

FRANCHISE DISCLOSURE DOCUMENT



Department of
Business Oversight

DEC - 9 2013

Sacramento Office

Makebody Franchising, LLC
a New York limited liability company
40-22 Main Street, Flushing, NY 11354
Direct Line: (646) 247-3130
www.MakeBodyUS.com
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The Franchise offered is for the operation of a women's lingerie boutique that sells women bras, undergarments, shapewear, sleepwear and intimate apparel to the general public. This is a service oriented business that focuses on providing customers with personal fitting and consulting services to complement a wide selection of high-end lingerie and apparel that is custom fit, under the name "Make Body®".

The Initial Franchise Fee is \$5,000 with protected rights to operate in a specific area as defined by us. Additional franchises may be available for a reduced fee of \$2,500 per Franchise. The total investment necessary to begin operation of a Make Body® franchise ranges from \$127,150 to \$249,650 which will depend on a number of factors which are further discussed in Item 7. These figures include the Initial Franchise Fee of \$5,000 (as discussed in Item 5) that must be paid to the Franchisor or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read the disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact:

De-Xin Xu, President
Makebody Franchising, LLC
40-22 Main Street
Flushing, NY 11354
(646) 247-3130

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise,"

which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at <http://www.ftc.gov> for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: November 15, 2013

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit B for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

- 1) THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN NEW YORK. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH MAKEBODY FRANCHISING, LLC IN NEW YORK THAN IN YOUR HOME STATE.
- 2) THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
- 3) WE WERE FORMED ON JUNE 24, 2013 AND HAVE A BRIEF OPERATING HISTORY. WE HAVE NO HISTORY OF FRANCHISE OPERATIONS. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE.
- 4) WE CURRENTLY DO NOT ENGAGE THE SERVICES OF FRANCHISE BROKERS.
- 5) YOUR TERRITORY IS NOT AN EXCLUSIVE TERRITORY BUT A PROTECTED AREA AS FURTHER DESCRIBED UNDER ITEM 12 TITLED TERRITORY.
- 6) THE FRANCHISEE'S SPOUSE MUST SIGN A PERSONAL GUARANTY MAKING SUCH SPOUSE JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT WHICH ALSO PLACES THE SPOUSE'S PERSONAL ASSETS AT RISK. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE.
- 7) THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE OPPORTUNITY.

Effective Date: See next page for state effective dates

IMPORTANT NOTE: Upon receipt of this Franchise Disclosure Document [FDD] and Franchise Agreement, you are required to sign and return the "Receipt Form" which is Exhibit J of the FDD and return it Makebody Franchising, LLC by mail if this document has (i) been sent to you rather than personally delivered by a corporate representative or (ii) sent to you by email.

Effective Date for Non Registration States: November 15, 2013

The states listed below may require registration or filing of this Disclosure Document. If this offering is registered in any of these states, the effective date of the registration may differ from the date of issuance of this Disclosure Document as stated below. Some of these states may require different or additional disclosures or revisions to the Franchise Agreement (see the State Addenda to this Disclosure Document for certain states).

Effective Dates for States Requiring Registration and Notice Filings:

California:

Connecticut: Not Registered

Florida: Not Registered

Hawaii: Not Registered

Illinois: Not Registered

Indiana: Not Registered

Kentucky: Not Registered

Maryland: Not Registered

Michigan: Not Registered

Minnesota: Not Registered

Nebraska: Not Registered

New York:

North Carolina: Not Registered

North Dakota: Not Registered

Rhode Island: Not Registered

South Carolina: Not Registered

South Dakota: Not Registered

Texas: Not Registered

Utah: Not Registered

Virginia: Not Registered

Washington: Not Registered

Wisconsin: Not Registered

Franchise Disclosure Document [FDD]
Makebody Franchising, LLC

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS & AFFILIATES

The Franchisor is Makebody Franchising, LLC, a New York limited liability company, doing business as "Make Body®." For ease of reference, Makebody Franchising, LLC, will be referred to as "we," "us," "our," "Franchisor" or "MBF" in this Disclosure Document. We will refer to the person or entity who buys the franchise as 'you,' 'your,' or 'Franchisee,' throughout this Disclosure Document. If you are a corporation, limited liability company, partnership or any other entity, certain provisions of the Franchise Agreement also apply to your shareholders, members, partners or owners and will be noted. Any such entity may be referred to as "Entity" and those who own the Entity may be referred to as "Owners."

We are a New York limited liability company, incorporated on June 24, 2013. We do business under the same name as our corporate name "Makebody Franchising, LLC" and may also use the name "Make Body" or "Make Body." Our principal business address is 40-22 Main Street, Flushing, NY 11354. We operate (through an affiliate disclosed below) and sell franchises for the operation of businesses that operate in a uniform system and in accordance with the business format created and developed by "Make Body®" (the "Business", "Franchise" or "Franchised Business"). We offer a Franchise Agreement for the development and operation of an upscale women's lingerie store specializing in bras, undergarments, shapewear, sleepwear and intimate apparel at a specified location that is within a protected territory. This is the first time MBF has offered franchises of the type described in this Disclosure Document and MBF has never offered franchises in any other line of business. MBF's agents for service of process are disclosed in Exhibit B.

Our Predecessors and Affiliates:

There are four operating businesses that offer similar services to a Make Body®, which include our predecessor and affiliates described below. The following is a list of MBF's affiliates including principal addresses and number of locations for each.

Our affiliate, Universal DNA Determining Center, LLC ("UDDC") owned by De-Xin Xu, began operations as a New York limited liability company on November 22, 2006. UDDC shares the same physical address as us and operates three company-owned outlets owned by UDDC: Make Body® located at 5003 8th Street, Brooklyn, New York 11220, which began operations on January 13, 2011; Make Body® located at 28 Bowery, Unit A, New York, New York 10013, which began operations November 13, 2011; Make Body® located at 40-22 Main Street, Flushing, New York 11354; and Make Body® located at 40-22 Main Street, Flushing, New York 11354 which began operations on September 21, 2012. All locations are businesses substantially similar to the franchise businesses offered by us. UDDC will be providing franchisees with racking systems, mannequins, all privately labeled products and packaging materials as an approved vendor. UDDC and MBF are independent entities and UDDC does not assume any of our legal or other obligations, or us of theirs.

Our affiliate, MB Store 4, LLC ("MBS4"), also owned by De-Xin Xu, was formed on July 1, 2013 as a New York limited liability company. MBS4's physical address is 143A Hester Street, New York, New York 10002 and operates a business substantially similar to the Franchise Business being offered for sale by us. MBS4 and MBF are independent entities and MBS4 does not assume any of our legal or other obligations, or us of theirs.

None of our affiliates offer franchises in any line of business.

Our Business and the Franchises Offered:

The Make Body[®] business model has been developed for the establishment and operation of an upscale lingerie boutique offering specialty items that are custom fit for women. The boutique is typically located in upscale shopping centers, shopping malls or free standing structures (all of which must be approved by us) featuring only high-end proprietary and privately labeled products that are not typically available in mainstream retail stores. A Make Body[®] franchise is a woman's lingerie boutique that will offer: an entire series of functional bras (such as classic, romantic, push-up, luxury and bras made of specialty fabric and trace mineral elements), undergarments, shapewear (such as corsets, hip lifting, leg slimming and body shaping products using different levels of pressure), sleepwear (such as pajamas, night gowns and night shirts, robes, etc.) and intimate apparel (such as slips, garters, satin and lace products, etc.) in addition to offering one-on-one private fitting sessions to custom fit all products along other services and products as approved by us. We may authorize the sale of additional products and services to be offered by you in the future such as: women's bridal wear, swim wear, sports apparel, bath and body products, cosmetics, perfume, miscellaneous gift products, accessories, approved off-site events (such as expos or fashion shows) and other products and services approved by us.

Competition includes other women's lingerie and intimate apparel stores, specialty retail stores operated by designers, discount retail stores, department stores and boutiques operated by national chains, franchised operations and independently owned retailers offering similar products to those found in a Make Body[®] business. You may also face competition from Internet retail websites. Your typical customers will be women and generally there is no seasonality to this business. The retail industry in general is highly competitive throughout the United States as the market is continuously changing and evolving.

The Make Body[®] business is an upscale lingerie boutique that is characterized by a uniform business format that offers distinctive privately labeled products; personal design and fitting consultants; purchasing strategies, merchandising, sales techniques and methods; an inventory management system, a unique and recognizable exterior and interior layout with décor, color scheme, displays and furnishings; a local Franchise web page housed within the national website; customer service guidelines, manufacturer, vendor and supplier specifications; guidelines for hiring and retaining staff, operational procedures for a Make Body[®] business; procedures for safety and quality control; training and ongoing operational assistance; marketing, advertising and promotional programs; our confidential operations manuals ("Operations Manual", "Manuals" or "Operating Manuals") and other manuals which are made available either in hard copy or electronically; all of which may be changed, improved, and further developed by us periodically (the "System").

The System is identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, including, but not limited to, marks "Make Body" which is registered on the principal register of the United States Patent and Trademark Office, bearing the registration numbers 3,391,047. The mark with design "Make Body" is also registered on the Principal Register of the United States Patent and Trademark Office, bearing registration number 4,134,659. You will be licensed to use not only these marks and design, but also all other service marks, trademarks, slogans, logos and emblems as we may designate for use in connection with the System (collectively the "Marks" and each "Mark").

Your own efforts and skills are necessary for you to succeed, but not a guarantee of success. We cannot guarantee your success, as there exist both typical and special business risk factors. These include but not limited to: changing market conditions, competition, cost of products and supplies; new technologies, changing consumer demands, poor weather conditions, real estate market, capital, labor, your own health, continuity of your

management, continuation of sources of supply, availability of financing, recession or depression locally or nationally, wars, strikes, acts of terrorism, changes in laws or regulations, emergencies whether natural or man-made, litigation, liability and casualty losses.

Other risks that may affect your business include but not limited to: industry developments, pricing policies of your competitors, your ability to establish a revolving line of credit, state licensing or permit requirements, supply and demand and your dependence on key personnel, the loss of whom could have an adverse effect on your Business. The purchase of a Make Body® franchise is a speculative and significant investment beyond that outlined in this Disclosure Document that may be required to succeed. There are no guarantees for success and the most important factors in the success of any Make Body® Franchise, including yours, are your personal business, marketing, management, judgment, other skills and your willingness to work hard and diligently to follow our System.

We have not offered franchises in other lines of business in the past. We do not engage in any business other than the offering of franchises.

