraphs above as though set forth at length herein.

31. Defendants and each of them made numerous material misrepresentations of past and presently existing facts to the Plaintiffs, and the Defendants, and each of them, knew the falsity of those representations.

32. Defendants' material misrepresentations were made knowingly to the Plaintiffs with the intention that the Plaintiffs rely upon those material misrepresentations to their detriment.

33. Plaintiffs did reasonably rely upon Defendants' material misrepresentations when they entered into the BFL Franchise/Area Representative Agreements and invested substantial sums of money into those Franchises.

34. Defendants also knowingly concealed existing material facts from the Plaintiffs prior to the Plaintiffs entering in their BFL Franchise/Area Representative and/or Guaranty Agreements to further induce the Plaintiffs into executing said Agreements, and will full knowledge that disclosure of such material facts would cause the Plaintiffs not to proceed with the transactions.

35. Plaintiffs would not have entered into the BFL Franchise/Area Representative and/or Guaranty Agreements and proceeded to invest substantial sums of time, effort and money in the BFL franchise but for the material misrepresentations and purposeful concealment of material facts by the Defendants.

36. Defendants acted intentionally, willfully and/or recklessly and with wanton disregard for the rights of the Plaintiffs in the making of the material misrepresentations and engaging in the deceptive conduct described above.

37. As a direct, proximate and foreseeable result of Defendants' fraudulent conduct,

Plaintiffs have suffered substantial damages, and are entitled to compensatory and punitive damages.

WHEREFORE, Plaintiffs respectfully demand entry of judgment against Defendants, jointly, severally, and alternatively in an amount in excess of the jurisdictional limit of this Court, together with punitive damages, attorneys fees, costs and such other relief as is just and proper.

COUNT II <u>NEGLIGENT MISREPRESENTATIONS AND OMMISSIONS</u> (Against all Defendants)

38. Plaintiffs repeat and incorporate by reference the allegations set forth in each of the paragraphs above as though set forth at length herein.

39. Defendants negligently made the above referenced misrepresentations of material facts to the Plaintiffs.

40. Plaintiffs justifiably relied upon Defendants' negligent misrepresentations when they executed the BFL Franchise/Area Representative and/or Guaranty Agreements and invested substantial sums of time, effort and money into the BFL franchise.

41. But for the negligent misrepresentations of the material facts made by the Defendants, Plaintiffs would not have executed the BFL Franchise/Area Representative and/or Guaranty Agreements.

42. Defendants also negligently omitted material facts from its representations to the Plaintiffs prior to Plaintiffs entering into the BFL Franchise/Area Representative and/or Guaranty Agreements.

43. Plaintiffs justifiably relied upon Defendants' negligent omissions of material facts when they executed the BFL Franchise/Area Representative and/or Guaranty Agreements

and invested substantial sums of time, effort and money into the BFL franchise.

44. Plaintiffs would not have entered into the BFL Franchise/Area Representative and/or Guaranty Agreements and proceeded to invest substantial sums of time, effort and money into the BFL franchise but for the negligent omission of material facts by Defendants.

45. As a direct, proximate and foreseeable result of Defendants' negligent conduct, Plaintiffs have suffered substantial damages, and are entitled to compensatory and punitive damages.

WHEREFORE, Plaintiffs respectfully demand entry of judgment against Defendants, jointly, severally, and alternatively in an amount in excess of the jurisdictional limit of this Court, together with punitive damages, attorneys fees, costs and such other relief as is just and proper.

COUNT III <u>VIOLATION OF THE NEW JERSEY CONSUMER FRAUD ACT</u> (Against all Defendants)

46. Plaintiffs repeat and incorporate by reference the allegations set forth in each of the paragraphs above as though set forth at length herein.

47. The conduct of the Defendants, as more fully alleged above, constitutes

deceptive sales practices as defined by the New Jersey Consumer Fraud Act, N.J. STAT. ANN.

56:8-1, et seq. ("NJCFA").

48. The deceptive sales practices were engaged in by the Defendants and each of the Defendants are individually and collectively liable for said violations of the NJCFA.

49. As a direct and proximate result of the Defendants' deceptive sales practices, as heretofore described, Plaintiffs have been damaged and injured, and have suffered an ascertainable loss as defined in the NJCFA.

WHEREFORE, Plaintiffs respectfully demand entry of judgment against Defendants, jointly, severally, and alternatively in an amount in excess of the jurisdictional limit of this Court, together with treble damages, attorneys fees, costs and such other relief as is just and proper.

COUNT IV <u>VIOLATION OF THE COVENANT OF GOOD FAITH AND FAIR DEALING</u> (Against Defendants Thomas Gergley, Mark Golob and Taylor Golob)

50. Plaintiffs repeat and incorporate by reference the allegations set forth in each of the paragraphs above as though set forth at length herein.