Laws and Regulations:

Generally, there are no governmental regulations that apply specifically to operating a retail store specializing in women's lingerie and intimate apparel. You must comply with all local, state and federal laws that apply to your business and to the public use generally. Those laws include health sanitation, smoking, Equal Employment Opportunity Commission ("EEOC"), Occupational Safety and Health Administration ("OSHA"), Federal Trade Commission ("FTC"), federal and state income and payroll taxes and withholding, consumer protection laws, pricing laws and employment laws. Such employment laws include regulations concerning wage rates, mandated employee benefits, employment taxes, worker safety, unemployment compensation, workers' compensation, teenage labor practices, disabled employees and discrimination in employment practices. You will be subject to the Americans with Disabilities Act ("ADA") which prohibits practices that discriminate against physically and mentally challenged individuals regarding access to public accommodations and employment opportunities. There may be other laws, regulations and codes applicable to your business and we urge you to make further inquiries about those laws and codes.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. Although we may monitor legal requirements that affect our franchisees and we make our information available to you, because of the number of potential state and local issues, we cannot guarantee that it will be complete, current and accurate. Therefore, we recommend that before signing the franchise agreement, you engage an attorney or other professional advisor to assist you in both determining what laws, ordinances and regulations may affect your establishment and/or operation of a Make Body® Business, and in complying with them. You are responsible for obtaining licenses required in your state, county, as well as locality.

It is your sole responsibility, to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time. We recommend that you consult with your attorney for an understanding of all the laws applicable to your specific Make Body® Franchise.

Item 2
BUSINESS EXPERIENCE

President/CEO: De-Xin Xu (Sonny): Sonny is the founder of the Make Body[®] retail business serving as our President since our date of formation of June 24, 2013. Sonny has been responsible for overseeing the manufacturing of our products and establishing our merchandising procedures. From November 2006 to present Sonny has served as President for our affiliate, Universal DNA Determining Center, LLC, in Flushing, New York that was selling products wholesale until opening the first retail business in 2011.

Director of Operations: Zhi Juan Xu (Jenny): Jenny is the wife of our founder Sonny serving as Director of Operations since our inception June 2013. She has been responsible for establishing our fitting and customer service procedures, training all body designers and overseeing store operations. From November 2006 to present Jenny has served as a Body Designer for our affiliate, Universal DNA Determining Center, LLC, in Flushing, New York overseeing all of its Make Body[®] locations.

Director of Training: Xi Ying (Emily): Emily has been serving as Director of Training since our inception June 2013. She has been responsible for training managers and employees on all aspects of our business. From July 2011 to present Emily has been a Store Manager for our affiliate, Universal DNA Determining Center, LLC, based out of our New York, New York location. Previously from November 2010 to June 2011 she was a Sales Clerk for Shiseido based out of New York, New York. From November 2008 to October 2010 she was a stay at home mom in Brooklyn, New York.

Director of Training Coordination: Shu Ting Liu (Tammy): Tammy has been serving as a Director of Training Coordination since our inception June 2013. She has been responsible for training employees on sales and customer service. From June 2011 to present Tammy has been a Store Manager for our affiliate, Universal DNA Determining Center, LLC, based out of our Brooklyn, New York location. Previously from July 2008 to May 2011 she was a Manager for Universal ABC Beauty Supply based out of Brooklyn, New York.

Director of Information Technology: Jesse Xu: Jesse is the son of our founder Sonny serving as Director of Information Technology since our inception June 2013. He has been responsible for all computer-related technology and POS training. From August 2012 to present Jesse has been serving as an IT Manager for our affiliate, Universal DNA Determining Center, LLC, in Flushing, New York overseeing all of its Make Body[®] locations. From July 2007 to August 2013 Jesse has served as an IT Manager for Sinovision Television Company based out of New York, New York.

Product Trainer: Cynthia Xu: Cynthia is the daughter of our founder Sonny serving as a Product Trainer since our inception June 2013 and has been responsible for training employees on all our products. From August 2010 to present Cynthia has been a Product Trainer for our affiliate, Universal DNA Determining Center, LLC, based out of our New York, New York location working at all our Make Body[®] locations. From September 2009 to present she has been a Student at the New York City College of Technology based out New York, New York. Previously she was a Student at Fort Hamilton High School based out of Brooklyn, New York.

Item 3
LITIGATION

No litigation is required to be disclosed in this Item.

Item 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

Item 5
INITIAL FEES

The Initial Franchise Fee for a single area Franchise (the "Initial Franchise Fee") is \$5,000 for a Make Body® business in a protected area half is due (\$2,500) upon the execution of the Franchise Agreement and the other half (\$2,500) is due within the first two (2) weeks the Franchisee's Business is open for operation. The protected area of a Franchise is determined once a location is identified and approved by us. The Initial Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. The Initial Franchise Fee also includes the development of a custom local web page for your Business housed within our national website that may include access to franchise portals online for additional training, ongoing news bulletins and templates for print and advertising materials to support your Business; a comprehensive training program including an Operations Manual, a seven day training program for a Make Body® Business at our corporate headquarters; and up to an additional five days of assistance and guidance at your location for pre-opening and/or grand opening assistance. You must purchase specific furniture, fixtures products and supplies from us, our affiliates or approved vendors and/or suppliers and the costs for these items may not be refundable (see Item 7 and Item 8). You will be provided with a written list of approved furniture, fixtures, products, vendors and/or suppliers during training. At the time you sign your Franchise Agreement or at any time you are in good standing under your Franchise Agreement, you may purchase a second franchise (and any additional franchises thereafter) for \$2,500 each if we offer additional franchises to you.

The Initial Franchise Fee is deemed fully earned and nonrefundable upon payment per the terms of the Franchise Agreement.

We may offer you an option to be awarded a Make Body® Franchise, on the terms set forth in the Option Agreement attached as Exhibit F. Under the Option Agreement, you have three months to enter into a Franchise Agreement for a Franchised Business within a designated territory. In exchange for the option, you pay a nonrefundable fee of \$1,500 that (i) will be credited toward the Initial Franchise Fee if you exercise the option to purchase an initial franchise during the three month option term or (ii) will be credited toward the franchise fee for an additional franchise if you exercise your option to buy an additional franchise during the three month option term following the purchase of the option to buy an additional franchise. The Franchise Fee upon exercise of an option will be the same amount as the initial fee without an option.

Except as provided above and in Item 11, the Initial Franchise Fee and Option Fee are not refundable and are payable in full when you sign the Franchise Agreement or Option Agreement, as applicable, except as provided in Item 11. In certain states, as required by state authorities based on a review of our financial statements, we defer our receipt of the Initial Franchise Fee and all other initial payments or deposit them into escrow until we have met our initial obligations to you (see state addenda in Exhibit D).

We may decide to offer a program in the future whereby franchisees can receive a flat referral fee of \$1,500 in cash, services or product credit for referring a third party franchise prospect to us, who ultimately becomes a Make Body® franchisee. You are authorized only to present a prospect with our informational brochure and to identify the prospect to our company franchise sales staff. You are not authorized to act as our agent or

franchise broker and are not instructed to provide any information to prospects other than our information brochure. If you receive a referral fee, notice will be given to the prospective franchisee receiving the Disclosure Document, together with the same type of information reported in Item 2 and Item 3 of this Disclosure Document about Franchisee. We retain the right in our sole discretion to modify or terminate this referral program at any time with or without notice. The factors concerning our decision to start, modify, or terminate the referral program include the number of franchises that we sell, the number of referrals that we receive from current franchisees, and the quality of referrals that we receive from current franchisees.

Item 6
OTHER FEES

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalties	A flat \$500 per month starting on the fourth month your Business is open for operation.	Due by the 5 th day of each month for the previous month.	See Note 1
System Advertising Fee	A flat \$50 per calendar month starting on the fourth month your Business is open for operation	Due by the 5 th day of each month for the previous month.	We may increase this fee once in any calendar year, but not more than \$25 per month upon 90 days' notice to you. See Note 2 & Item 11.
Advertising Local	Minimum of \$800 per calendar month after opening except during the first month after opening you must spend at least \$1,500 for Grand Opening	Spent by you to promote your Franchise business locally	See Note 3 and Item 11
Interest and Late Charges	1.5% per month, plus \$25 provided the interest rate cannot exceed the minimum legal rate.	On due date of fees	See Note 4
Additional Training	\$200 per person per day or actual costs of third party charges	At time additional training is scheduled and/or additional assistance is requested by you.	While the Initial Franchise Fee includes the cost for our initial training program, the Initial Franchise Fee only covers such training for up to three individuals. See Item 11. Additionally this fee is applicable upon an approved transfer of the Franchise.

Transfer Fee	A flat \$5,000 for each Franchise. If transferee came from our lead database, you may be required to pay the then-current referral fee to us plus any costs associated with applicable broker fees.	At the time the transferee signs the Franchise Agreement in effect for transfer or sale	Payable to us when the Franchise Agreement or a material portion of the assets in the business is transferred. See Note 5
Costs and Attorney's Fees	Will vary under circumstances	As Incurred	Payable as incurred by us in any action for the enforcement of any item of the Franchise Agreement
Indemnification	Will vary under circumstances	On Demand	As Incurred; See Note 6
Renewal Fee	A flat \$5,000 for each Franchise	At the time of the ten year renewal period for each Franchise.	For the same protected area
Maintain and Renovate Business	\$0 - \$2,500 estimated cost per year or up to \$10,000 every fourth year to maintain and renovate your Business as necessary.	As Incurred	We may require you to renovate your Business once every four years. Payable to third parties.
Product and Vendor Assessment Fee	\$100 for any product, manufacturer, vendor and/or supplier you wish to offer or use in your Business that has not been previously approved by us.	On demand	Payable to us; See Note 7
Conference Fee	Conference fee, travel, transportation, lodging, meals and incidental expenses in addition to compensation of the people you send to any conferences will vary under circumstances. There will be a registration fee for conferences not to exceed \$500 per person although we will attempt to keep the cost so it does not exceed our cost.	As Incurred	As Incurred and payable to third parties.

Continuing Education	Will vary under circumstances. Continuing Education is estimated not to exceed \$200 per person per day subject to the current per diem fee plus our expenses. There will be a registration fee for conferences.	As Incurred	The location for the Continuing Education will be at our headquarters although we reserve the right to provide them over the internet or phone. There may normally be an annual conference for all franchisees and other conferences as needed. Also see Item 11, (14) (ii) for more detail.
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Except as stated above, you pay all fees to us and the fees are uniformly imposed. All fees are non-refundable.

Note 1: The royalty obligation begins on the fourth month your Business is open for operation then continues for the term of your Franchise. The royalty is due and payable monthly on or before the 5th day of each month, but is to be paid to us how we specify. The royalty rate is a flat \$500 per calendar month. If your store opens for business on the 15th of the month or any time thereafter, then your then your Business will be deemed open for operation the next calendar month. For example if you open your Business on April 16th then we would consider May as your first month in operation and since there are no royalties due for your first three months, your royalty payments would begin in September for your August royalty obligation. If your Franchise Agreement is terminated, you may be required to continue royalty payments for the remaining term of your Franchise Agreement.

Royalty fees shall be payable by direct deposit from franchisee's account to our account by electronic funds transfer or other method we determine. See Direct Deposit Agreement attached as Schedule 1 of the Franchise Agreement. We reserve the right to change the time and manner of payment for the Royalty Fee upon written notice to you. All royalty fees are collected only by us. All royalty fees are uniformly imposed.

Note 2: You will pay us a System Advertising Fee contribution equal to a flat \$50 per calendar month as defined in the Franchise Agreement. The System Advertising Fee is collected by us and all System Advertising Fees are non-refundable. The System Advertising Fee begins on the fourth month your Business is open for operation (as defined in Note 1) and is due on or before the 5th day of each month then continues for the term of the Franchise. We may raise, discontinue, or reduce the contribution, but your total contribution will not increase more than \$25 per month in any calendar year. You pay the System Advertising contribution at the same time and under the same terms as the royalty described above. System Advertising Fees are uniformly imposed on all franchisees,

We will place the System Advertising Fee contribution in a separate bank account. We may use this fund for marketing, local, regional, national, or international advertising, public relations, promotions, surveys, test marketing, research and development administration (including all related expenses such as our salaries, accounting, collection, legal, and other costs), and any media costs. We make the expenditures at our discretion. We do not represent that any particular level of expenditure will be made for particular programs or to benefit particular franchisees or franchised locations. We are not required to spend any amount on advertising in the area where you are located. We will not spend advertising funds for activities that are principally a solicitation for the sale of franchises. There is no fiduciary relationship between us and you concerning any System Advertising Fee contribution. All System Advertising Fees are collected only by us. All System Advertising Fees are uniformly imposed.

Note 3: We do not have any regional advertising cooperatives at this time, and therefore company-owned outlets do not have controlling voting power over any regional advertising cooperatives.

Note 4: Interest and late charges begin to accrue from the due date of payment. You must also pay any damages, expenses, collection costs and reasonable attorney fees we incur when you do not make the required payments. All interest and late charges are payable only to us, and collected only by us at this time. Interest and late charges are uniformly imposed. Interest and late charges are non-refundable.

Note 5: We charge a transfer fee to you in the event that you transfer any of the assets of your franchised business, any of its stock, membership units, partnership units, enter into a management agreement, or other attempt to sell, rent, license, or transfer the franchised business, except a transfer to your spouse upon your death or permanent disability. All transfer fees are collected only by us, and are uniformly imposed.

Note 6: You must protect, defend, indemnify and hold us harmless against any claims, lawsuits or losses arising out of your operation of the Franchised Business. If you default under the Franchise Agreement and we engage an attorney for collection or enforcement, you must pay all our damages and costs to the extent permitted by law. All indemnification costs are payable only to us, and collected only by us. Indemnification costs will vary depending on the amount of damages, and attorneys' fees that we incur to collect any amounts due and owing by you according to the Franchise Agreement, or enforce the Franchise Agreement. Indemnification costs are non-refundable (Franchise Agreement Section XVIII).

Note 7: You will be required to obtain our written approval for any product, vendor and/or supplier you wish to offer or use in the operation of your Business that is not on our pre-approved list (as described in Item 8) and you will be responsible for paying us an assessment fee. This fee is \$100 for any single product, manufacturer, vendor and/or supplier you wish to sell, offer, use and/or substitute in your Business. We may waive these fees if the products, manufacturer, vendors and/or suppliers you select meet requirements and are added to our approved list of products, manufacturers, vendors and/or suppliers for all Franchise locations. All product and vendor assessment fees are payable only to us. All product and vendor assessment fees are collected only by us. Product and vendor assessment fees are non-refundable and are uniformly imposed.

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Item 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$5,000	\$5,000	Lump sum; the Initial Franchise Fee is \$5,000 for a defined territory which includes training. This franchise fee is non-refundable.	At signing of the Franchise Agreement	Franchisor See Item 5
Computers, Software POS System, Packaging and Office Supplies	\$8,500	\$11,500	As incurred for computers, software, printers, POS system, high-speed internet connection, modems and routers, flat screen televisions, telephones with an answering, camera surveillance system, music system with DVD player, time clock, packaging materials and general office supplies.	Before Opening	Payable to us, our affiliates or third parties; Note 1 Vendors
Furniture and Fixtures	\$6,800	\$13,500	As incurred; actual cost will vary based on the size for your Business. Costs include furniture and fixtures necessary for the operation of the Business.	Before Opening	Vendors Note 2
Shipping and Delivery	\$1,100	\$3,000	As Incurred; estimated costs for shipping and delivery of all furniture and fixtures. Shipping and delivery expenses vary depending on the size of your order and distance.	Before Opening	Approved Vendors
Real Estate	\$2,850	\$12,750	As incurred; estimated expenses for your business location and is based on leasing 500 to 1,500 square foot facility. This estimate includes first month's rent plus a security deposit.	Before Opening	Landlord Note 3
Leasehold Improvements	\$25,000	\$60,000	As incurred, the costs to construct interior alterations and improvements to decorate the facility. This amount depends on the extent of the renovations needed to convert your space into separate areas and any allowance you negotiate with the lessor for construction.	Before Opening	Landlord Note 4
Utility Deposit	\$300	\$800	As incurred; costs will vary due to policies of local utilities and this estimate includes a utility deposit.	Before Opening	Local Utility Suppliers
Start Up Inventory	\$33,000	\$49,000	As incurred; estimates for a startup inventory of products and supplies necessary for the operation of the Business.	Before opening as incurred over the course of the first month of operation	Payable to us, our affiliates or third parties; See Note 5
Signage	\$7,000	\$10,000	Lump sum; estimated cost for the delivery and installation of exterior and interior signage (including all display pictures). We specify and provide you with the guidelines in the Operations Manual. Signage expenses are not refundable.	Before Opening	Vendors

Grand Opening Marketing	\$1,500	\$2,500	As incurred; marketing will vary depending on several factors including your business plan, growth rate, cost of media in your area and ability to attract customers. Includes minimum amount of \$1,500 for grand opening expenses, which must be spent within first month of operation.	Over the course of the first month	Local Vendors
Staffing	\$8,000	\$19,500	As incurred; certain franchisees will need to hire body designers and sales staff. This is an estimate for the first three months of operation.	Over the course of three months	Salaries and Expenses
Insurance	\$1,800	\$2,500	Lump sum; before commencing operations of the Business and as required by the insurance company.	Spent over the course of 12 months	Payable to third parties; See Note 6
Travel, Lodging and Meals for Initial Training Program	\$800	\$2,100	As incurred, training is held at corporate headquarters. You are responsible for all costs associated with attending such as travel, room and board. Estimate provided is for one person. Additional training is available at your request for which an additional training fee of up to \$200 per person per day may be required.	Before Opening	See Item 11
Business Licenses, Permits and other Professional Fees	\$500	\$2,500	As incurred; licenses required to operate the Business and any professional legal and accounting fees incurred.	Before Opening	Appropriate licensing authorities and Third Parties
Operating Expenses and Additional Funds	\$25,000	\$55,000	As incurred; additional funds necessary for the start-up of your business which includes working capital and may include additional training. You may be able to establish a line of credit with different vendors which will minimize the amount of capital you need for additional inventory.	Spent over the course of the first three months	See Note 7
Total	\$127,150	\$249,650			

Except as provided below, other than security deposits and utility deposits, all payments and fees described in this Item 7 are non-refundable.

Note 1: You must purchase computers, software, a Point of Sale ("POS") system, music system, televisions and a camera surveillance system in addition to a small inventory of packaging materials and office supplies for the operation of your Business as specified in the operations manual. The low estimate represents current costs for one computer, software, one POS system, one flat screen television, one printer and copier combination machine, modems and routers, one camera surveillance system with eight stations, one music system with four speakers, one time clock, an assortment of packaging materials (such as logoed shopping bags) and general office supplies. The high estimate represents current costs for two computers, software, one POS systems, two flat screen televisions, one printer and copier combination machine, modems and routers, one camera surveillance system with twelve stations, one music system with eight speakers, one time clock, an assortment of packaging materials and general office supplies. You must purchase only approved computers, software, POS systems, televisions, music systems, time clock, camera surveillance systems and packaging materials that meet our specifications, which may change

from time to time and such items must be purchased through us, our affiliates and/or vendors or suppliers approved by us. All such items may not be refundable depending on the terms of the invoice or purchase agreement with that particular supplier (Franchise Agreement Sections XII.H, XII.I, XX.H and XX.I).

Note 2: This is an estimate for the items we would expect you to need for chairs, filing cabinet, sofas, tables, benches, ottomans, mirrors, floor and wall racking systems, shelving units, display cases, cabinets, storage containers, storage racks and mannequins all necessary for the operation of your Business. Actual furniture and fixture costs may vary due to square footage. You must purchase only approved furniture and fixtures that meet our specifications, which may change from time to time and such items must be purchased through us, our affiliates and/or vendors or suppliers approved by us. If applicable, you must also pay state and local sales tax on purchases of furnishings and fixtures. The sales taxes may range from 3% to 10% of the purchase price and are not included in these estimates. Expenses for the furniture and fixtures may or may not be refundable depending on the terms of the invoice or the purchase agreement with that particular supplier.

Note 3: A typical Make Body[®] Business is in a shopping center, mall or a free-standing building with approximately 500-1,500 square feet of space. This estimate represents rents that range from \$2.85 per square foot per month to \$4.25 per square foot per month for a 500 to 1,500 sq. foot facility respectively. Real estate costs depend on location, size, visibility, economic conditions, accessibility and competitive market conditions. These sums do not include the costs to purchase real property, as we do not expect you to buy real property. You may be able to reduce this expense if you are able to occupy a space in an existing location that compliments another business. The space must be an enclosed and separate from other businesses with its own locking door. Lease payments for the period of time you occupy your premises may not be refundable.

Note 4: We advise you to find a space needing minimal leasehold improvements. In most cases you will need to alter the interior of your Business before you open for operation (for example installing led lighting, ceiling tiles, flooring and dressing rooms). The costs will vary widely and may be significantly higher than what is projected in the table above depending on such factors as property location, the condition of the property and the extent of alterations required for the property. The high end estimate does not reflect the potential need to add bathrooms, fire sprinklers, fire alarms and add an HVAC system that entail mechanical, electrical and plumbing costs. You should investigate all these costs in the area in which you wish to establish a Make Body[®] Business. Architect and permitting costs are not included in this estimate. Whether or not any build out expenses are refundable depend on the terms and conditions of your contracts with construction and mechanical contractors, as well as your lease agreement. You may incur greater or lesser leasehold improvement costs depending on your ability to negotiate leasehold improvements with your landlord. Lease payments for the periods of time that you occupy your premises may not be refundable. In the event you leave your leased premises before the termination of your lease, you may owe the landlord payment for the entire lease term depending on the terms and conditions of your lease, and you may be personally responsible for the deficiency, because many Landlords require that tenants sign a personal guaranty as a condition of entering into the Lease (Franchise Agreement Section XII.S and XII.T).

Note 5: You must purchase a variety of different products, supplies, marketing and promotional materials for the general operation of the Franchised Business as specified in the Operations Manual. The types of products and supplies include but are not limited to: our privately labeled line of bras, undergarments, shapewear, sleepwear and intimate apparel; a variety of supplies (such as promotion cards, sanitary wipes, tape measures, box cutters, hangers, tags, fasteners, steamers, cleaning and janitorial supplies), stationary, product menus, design books and other miscellaneous products and supplies as specified by us. Your initial inventory of products will vary according to the size of your Business, availability of products, the square footage of your location, your decisions regarding the appropriate mix of products for your market, anticipated sales volume and current market prices. You

must offer and purchase products that meet our specifications, which may change from time to time. We will provide you with a written list of approved products you must offer for sale and a written list of approved vendors and/or suppliers you must purchase products and supplies from to operate your Business. All privately labeled products must be purchased from our affiliates and all other products and supplies must be purchased through us, our affiliates or our approved vendors and suppliers, except all marketing and promotional materials must be purchased directly from us. Whether or not any of the purchases for products or items that you purchase are refundable depends on the terms of the invoice or purchase agreement (Franchise Agreement Sections XII.I and XX.I).