51. Upon information and belief, Defendants THOMAS GERGLEY and MARK GOLOB engaged in self-dealing loans to themselves using BFL funds obtained from Plaintiffs and other franchisee's fees, and otherwise wrongfully profited personally from Plaintiffs payments to BFL.

52. At all material times THOMAS GERGLEY, MARK GOLOB and TAYLOR GOLOB were employed by and received compensation from BFL.

53. Upon information and belief, THOMAS GERGLEY, MARK GOLOB and TAYLOR GOLOB, and each of them, used Plaintiffs' and other franchisee's funds to take unreasonable salaries and expenses or other payments for regurgitating BFL work product previously produced for WWWLC, LEFC and/or 24 Hour Fitness, or for work for which the particular Defendant was not appropriately qualified.

54. The payment of Plaintiffs' and others' franchisee fees to the individual Defendants through unreasonable salaries and expenses or other payments violates the covenant of good faith and fair dealing imposed by the BFL Franchise/Area Representative and/or Guaranty Agreement entered into by the Plaintiffs and others.

55. The conduct engaged in by the Defendants was intentional, in bad faith and deprived the Plaintiffs of the benefit of their bargain.

WHEREFORE, Plaintiffs respectfully demand entry of judgment against Defendants THOMAS GERGLEY, MARK GOLOB and TAYLOR GOLOB, jointly, severally, and alternatively in an amount in excess of the jurisdictional limit of this Court, together with punitive damages, attorneys fees, costs and such other relief as is just and proper.

COUNT V <u>VIOLATION OF NEW JERSEY UNIFORM FRAUDULENT CONVEYANCE ACT</u> (Against Defendants Thomas Gergley, Lisa Bellini, Mark Golob and Suzan Zager)

56. Plaintiffs repeat and incorporate by reference the allegations set forth in each of the paragraphs above as though set forth at length herein.

57. Upon information and belief, following the unlawful conduct alleged in the

Complaint, Defendants THOMAS GERGLEY and LISA BELLINI transferred substantial individual assets into a trust without fair consideration and with the intent to defraud the Plaintiffs.

58. Defendant THOMAS GERGLEY's and LISA BELLINI's transfer of substantial individual assets into a trust is an attempt to deny Plaintiffs' recovery for Defendants' unlawful conduct alleged herein.

59. Upon information and belief, following the unlawful conduct alleged in this Complaint, Defendants MARK GOLOB and SUZAN ZAGER transferred substantial individual assets into a trust without fair consideration and with the intent to defraud the Plaintiffs.

60. Defendant MARK GOLOB's and SUZAN ZAGER's transfer of substantial individual assets into a trust is an attempt to deny Plaintiffs' recovery for Defendants' unlawful conduct alleged herein.

61. The transfers by Defendants THOMAS GERGLEY, LISA BELLINI, MARK GOLOB and SUZAN ZAGER constitute fraudulent transfers under the Uniform Fraudulent Transfer Act, N.J. Stat. Ann §§ 25:2-20 *et seq*.

WHEREFORE, Plaintiffs respectfully demand entry of an order against Defendants THOMAS GERGLEY, LISA BELLINI, MARK GOLOB and SUZAN ZAGER:

(1) Avoiding Defendants transfers into their respective trusts, or other unlawful

transfers;

(2) Attaching the trust funds, or other assets unlawfully transferred;

(3) Enjoining further disposition of the funds transferred; or

(4) Any other relief this Court deems just and proper.

JURY DEMAND

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiffs demand a trial by jury in the action for all claims against all Defendants so triable.

Dated this $\frac{\partial 7}{\partial 2}$ day of July, 2009

Respectfully submitted,

HULSE & GERMANO, ESQS., L.L.C.

VERIFICATION

We, Eric Rosner and Susan Rosner, verify the following under the penalties of perjury and the laws of the United States.

We are the Plaintiffs in the within matter and have made the foregoing Verified Complaint. The facts therein are true and correct to the best of our knowledge.

 $\frac{9}{2}$ day of July, 2009. Dated this Z ERIC RÓSNER

Justa 61000 SAN ROSNER

CERTIFICATION

I, George H. Hulse, Esq., do hereby certify that:

1. I am the Attorney for Plaintiffs Eric Rosner and Susan Rosner in the foregoing

Complaint.

2. To the best of my knowledge and belief, this matter in controversy involves

money damages only, where recoverable damages exceed \$150,000.

3. To the best of my knowledge and belief, this matter in controversy is not the subject of any other action pending in any Court or of a pending arbitration proceeding.

4. To the best of my knowledge and belief, there are no other parties who must be joined in this action.

I hereby certify that the forgoing statements made by me are true. I am aware that if any of the foregoing statements made by are wilfully false, I am subject to punishment.

Dated this 2/2 day of July, 2009.

I. HULSE, ESQ.

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