Note 6: This estimated amount represents twelve months of pre-paid insurance premiums that does not take into account workers' compensation insurance which may vary greatly by state, payroll and classification. You must obtain and keep general comprehensive liability insurance with a minimum policy limit of \$1,000,000 per occurrence and \$2,000,000 aggregate or in amounts we may require to reflect inflation, identification of new risks, changes in law or other relevant changes in circumstances. You are also required to obtain product liability insurance (covers you for damages that result in injury from products that you distribute) with minimum policy limit of \$2,000,000 per occurrence or an amount we reasonably specify, All Risk property insurance that covers the assets of the Business and Business Interruption Insurance (Franchise Agreement Section XIII).

You may need other insurance such as tenant's liability, statutory workers' compensation insurance (if applicable) and employer's liability insurance with minimum policy limits of \$1,000,000 or an amount we reasonably specify. You may need automobile liability insurance, professional liability insurance (covers you for damages that you create that do not result in property or bodily injury) employment practices liability insurance and employee dishonesty insurance are optional however we may require you to obtain this coverage in the future with liability limits of amounts we may reasonably specify. We may change these insurance requirements on reasonable notice to you. There are no other insurance requirements. Whether or not any insurance premiums are refundable depend on the terms and conditions of your insurance policies as well as your state's insurance laws and regulations.

Note 7: These figures are just estimates and we cannot guarantee that you will not have higher costs. Competitive conditions described in Item 1 will affect these costs. Estimate includes minimum working capital for the startup of your business. This also includes estimates of miscellaneous startup costs such as: rent for an additional two months, purchasing additional inventory and supplies, workman's compensation insurance payments (if applicable), tax deposits, prepaid expenses, additional permits, legal fees, accounting fees and other miscellaneous costs. Prepaid expenses, permit costs, legal fees, and accounting fees usually are not refundable, but you should check the purchase terms. You may be able secure a revolving line of credit with a lender or with different vendors which will minimize the amount of working capital you need for inventory.

Total Estimated Initial Investment. The total estimated initial investment is an estimate only of the range of startup expenses you may incur. We relied on our principals' combined experience when preparing these figures. The actual amount of funds you will need depends on a variety of factors, including but not limited to the size of your Business, the location of your Business, the time of year when you start your Business, the amount of inventory you purchase, implementation of a marketing plan, your own management skill, economic conditions, competition in your area and other factors. The estimate of initial investment funds is based on an owner-operated business, or incorporating Franchise operations to an existing complimentary business and does not include salaries or benefits for full-time employees. As your Business grows, you may choose to hire additional employees to service customers.

These figures are just estimates and we cannot guarantee that you will not have higher costs. Competitive conditions described in Item 1 will affect these costs. This estimate of startup costs is calculated for a period of one month (except as stated otherwise), with additional operating capital to be available as may be needed during the

initial phase. These costs do not include your Royalties or System Advertising Fees which begin immediately after the opening of your Business for operation. These costs should be included in your projections of overall operations costs beginning with your first month of operation. Franchisor acknowledges that a Franchisee may choose to invest additional funds into their business during the first three months of operation, and sometimes longer, but we cannot estimate or promise when, or whether, any individual Franchisee will achieve positive cash flow or profits. These amounts are estimates only and specific amounts will vary with local market conditions, which are outside our control. You should review the figures carefully with a business advisor and identify your individual expenses along with cash flow projections before making any decision to buy a franchise.

We do not offer financing, directly or indirectly, for any part of the initial investment for a Franchise. The availability and terms of third party financing will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have, and the lending policies of financial institutions. The estimate does not include any finance charges, interest, or debt service obligation, or your living expenses. You should have sufficient capital or other means to pay for your living expenses for at least six months of operation.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We may offer or designate others to offer certain products, supplies or services and we may become approved suppliers or the only approved supplier(s) for these and other products and services. The products, supplies or services include: our privately labeled line of functional bras (such as classic, romantic, push-up, luxury and bras made of specialty fabric and trace mineral elements), undergarments, shapewear (such as corsets, hip lifting, leg slimming and body shaping products using different levels of pressure), sleepwear (such as pajamas, night gowns and night shirts, robes, etc.), intimate apparel (such as slips, garters, satin and lace products, etc.), furniture and fixtures, POS System, software, camera surveillance system and televisions in addition to supplies (such as: packaging materials, box cutters, hangers, tags, etc. as described in Item 7), signage, printed advertising materials, promotional items, shows and event marketing opportunities, and vendor, co-branding, affinity programs. Due to the nature of a Make Body® Business and our line of privately labeled products, all products that you offer for sale in your Business must be purchased from our affiliate (as described below) and other items you need for the operation of your Business must be purchased from us, our affiliates or approved manufacturers, vendors and suppliers.

You cannot purchase unapproved products from any manufacturer, vendor and/or supplier that are not on our pre-approved list without our written permission. We will provide you with: a written list of approved products you can offer for sale in your Business, recommended procedures when purchasing products for your Business, strategies for purchasing products and a written list of approved manufacturers, vendors and/or suppliers to purchase products from during our initial training program. We are not the only approved supplier for such products, supplies and services that you are required to use for the operation of your Business, except you must purchase all promotional and marketing materials and updates to such materials from us. As of the effective date of this Disclosure Document, all updates to such promotional and marketing materials are optional, but we may in the future mandate that you purchase certain updates at your expense. We require this in order for you to sell products and offer services from our approved products list. As we continue to develop proprietary products or if we develop software in the future, you must purchase such items from us, our affiliates and/or approved manufacturers or suppliers. We may become approved suppliers or the only approved supplier(s) for other products, supplies and services. We may, in the future, negotiate purchase arrangements with the manufacturers and vendors on the approved suppliers list for the benefit of you in the areas of costs and customer support.

Universal DNA Determining Center, LLC, which is our affiliate owned by De-Xin Xu who is one of our officers, is currently the only approved supplier that will provide some furniture and fixtures (such as racking

systems, mannequins, posters and signage), our line of privately labeled products and packaging materials to you for the operation of your Business. We do not know the precise basis or amount of total revenue earned from purchases for such items for the last fiscal year because we are a new franchise system and our affiliate has never previously collected them. Nor do we know the actual percentage of our affiliate's total revenues that such purchases will amount to, as they have never previously collected such payments.

You are required to adhere to the standards and specifications established periodically by us with respect to your Make Body[®] Business (also referred to as the "Boutique"), purchasing strategies, products offered for sale, business procedures, customer service, your web page, advertising, marketing, vendors and services to be used and/or offered through your Franchise, and other items for the operation of your Boutique. You must operate the Boutique in strict conformity with the methods, standards and specifications that we prescribe in the Operations Manual or otherwise in writing. You must maintain a sufficient supply and sell, offer or use at all times only those products, supplies and services that meet our standards and specifications which may be amended by us periodically. All products and services must be purchased, sold, used or offered in accordance with the specifications and procedures as specified in the Operations Manual or other written materials. You must not deviate from these standards and specifications by the use or offer of non-conforming products, supplies or services, without obtaining our written consent first. You are not permitted to: sell any product that is not on our approved list of products or that has not been approved by us; purchase items from an unapproved manufacturer, supplier or vendor; or use the services of an unapproved manufacturer, supplier or vendor unless you first submit a written request to us for approval and agree to be responsible for all product and vendor assessment fees described in Item 6. We will use our best efforts to advise you within 30 days whether such products, manufacturers, vendors or suppliers are approved as further described below. We will notify you of approval or disapproval by email, or any other form of written communication.

We base our specifications for products, supplies, manufacturer, vendor and supplier approvals on our discretionary determination of quality, accuracy of product claims, safety, value, prompt attention to complaints, frequency of delivery, distribution, appearance, financial stability, litigation against the supplier, supplier product recall history, and contributions or other benefits to us and/or any marketing fund. A list of approved manufacturers, vendors and suppliers from whom all products, supplies and services may be purchased will be provided to you and may be amended by us periodically. We may require manufacturers, vendors and/or suppliers to provide certain information in addition to signing a nondisclosure agreement and agree to guarantee our level of quality and produce sufficient samples to allow us to test the sample at your expense. We may require you to submit to us sufficient specifications, photographs, designs, drawings or other information and samples to determine whether the items meet our specifications. We may require third party testing, in which case you will pay the actual cost of the tests in addition to the product and vendor assessment fee as described in Item 6. We may issue specifications in manuals or directives, in writing or orally, and we may modify them at any time. Our response to an adequate request to approve a product, manufacturer, vendor and/or supplier will be made within 30 days after we receive it. Approval may be revoked in our sole discretion where an approved product, manufacturer, vendor, or supplier does not adhere to the specifications described above. We will notify you either by email or any other written form of communication of our approval of, disapproval of, or revocation of any prior approval of any product, manufacturer, vendor, or supplier.

You must sell, offer and use only the products, supplies and services that we specify in writing and in the manner and style we specify which may be amended by us periodically. If any product, service, manufacturer, vendor and/or supplier are not authorized by us, you are prohibited from using, selling and offering it in your Boutique. We will enforce these limitations by using secret shoppers or unannounced on-site visits to your Boutique on a regular basis. When we make other visits to your Boutique, such as to assist you, we may also take

that opportunity to visibly inspect your inventory and determine if service standards are being met or unauthorized products and/or supplies are being sold or used. In addition, we may receive information from other Make Body® stores and customers reporting that unauthorized products and supplies are being sold and/or used in a Make Body® store. You must permit us or our agents, at any reasonable time, to remove any reasonable number of products from your Boutique free of charge for testing by us or an independent laboratory, to determine whether such items meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing as described above, if we have not previously approved the product or if the product fails to conform to our specifications. We reserve the right to take whatever action we deem necessary in our absolute and sole discretion to ensure service standards are being met and to prevent you from using, selling and/or offering unauthorized products, supplies or services, including seeking injunctive relief or terminating your Franchise Agreement.

You must maintain an inventory of approved products in your Boutique as described above and no less than 60% of your total inventory of products on display must be of approved functional bras; no less than 15% of your total inventory of products must be approved shapewear; no less than 15% of your total inventory must be of approved undergarments and lingerie; and the remaining 10% of approved sleepwear and other approved products at all times. We will provide you with a list of approved products you are authorized to sell in your Boutique after signing the Franchise Agreement and during training. If we require you to maintain specific styles of products in inventory (currently not in effect) and/or if a particular product does not sell well in your Boutique, you may request that the specific style of product or products are removed from the required inventory list. We will respond to your request by e-mail or any other form of written communication within 30 days from the date your request is received.

We may derive income through markups of the prices charged to you for products, supplies or services we supply. We may derive revenue through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved vendors and suppliers. Because we are a new Franchisor, we do not yet know the percentage of our total revenues that will come from your purchases of required products or services. We do not know the precise basis of these payments because we have never previously collected them. If we require you to buy the products from us, we believe that the price and quality will be comparable to similar products from other sources. We may take a portion of that revenue to spend on advertising or place in a separate franchise advertising account. If we require you to buy products or services from a vendor that pays such allowances, we may spend all such fees on related advertising or place them in the separate franchisee advertising account, described in Item 11 below. If we don't require the purchase, we need not place such fees in a separate account or use them on advertising. We are not required to apply these funds to advertising or place them in a separate franchise advertising account, but will use our reasonable discretion in making such decision. No such revenues were received from required purchases made by franchisees in the prior fiscal year.

To maintain uniform quality standards all signage, advertising, trademark usage, trade dress, dress code, products and services you use to operate the Franchised Business must meet our standards and specifications. In addition, you must participate in and cooperate with promotional programs, gift certificate or gift card programs we may establish and follow our requirements and guidelines. We may require you in the future, to use specific software, operational forms, contracts, checklists, promotional items, vendor discounts, allowances and rebates.

We maintain specifications for the construction and build out of your Boutique, leasehold improvements, storage, furnishing, fixtures, POS system, camera surveillance system, signage and décor to be used for the interior and exterior of your Boutique. You may not install or permit to be installed on the Boutique premises any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items without our written consent or that do not comply with our specifications. These specifications may include minimum standards for quality, performance, delivery, safety, durability, appearance, size, color, design, material and other characteristics. Some of these specifications are contained in our Operations Manual and others will be set forth in periodic written

notices to our franchisees. In most cases, the specifications involve confidential and proprietary information regarding the content or formulation of a product and the specifications will only be made available to a supplier who agrees to sign a confidentiality agreement with us. We develop these specifications either through our research and development staff or with a particular manufacturer and they may be modified periodically.

One of our primary methods of communication with franchisees is through memos and/or newsletters we may periodically publish and an intranet system provided to franchisees on our website. You are responsible for knowing all of the information contained in the memos and/or newsletters and the intranet system and in complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of your Boutique through memos or newsletters and intranet system.

All marketing and promotion of your Franchise by you in any medium must be conducted in a professional and dignified manner and must conform to our specified standards and requirements. You must submit samples of all advertising or promotional plans and materials that you desire to use to us for approval if such has not been prepared or previously approved by us. You may not use any marketing or promotional materials that we have disapproved. This includes any web page promotion over the Internet to promote events at your Boutique. You must submit a request to us for any type of web page and/or Internet promotion you wish to do in addition to any edits, changes or updates to your web page. Internet promotions, edits, changes or updates to your web page must be done by us, our affiliates or approved vendors with our consent. Upon approval of your request, you may be responsible for any web page maintenance cost. Our response to your request for such Internet promotions, edits, changes or updates to your web page will be made within 30 days after we receive it. We will notify you by email or any other written form of communication of our approval or disapproval. You must not conduct any advertising without our written permission, in any Social Media such as Twitter, Facebook, LinkedIn and others. You must also supervise your employees to assure they do not post any material on the Social Media sites or any internet sites, regarding the Franchisor or Franchise system whatsoever.

For a Make Body[®] business, you are obligated to purchase a computer, software, POS system, camera surveillance system, televisions, music system, furniture, fixtures, signage and an inventory of products and supplies for the operation of your Business. It is estimated that all your initial expenditures from us, our affiliates or the vendors that we specify and/or approve that meet our standards and specifications will represent approximately 30%-45% of your total initial purchases. It is anticipated that during the operation of your Franchised Business, required purchases from us, our affiliates or the vendors that we specify or approve (not including royalties or labor costs) are estimated to be approximately 80%-90% of your total monthly purchases in the continuing operation of your Make Body[®] Business (this depends on the size of your Boutique, amount of inventory you purchase and sales volume).

We do not provide material benefits (for example renewal or additional franchises) to you based solely on your use of designated or approved sources. We do not belong or require you to belong to any purchasing or distribution cooperatives, although we retain the right to establish them in the future and require you to join them. We may negotiate purchase agreements with suppliers for your benefit in the future, if we choose to do so.

When you decide to open a location for your Franchise under a lease, per the Franchise Agreement, you must submit the proposed lease to us for approval before it is signed. We will not unreasonably withhold our approval for such lease. We have the option to require that the lease (i) be collaterally assigned to us by a collateral assignment agreement in a form and substance reasonably acceptable to us in order to secure performance of your liabilities and obligations to us or (ii) contain the following terms and conditions:

1. The lessor must agree that without its consent, the lease and your right, title and interest under the lease may be assigned by you to our designee or us.

2. The lessor must provide written notice to us (at the same time it gives such notice to you) of any default by you under the Lease and we must have, after the expiration of the period during which you may cure such default, an additional 15 days to cure, at our sole option, any such default and, upon the curing of such default, the right to enter upon the leased premises and assume your rights under the Lease as if the Lease had been assigned by you to us.
3. You are required to furnish copies of all insurance policies required by the Franchise Agreement to us, or such other evidence of insurance coverage and payment of premiums as we request or permit.

Before you open a Make Body[®] for business, you must obtain the insurance coverage for the Boutique as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement and provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us.

1. Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate;
2. Product Liability Insurance that covers you for damages that result in injury from products that you distribute with a minimum policy limit of \$2,000,000 per occurrence and \$2,000,000 aggregate or an amount we reasonably specify;
3. "All Risks" or "Special Form" coverage for the full cost of replacement of the business premises and all other property in which we may have an interest with no coinsurance clause;
4. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners or attributable to prevention of access to the Boutique, with coverage for a period of interruption of 180 days and such longer period as we may specify periodically. Business interruption insurance is required and provides you the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners;
5. Professional Liability Insurance (optional by us) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$500,000 or an amount we reasonably specify;
6. Automobile liability coverage (optional by us), including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit;
7. Crime insurance (optional by us) for employee dishonesty in the amount of \$10,000 combined single limit;
8. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement;
9. Employment practices liability insurance (optional by us) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;

10. Tenant's liability insurance, if such insurance is required by the terms of your lease (if applicable);
11. Any other Insurance required by the state or locality in which the Business is located and operated in such amounts as required by statute; and
12. Other insurance coverage, as we or the landlord may reasonably require.

With regard to any construction, renovation or remodeling of the Boutique, you must maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All of the policies must name us, as additional insured and must include a waiver of subrogation in favor of all those parties.

All insurance coverage shall be taken out in your name and shall name us an additional insured and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above prior to your opening of the Boutique or 120 days following the date that the Franchise Agreement is executed. Each such policy shall provide that it cannot be canceled without 30 days prior written notice to us and that we shall receive at least 30 days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

The cost of insurance purchased in accordance with our specifications will represent less than 2% of your total purchases in connection with the establishment of your Make Body® Business and approximately 1% of your total purchases in the operation of your Boutique. These percentages do not include workers' compensation insurance that will vary with the payroll amount and category of employees.

Item 9 **FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of the disclosure document.

<u>Obligation</u>	<u>Section In Agreement</u>	<u>Disclosure Document Item</u>
(a) Site selection and acquisition/lease	Sections XII.T and XX.C. of Franchise Agreement	Items 7, 11 and 12
(b) Pre-opening purchases/leases	Section VIII of Franchise Agreement	Item 7 and 8
(c) Site development and other pre-opening requirements	Sections VIII, XII.T, XX.C. of Franchise Agreement	Items 6, 7, 11
(d) Initial and ongoing training	Section XX.A. of Franchise Agreement	Item 11
(e) Opening	Section IX.A and XII.G of Franchise Agreement	Item 11

(f) Fees	Sections IX and X of Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies/ Operations Manual	Sections XII.A and XII.H. of Franchise Agreement	Item 8, 11 and 16
(h) Trademarks and proprietary information	Sections XV and XVI of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Section XII.I. of Franchise Agreement	Items 8 and 16
(j) Warranty and customer service requirements	None	None
(k) Territorial development and sales quotas	Section VI of Franchise Agreement	Item 12
(l) On-going product/services purchases	Section XII.I. of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Section XII.E. of Franchise Agreement	Item 11
(n) Insurance	Section XIII of Franchise Agreement	Items 6 and 7
(o) Advertising	Sections X.B., X.C., XII.H, XX.J of Franchise Agreement	Items 6, 7, and 11
(p) Indemnification	Section XVIII of Franchise Agreement	Item 6
(q) Owner's participation/ management/staffing	Sections XII.F and XII.L. of Franchise Agreement	Items 11 and 15
(r) Records/reports	Section XIV of Franchise Agreement	Item 6 and 11
(s) Inspections/audits	Sections XII.Q and XIV.B. of Franchise Agreement	Item 6 and 11
(t) Transfer	Section XXII of Franchise Agreement	Item 6 and 17
(u) Renewal	Section VII.B. of Franchise Agreement	Item 6 and 17
(v) Post-termination Obligations	Section XXIV of Franchise Agreement	Item 17
(w) Non-competition covenants	Section XIX of Franchise Agreement	Item 17
(x) Dispute Resolution	Section XXV.C and XXV.D of Franchise Agreement	Item 17

Item 10
FINANCING

Neither we, nor our affiliate currently offers, directly or indirectly, any financing arrangements to you. Neither do we guarantee your note, lease, or any other obligation for a single franchise.

Item 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS & TRAINING

Except as listed below, Makebody Franchising, LLC is not required to provide you with any assistance.

Before you open your Business, we will:

- (1) If you and we have not already agreed upon a site (the facility in which you plan to operate your Boutique) that meets our requirements, we may provide you with assistance in locating such site. You select the site of your Boutique within the protected territory provided in the Franchise Agreement. We do not generally own the site and lease it back to you. We must accept the site if we feel in our sole discretion that it meets or exceeds our standards, but our acceptance does not ensure that your Boutique will be profitable at the approved location. The factors that we consider in acceptance of the site include competition, population density, traffic patterns, convenience, parking availability, neighborhood and physical characteristics of the premises such as size and layout. . The space for a Make Body® store must be enclosed and separate from other businesses with its own locking door. We evaluate each proposed site and accept or reject each one on a case-by-case basis and will notify you by email or any other form of written communication of our acceptance or rejection of any proposed site within 30 days after we receive an adequate request to accept a site. You should note that a failure to obtain a lease on your part within 90 days, or open your MakeBody Boutique within 180 days is a breach of the Franchise agreement by you. You should not begin to incur any expenses regarding renovation or build outs of the proposed location, until we approve it (Franchise Agreement, Sections XII.S and XX.C).

Neither we nor any of our employees have special expertise in selecting sites; we make no representations that your Boutique will be profitable or successful by being located at the approved site. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience. We do not lease your premises and then sublease it to you.

- (2) Insert the accepted site into your Franchise Agreement. However, the acceptance of a location and entering it on your Franchise Agreement by us is conditioned upon our determination, in our reasonable judgment, that:
 - (i) the site which you have submitted for the Boutique is within your allotted territory and is a suitable site based upon criteria we establish periodically; and
 - (ii) you and your Owners are in compliance with the Franchise Agreement.
- (3) Approve the lease and site for the Boutique, which we will not unreasonably withhold such approval (Franchise Agreement, Sections XII.S and XX.C).

- (4) Offer you guidance when applying for permits and notifying your state of your proposed Boutique (if applicable). However it is your responsibility to comply with all laws, ordinances and regulations as you are responsible for obtaining all necessary approvals and permits to operate your Boutique (Franchise Agreement Section XX.C).
- (5) Inform you of any mandatory specifications, architectural and design plans, floor plans and layouts to you for the Boutique at the accepted location. We will provide you with guidelines for the layout and design of your Boutique and you must hire an architect to create a complete set of drawings based on the size of your space and local permitting requirements. You will be required to conform your Boutique to local zoning ordinances, regulations, fire, health and building codes. We must review your architect's final plan. It is your responsibility to comply with all laws, ordinances, regulations, zoning and building codes for your Boutique. You are responsible for the costs associated with architectural and/or floor plans that may be required for your Boutique (Franchise Agreement, Section XX.D).
- (6) Provide you with written specifications for all computers, software, POS systems, camera surveillance systems, signage, furnishings (such as racking systems, mannequins, posters and signage) and fixtures for your Boutique. The POS system, computers and software all function together to capture sales, print reports and track inventory. You are obligated to repair and maintain all POS systems, computers and related software necessary for the operations of your Boutique. You will be responsible for these expenses as these expenses are necessary for the operation of your Boutique. We will deliver the written specifications, for all of the above items and you are responsible for installing these items. You are required to purchase the items listed above from us, our affiliates, or our approved vendors and/or supplier and provide us with full and direct electronic access (at all times) to all of your POS, computer and camera surveillance systems (Franchise Agreement Sections XII.A, XII.I, XX.A and XX.H).
- (7) Provide you with: a written list of our approved products you can offer for sale; a written list of manufacturers, vendors and suppliers to purchase products and supplies from that you are authorized to sell or use in your Boutique; and a list of inventory requirements for products you must maintain in your Boutique. You are responsible for the cost of these items as they are necessary for the operation of your Boutique (Franchise Agreement XII.I, XX.A, XX.H and XX.I).
- (8) Provide you with recommended procedures and standards for hiring employees in addition to general guidance. We will provide you with checklists, specifications and requirements when hiring and training employees; however you are responsible for the employees you hire and their behavior during the operation of your Business and your compliance with state and federal law with respect to such employees and their compensation (Franchise Agreement Section XX.E).
- (9) Offer certain training programs designed to assist you and your business management staff in the operation of your Franchise, as specified in Item 11. We may also provide continuing education to any new manager of your Franchise. We may require that you (or if you are a corporation, a limited liability company or partnership, then its officer or shareholder, member, managing member, or managing partner) and any manager(s), or assistant manager(s) complete supplemental and refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Section XX.A).

- (10) Provide an initial training program, no earlier than 45 days before the date your Boutique opens for business, designed to assist you and your management staff in the operation of your Franchise, at no additional charge, as specified in Item 11. The initial training program is designated for two managers and one owner, managing partner or shareholder (a total of three people). If more than two managers and the owner, managing partner or shareholder attend the initial training, we may impose a training fee of \$200 per person for each day of training (Franchise Agreement, Section XX.A).
- (11) Inform you of material operating problems of a Make Body® store disclosed by reports submitted to us or inspections made by us. We may furnish to you such guidance and assistance in connection with the operation of your business, as we deem appropriate. Such guidance and advice will include methods and operating procedures utilized by other Make Body® stores including: new products, promotions or marketing strategies, merchandising strategies; fitting procedures, customer service, hiring employees, operational forms, POS and software requirements, purchasing strategies, pricing of products and services, advertising and promotional programs, general operating procedures, bookkeeping, accounting and inventory control methods. You must pay all costs and expenses associated with these materials. Additional guidance and assistance may be made available to you at your written request and in our sole discretion at fees and charges established by us (Franchise Agreement, Sections XII.F, XII.H, XX.A, XX.E and XX.K).
- (12) Loan to you during the term of the Franchise Agreement one copy of our confidential Pre-Opening and Operations Manuals, which may include one or more manuals and other written materials (collectively, "the Operations Manual" or "Manual") for the operation of a Make Body® store, containing mandatory and suggested specifications, standards and operating procedures required by us and information relative to your other obligations under the Franchise Agreement. We have the right to add to, and otherwise modify, the Operations Manual to reflect changes in authorized products and services, as well as changes in specifications, standards and operating procedures of a Make Body® store. You must keep the Operations Manual confidential and current, and may not copy any part of the Manual. The Operations Manual contains 389 pages and the current table of contents of the Operations Manual as of our last fiscal year end is included with this Disclosure Document as Exhibit E (Franchise Agreement, Section XX.G).
- (13) Approve or disapprove samples of all local advertising and promotional materials not prepared or previously approved by us which are submitted by you (Franchise Agreement, Sections X.C and XX.J).
- (14) Deliver to you a web page for your Franchise operations (Franchise Agreement, Sections IX.C and XX.B).
- (15) Provide up to five days of pre-opening/grand opening assistance to you and your staff at your location. Such assistance will be provided to you as part of our initial franchise training program and at our cost (Franchise Agreement XX.A).

During your operation of the Business, we may:

- (1) Provide additional on-site supervision and assistance as we deem necessary and in our sole discretion. Additional visits are for the purpose of advising you with respect to products, customer service,

operational, purchasing, marketing, merchandising, promotional, and sales matters related to a Make Body® store. You will be responsible for the transportation, room and board and miscellaneous expenses incurred by our personnel during the visits, which will take place per the terms of the Franchise Agreement, or at your request, and at times and dates selected by us (Franchise Agreement, Sections XII.Q and XX.A).

- (2) Provide to you and your personnel, Make Body® Franchise Continuing Education meetings at locations designated by us. We expect these meetings to be at our headquarters with a fee not to exceed more than \$200 per person per day plus our expenses which can vary from area to area. We reserve the right to increase the per day fee a reasonable amount based on reasonable criteria (Franchise Agreement, Section XX.A).
- (3) Conduct quarterly meetings or an annual convention at such place as shall be designated by us.
- (4) Establish a Franchise elected peer group whose main purpose is to mentor and support each other.
- (5) Provide an intranet system, free of charge, to answer questions from you or your staff (during regular business hours, Eastern Time zone). You will be able to send us questions and suggestions using Internet email (Franchise Agreement, Section XX.A).

During your operation of the Business we will:

- (1) Continue to consult with you at no additional charge regarding procedures, policies, merchandising, sales, marketing, promotional strategies, purchasing strategies, products and supplies, as well as provide assistance to you to resolve operational problems that you may encounter outside the scope of the Operations Manual (Franchise Agreement, Sections XII.V and XX.A).
- (2) Provide you with updated approved lists of: approved products and supplies you are authorized to sell and use in your Boutique. We will attempt to continue to add and approve new manufacturers, vendors and suppliers and we will provide you with updated and current lists of such approved manufacturers, vendors and suppliers, when the list of manufacturers, vendors, or suppliers changes that you are authorized to purchase products from. We will provide you with such updated product and supply guidelines, but not the actual items and you are responsible for purchasing these items (Franchise Agreement, Sections XII.H, XII.I, XX.H and XX.I).
- (3) Provide you with a list of updated inventory requirements and suggested prices for products and services you offer in your Boutique. We will establish minimum and maximum prices you can charge to the extent allowed by your state's law. We will continue to research new products and services for the System as we deem necessary (Franchise Agreement XX.K).
- (4) Review and approve or disapprove any product, manufacturer, vendor and/or supplier you wish to sell or use in the operation of your Business, as provided in Item 8. You are responsible for paying a product and vendor assessment fee (as described in Item 6).
- (5) Provide a telephone hotline, free of charge, to answer questions from you or your staff (during regular business hours, Eastern Time zone). You will be able to send us questions and suggestions using Internet email (Franchise Agreement, Sections XX.A).

- (6) Review and approve advertising, marketing, and promotional materials in addition to any promotions, edits, changes or updates to your web page that you submit to us (Franchise Agreement, Section X.C, XII.H, XII.V and XX.J).
- (7) Provide continuing education to any new manager of your business as noted in paragraph 14 (ii) below. We may require that you (or if you are a corporation, limited liability company, or partnership, a managing partner, managing member, member, or shareholder) and any manager(s), or assistant manager(s) complete supplemental and refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Section XX.A).
- (8) Offer assistance in establishing and using administrative, bookkeeping, and accounting procedures in accordance with our Operations Manual, and various policies communicated by us to you in writing from time to time (Franchise Agreement, Section XX.A).
- (9) Provide you with all update and upgrade requirements for your POS and computer systems, and software in response to changes in the Operations Manual, or changes in our policies that are communicated to you in writing. You are required to purchase a POS system, computers, software and a camera surveillance system to operate your Boutique. The cost of such systems ranges between \$8,500 and \$11,500 for a Make Body[®] business (see Item 7). The annual cost of computer software and hardware upgrades should range between \$1,000 and \$1,500. If we develop proprietary software in the future, we will provide you with update and upgrade requirements, however we are not obligated to provide any updates or upgrades to any third party software programs your use in the operation of your Boutique. We are not obligated to provide maintenance or repairs to POS and computer system software or hardware that you use. Because this is a new franchise, we cannot estimate the annual cost of POS and computer system software and/or hardware upgrades. We reserve the right to have independent access to all information that you store in any POS, computer and camera surveillance systems (Franchise Agreement Sections XII.I and XX.A).
- (10) We have the right to review and approve advertising, marketing, and promotional materials that you develop, in addition to any promotions, edits, changes or updates to your web page that you submit to us

We also reserve the right at our discretion to institute, maintain, and administer a System Advertising Fund (referred to as the "Fund") and charge you the System Advertising Fee to support ongoing technology and new product development to be made available to Franchisees, and such national advertising as we, in our sole discretion, may deem appropriate to promote the Make Body[®] name to benefit all Franchised Businesses as described in Item 6. We will not use any monies in the Fund to solicit new franchisees. We will direct all such programs and will have sole discretion over the creative concepts, materials, and endorsements and media used in such programs, and the placement or allocation of such programs. . The source of the advertising will come from our in-house advertising department, or may in the future from a national, regional, or local advertising agency. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs. The advertising programs may be national, regional, or local at our sole discretion. We are not obligated to spend a specific dollar amount on advertising in your territory (Franchise Agreement, Section X.B).

- (i.) You will pay us a flat \$50 per calendar month for the System Advertising Fee contribution, paid to Franchisor, as designated in the Franchise Agreement. We may raise, discontinue or reduce the contribution, but your total contribution will not increase more than \$25 per month in any calendar year for the term of the Agreement. Contributions are due by the fifth day of the month, for the prior month and begins on the fourth month your Business is open for operation (as described in Item 6) then continues for the term of your Franchise.
- (ii.) The contributions to the Fund will be accounted for separately from our other funds. The Fund will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including conducting evaluation of new products, product development, market research, technologies, preparing advertising, promotion and marketing materials, and collecting and accounting for contributions to the Fund. Usage of the Fund will include ongoing development of the national website and development of new products and supplies to be made available to all franchisees. The media in which advertisements may be disseminated include publications, print ads, signs, billboards, radio and television and may be conducted on a regional or national basis. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Make Body® franchises in that year, and the Fund may borrow from us or others to cover deficits; or invest any surplus for future use.
- (iii.) In the future, we may form a franchisee-elected Franchisee Advisory Council or cooperative whose sole purpose is to advise on Fund usage and advertising policies. We retain all operational and decision making authority concerning advertising, and the Advisory Council will serve only in an advisory capacity. The membership of any Franchisee Advisory Council will be national in scope. The Franchisee Advisory Council will not be separately incorporated, and therefore, it will not have any written documents. If one is formed we will have the power to select and approve the members and to form, change, dissolve or merge the Franchisee Advisory Council as described below.
- (iv.) Neither we nor any Franchisee Advisory Council undertake any obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Fund by franchisees operating in such geographic area or that you or your Boutique will benefit directly or in proportion to your contribution to the Fund. Neither the Fund nor we shall be liable to you with respect to the maintenance, direction, or administration of the Fund, including without limitation, with respect to contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct. When the Fund is established and activated, all Make Body® businesses owned by us, or any of our shareholders, members, partners, or officers must contribute to the Fund in the same proportion as all franchisees.
- (v.) Any Businesses we own will vote in the same manner as franchisee members. We administer the Fund, which is not audited. If contributions paid into the Fund are not spent in the fiscal year in which they accrue, we can use the remaining amounts for the

same purposes in future years. All interest earned on monies contributed to the Fund may be used to pay advertising and technology development costs before other assets of the Fund are expended. Fund contributions are not used to sell additional franchises. We will prepare an annual un-audited statement of monies collected and costs incurred by the Fund and furnish it to you upon written request. All financial statements will be available 120 days after the end of our fiscal year. We reserve the right not to spend all of the funds in the Fund in any one year, and such funds may be accrued into the next year. The Fund has not been established before the date of this Disclosure Document.

- (vi.) We expect to receive advertising and promotional allowances and fees from third party vendors and advertisers who enter into cooperative advertising programs with franchisees and us. For example, vendors may pay promotional allowances for joint advertising promotional material. We may disclose the identity of vendors who pay the promotional allowances to you upon request. In addition, if we require you to buy items from a vendor who pays these allowances, we may place the funds in the Fund or spend it on related promotions. Our obligation to provide advertising and marketing will be limited in cost to the amount of contributions and promotional allowances from third parties actually paid into the Fund.
- (11) We do not now, but may require you to join, participate in and pay into, one or more franchisee marketing councils for your region, determined by the penetration area of local advertising media used (for example, the area of a regional newspaper's circulation). Because, we have not yet formed any franchisee marketing councils, we do not know how the area or the membership of any franchisee marketing council will be determined. Because we have not formed any franchisee marketing councils, we have not determined whether or not any of our company-owned outlets will be contributing to any advertising spent by any franchisee marketing council. In the event that we choose to establish a franchisee marketing council, we will be responsible for administering it. If we do create any franchisee marketing councils, they must operate in accordance with bylaws (or an operating agreement if it is a limited liability company, or partnership agreement if it is a partnership). If we do create any franchisee marketing councils, the franchisee marketing council will prepare annual financial statements that you can review. We will have the right to form, dissolve, and merge any specific franchisee marketing council. Even though we have not yet formed any franchisee marketing councils, we may require that all franchisees within close proximity to a consumer show, convention or exhibition where products are being sold to participate in the cost and benefit of the show. We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. We intend to direct and coordinate all franchisee Internet advertising. All such programs and policies are our proprietary trade secrets.
- (12) You must spend a minimum of \$800 each calendar month on local advertising and promotion for your Business, in addition to the \$50 per month System Advertising Fee contribution you pay to us. We may reduce the amount of your local advertising requirement after your third full year of operation at our discretion. You must also spend at least \$1,500 on "grand opening" promotion within the first month of opening which substitutes for the \$800 a month obligation described above for local advertising. You must report your quarterly advertising expenditures to us by the 5th day after the end of each quarter, or at times, on forms, and in a manner we determine.

You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve the materials you submit to us within 30 days, if we do not respond within such period all such materials will be deemed

automatically disapproved. You will make reasonable efforts to participate in and cooperate with all advertising programs selected by us or by any approved group of franchisees. You may or may not need to follow or maintain any sales price or suggested pricing depending on the laws of your state. You are responsible for any expenses of this independent advertising.

Unless we approve otherwise in writing, you may not establish a separate Website and will only have one web page, as we designate and approve, within our website. The term "Website" includes: Internet and World Wide Web home pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, LinkedIn, blogs and other applications). You must comply with our requirements regarding selling, advertising, discussing or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve a separate Website for you (which we are not obligated to do), we will provide you with guidelines for establishing and maintaining such Websites and each of the following provisions will apply: (i) you may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, you must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work (except for social networking sites) must be performed by us, our affiliates or approved vendors (as described in Item 8); (iii) you must not use or modify a Website (except for social networking sites) without our prior written approval; (iv) you must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; and (v) if we require, you must establish hyperlinks to our website and other Websites.

- (13) We estimate that there will be an interval of 180 days between the signing of the Franchise Agreement and the opening of your Make Body[®] Business. Factors that may affect this length of time include: obtaining a location that is approved by us, time necessary to obtain and sign a lease agreement, leasehold improvements and build-out, time of year you open the Boutique for business, amount of inventory you purchase, completion of your pre-market entry study to determine any customization of products and services to be offered through your Franchise, satisfactory completion of our initial training program by you (or your managing partners, members or shareholders) and availability of products and supplies. You have 90 days to acquire or lease, at your expense, commercial real estate that is properly zoned for the use of your Make Body[®] Business under the Franchise Agreement and to open your Boutique. You must submit to us, in the form we specify, a copy of the location plan and other such information or materials we may require, together with an option contract, letter of intent, or other evidence of satisfactory to us which confirms your favorable prospects for obtaining the location. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed location of your Make Body[®] Franchise and will notify you of our approval or disapproval by e-mail or other form of written communication. Failure to acquire a lease and/or open your Boutique within the timeframes mentioned above, will constitute a default under the Franchise Agreement, for which we may terminate the Franchise Agreement.
- (14) Before the opening of your Franchise, yourself, any proposed manager and/or key personnel you designate are required to attend the 7-day franchise training program for a Make Body[®] at our corporate headquarters (currently located in Flushing, New York) no later than 60 days of the date you anticipate opening your Boutique. We maintain a regular calendar for the training program and the trainings are held approximately six to eight times per year (or more frequent if needed). The

training program is included in your Initial Franchise Fee. You are responsible for all costs associated with attending the program such as travel, room and board.

- (i.) If any proposed manager or key personnel does not satisfactorily complete our training program, we will notify you, and you may then select and enroll a substitute manager in our training program. If you (or your proposed manager, substitute manager, or key personnel) do not successfully complete our training program, we have the right to terminate the Franchise Agreement.
- (ii.) After the completion of our initial training program by you and your key personnel, we will provide training to any new manager or key staff member of your Boutique at your request for which an additional training fee of up to \$200 per person per day may be required. The trainee(s) will be responsible for all costs related to attending training such as travel, room and board. In addition, we have the right to require that you and, if you are an Entity, any Owner and any manager(s), assistant manager(s) and staff complete supplemental and refresher training programs during the term of the Franchise Agreement, to be furnished at our corporate headquarters (currently located in Flushing, New York) at no charge. You are responsible for all costs associated with attending such training opportunities we may provide for you such as travel, room and board.
- (iii.) After the opening of your Franchise, we will provide to you and your personnel, access to information and support through franchise portals online. Support will also be available from our professionals, and we may provide refresher training or continuing education sessions at locations designated by us but most likely at our headquarters. Such refresher or continuing education sessions may have a registration charge to you which will not exceed more than \$200 per person per day plus our expenses. You are responsible for costs associated with you attending the meetings such as travel, room and board. The programs will normally not exceed a full day and we expect to at least have quarterly programs subject to special need. The content will cover particular aspects including but not limited to product updates, updated fitting and customer service procedures, training programs, purchasing strategies, industry developments, merchandising and operational standards; POS and software developments, sales and marketing, administration and so forth. We may conduct an annual convention at such place as shall be designated by us for all Franchisees but will most likely be at our headquarters. A registration fee for each participant may be required which we will work in good faith to maintain at our cost and you will be responsible for costs associated with attending the convention such as travel, room and board. The registration fee for conferences will not exceed \$500 per person. The fees charged above may be increased a reasonable amount based on reasonable criteria.
- (iv.) No earlier than 45 days before the opening of your Boutique for business and after signing the Franchise Agreement, we will provide training for you as noted in the following training schedule. This training curriculum is fully detailed in the Make Body® Operations Manual and will change periodically. Our training team will include directors from our staff from our corporate headquarters (currently located in Flushing, New York), members of our website development team, members from our approved vendor, supplier and service providers.

- (15) We will provide up to five (5) days of pre-opening and/or grand opening supervision and assistance at your Boutique to help train staff, execute Services and general operations. Such assistance shall be provided no earlier than two (2) weeks prior to the opening date of the Boutique for operation and completed no later than ninety (90) days once the Boutique is open for operation. The dates for our visit for such assistance and guidance must be mutually agreed upon by you and us. Any costs incurred by us in connection with the pre-opening/grand opening supervision and assistance onsite at your Boutique within the timeframe as describe above will be paid by us. If you do not take advantage of this onsite assistance and guidance within the timeframe describe above, then we are not obligated to provide such assistance to us without charging you for the actual wages and travel expenses incurred by us. For your second and subsequent MakeBody Businesses, we will provide the same pre-opening and/or grand opening supervision and assistance as described above however you will be responsible for actual wages and travel expenses incurred by us. In such circumstances where you are responsible for actual wages and travel expenses, we will provide you with invoices for amounts owed and we may require you to pre-pay all or a portion of the actual amounts incurred by us.

TRAINING PROGRAM

The Operations Manual will detail all aspects of Franchise operations presented in training and serve as an ongoing reference. Updates to the Operations Manual will be made available to you through various means including online. All of the training sessions will be taught by a combination of De-Xin Xu (Sonny) who has over 15 years of experience in the retail industry; Zhi Juan Xu (Jenny) who has over 15 years in the retail industry; Xi Ying (Emily) who has over 5 years in the retail industry; Shu Ting Liu (Tammy) who has over 5 years in the retail industry; Jesse Xu who has over 1 year in the retail and information technology industry and Cynthia Xu who has over 3 years in the retail industry all of whose backgrounds are described in Item 2 above. Occasionally, different guest speakers may make an appearance at the training program to provide information about various products, services and programs offered by us. For example, some speakers may be our employees, franchisees or industry experts.

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
The Make Body® Philosophy, System and Introduction	1 Hour		Corporate headquarters in Flushing, New York or as we otherwise specify.
Types, Function, Styles and Colors of Lingerie, Body Shapewear and Intimate Apparel	2 Hours	4 Hours	Corporate headquarters in Flushing, New York or as we otherwise specify, as well as on the job training at your location.
Introduction to Material, Construction and Terminology	4 Hours		Corporate headquarters in Flushing, New York or as we otherwise specify
Approved Products and Accessories for Sale	3 Hours		Corporate headquarters in Flushing, New York or as we otherwise specify
Service Procedures, How to Fit Customers and Teach Customers How to Wear Products		10 Hours	Corporate headquarters in Flushing, New York or as we otherwise specify
Guidelines and Strategies for Increasing Sales		5 Hours	Corporate headquarters in Flushing, New York or as we

			otherwise specify
Product Knowledge, Presentation, Merchandising and Pricing Guidelines	2 Hours	4 Hours	Corporate headquarters in Flushing, New York or as we otherwise specify, as well as on the job training at your location.
Approved Vendors and Suppliers	2 Hours		Corporate headquarters in Flushing, New York or as we otherwise specify.
Strategies for Purchasing Products and Supplies	4 Hours		Corporate headquarters in Flushing, New York or as we otherwise specify.
Maintaining and Tracking Your Inventory		4 Hours	Corporate headquarters in Flushing, New York or as we otherwise specify
How to Run Your Boutique Efficiently, Staffing and Labor Costs		5 Hours	Corporate headquarters in Flushing, New York or as we otherwise specify.
Safety, Security Procedures and Quality Control	2 Hours		Corporate headquarters in Flushing, New York or as we otherwise specify.
POS System and Software Training*		6 Hours	Corporate headquarters in Flushing, New York or as we otherwise specify
Customer Service and Handling Complaints	2 Hours		Corporate headquarters in Flushing, New York or as we otherwise specify
Marketing and Advertising Your Business	5 Hours		Corporate headquarters in Flushing, New York or as we otherwise specify
Hiring and Training Employees	2 Hours	3 Hours	Corporate headquarters in Flushing, New York or as we otherwise specify
Administrative and Bookkeeping Procedures	4 Hours		Corporate headquarters in Flushing, New York or as we otherwise specify

*Additional software training programs may be provided to you online after initial training above is completed.

Our instructional materials for the MakeBody System are presentations, demonstrations, sample marketing plan creation, various speakers, and the Operations Manual.

Ongoing Training:

In addition to the initial training program mentioned above, we will train your staff on service standards while at your location for pre-opening/grand opening assistance. We will provide you with memos and/or newsletters that will contain ongoing training topics related to your Make Body[®] Business. In very rare circumstances, we may periodically require that you or your managing partners, members, shareholders, general manager and/or employees complete additional refresher or continuing education training programs to correct, improve or enhance the operation of your Business. Such refresher or continuing education training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending any additional refresher or continuing education training programs (training other than by telephone, webinar or video) will be subject to additional training fee costs associated with attending the training program such as travel, room and board (as described in paragraph 14 (iii) above).

Item 12

TERRITORY

You must operate your single Franchise within the specific location identified in your Franchise Agreement. You are awarded a protected territory ("Territory") that will include up to 3 miles driven in any direction from the Franchised Business as defined by MapQuest or a similar mapping program which means it may be less. However, you will not receive an exclusive territory and you may face competition from other franchises, from outlets that we own, or from other channels of distribution or competitive brands we control which originate from outside that protected territory. We reserve the right to grant a territory that is larger or smaller than the 3-mile area described above, in order to account for more densely or sparsely populated areas. You may not conduct business out of any other site (facility where you will operate your Boutique) other than the accepted site that has been entered in your Franchise Agreement or made part of by an addendum attached to your Franchise Agreement. You may not relocate your site for a Make Body® business without our written consent. You can conduct business at off-site events (expos, tradeshows, fashion shows, etc.) to sell products or provide services as long as such events are within your Territory. You may conduct business at off-site events in other geographical areas outside your Territory only after providing notice to us and obtaining our written approval, however you cannot perform Target Marketing outside your Territory, as described below. We shall approve or deny your request, which approval is in our sole discretion, within 5 days of receipt of your written request to conduct business at off-site events in other geographical areas (outside your Territory) that has not been sold to one or more franchisee(s). If we approve your request to conduct business at off-site events in another geographical area, you must be prepared to immediately relinquish any accounts you have established when that area is purchased and immediately refrain from conducting business at such off-site events. You may sell and ship products to customers located outside your Territory so long as your sales do not result from any Target Marketing activities by you.

We cannot establish either a company-owned business, Franchise nor license another to locate a Make Body® business within your Territory during the term of the Franchise Agreement.

Your licensed Territory, is determined by population, competition, traffic patterns, proximity to major roads, demographics of the surrounding area, available parking, market penetration or other conditions important to the successful operation of a Make Body® business, as we deem appropriate and as identified in your Franchise Agreement. Your licensed Territory is determined by us once a location is chosen, and will not be altered even if there is a population increase or decrease. It will also not be affected by your sales volume or market penetration. Certain locations, such as major metropolitan areas may have smaller protected territories of densely populated areas. We must consent to the location for your Make Body® business within your defined Territory in writing before you open for business. Relocation of your Boutique within your Territory requires our written consent.

You must submit a separate application for each Franchised Business to be established by you. You must pay the fee for each additional acquisition mentioned in Item 5 and must be in compliance with all of the terms and conditions of the Franchise Agreement. We must approve the location of any additional Make Body® businesses as mentioned in Items 11 and 12 above.

The Territory described will affect where you and other franchisees may solicit business. You are prohibited from soliciting and marketing in general to customers by any means outside your respective Territory and must not specifically engage in target marketing ("Target Marketing") of customers within the Territory of another Make Body® business (franchise and/or company-owned business). Target Marketing means a concerted effort by a franchisee to solicit and obtain customers through any type of advertisement or marketing, directed at all or a portion of another franchisee's Territory. We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.

If you asked to conduct business at off-site events in geographical areas in which there is another franchisee, you must refer that request to the Make Body® store in that geographical area or directly to us. Whether the other Make Body® business is a franchise or company-owned store, you must not conduct business at off-site events in that geographical area. If there is not a Make Body® business in that geographical area, then you must submit a request to conduct business at off-site events to us and upon our written approval, you can proceed. We shall approve or deny your request to conduct business at off-site events in other geographical areas not owned by other franchisees or us, which approval is in our sole discretion, within 5 days of you receiving your written request. Our response to your request will be made by email or any other form of written communication. Approval may be revoked in our sole discretion. However you must be prepared to immediately cease conducting such events in that other geographical area when that unassigned area is purchased. You may sell and ship products and/or provide services to customers who live outside your Territory even if such customers live within another franchisee's territory so long as the products you sell and ship and services you provide are being sold, shipped and performed from your Boutique within your defined Territory. We may allow you and other franchisees or company-owned stores to sell through an alternative channel of distribution (such as on the Internet or Websites). If Franchisee is granted permission to sell products through an alternative channel of distribution, per our written approval, Franchisee may sell products to a customer outside Franchisee's Territory without compensation to the other franchisee or company-owned store. We, other franchisees and company-owned stores reserve the same right to sell and ship products and provide services to customers who may live within your defined Territory without compensation to you.

We encourage Make Body® stores, when owned by different individuals, to work out a referral relationship and advertising strategy or arrangement if they are within close proximity of each other (defined as being within a 10 mile radius of each other). Franchisor must be notified of all such arrangements.

We have the exclusive right to negotiate and enter into agreements or approve forms of agreements for all Make Body® businesses to purchase products from any manufacturer, vendor and/or supplier; and to sell products and offer services to any store, business or organization which owns, manages, controls or otherwise has responsibility for locations in more than one area whose presence is not confined with any one particular franchisee's territory regardless of the contract amount of products to be purchased, sold or services to be performed (a "National Account"). After we sign a contract with a National Account, we may, in our sole discretion, provide you the option to: purchase products from such manufacturers, vendors and suppliers; or sell products or offer services to stores, businesses and/or organizations under the National Account contract. If we choose, or if you choose not to sell products or provide services to the National Account, we may sell the products and provide the services directly ourselves, or through another franchisee or third party even if the products provided and services performed are within your Territory without compensation to you.

We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. For example, we may require that all franchisees within close proximity to a consumer show, convention or exhibition where products are being sold to participate in the cost and benefit of the show. We intend to direct and coordinate all franchisee Internet advertising. All such programs and policies are our proprietary trade secrets. In such programs, we may require the customer that is acquired through a marketing council advertising campaign or advertising cooperative program through such programs, to be served by the closest or other franchisee and may or may not require franchisees serving the customer to do so at a minimum price or pay a reasonable referral fee.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to:

- (1) Advertise, market and sell Make Body[®] branded and/or trademarked products in your Territory;
- (2) To advertise the products and services to promote the System through the Internet, World Wide Web and/or other similar venues no matter where the customer is based to fulfill customer orders in your Territory;
- (3) Sell, distribute or offer anywhere products or services to consumers located anywhere through any alternative or other channels of distribution, such as other retail stores, expos, trade shows or fashion shows, Internet, catalog sales, and telemarketing, other than local facilities providing products and services under the Marks and System. We have this right whether or not we are using the Marks or System and on any terms and conditions we deem appropriate. We have this right whether or not we are using the Marks or System or are acting inside or outside the Territory designated in your Franchise Agreement;
- (4) Develop and distribute proprietary products that have been branded with our Mark or logo or different branded products through any outlet located anywhere regardless of its proximity to your Boutique (including, by way of illustration, other retail stores, catalog sales or over the Internet and/or electronic media and similar venues) and on any terms and conditions we deem appropriate. If we decide to develop and distribute products, you will receive no compensation from us for such sales inside your Territory unless agreed otherwise in writing by us;
- (5) Implement advertising cooperative programs which may allow us or others to offer services, solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;
- (6) Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory as designated in your Franchise Agreement, whether or not using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under the Franchise Agreement and/or (c) any business anywhere which does not use the Marks; and
- (7) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other businesses (including your Make Body[®] businesses) are converted to another format, maintained under the System or otherwise. Each Make Body[®] business awarded to you will fully participate in any conversion subject to any person/entity merging with, or acquiring us, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you concerning the sale of our products or services by use over the Internet, World Wide Web, other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar to the franchised business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to sell or distribute products and provide services through the Internet or any alternative channels of distribution (other than our approved list of channels of distribution) without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

We have not established, and do not presently intend to establish, other franchises or company-owned businesses, except as disclosed in Item 1 of this Franchise Disclosure Document, that sells and/or offers similar products or services under a trade name or trademark different from Make Body® Marks.

Item 13

TRADEMARKS

Under the Franchise Agreement, we grant you the nonexclusive right to use the Marks in connection with the operation of your Franchise. Our principal trademarks are "Make Body®," along with the design, as it appears on the first page of this Disclosure Document. We have the right to use and to license others to use the Marks and under any other trade name, trademarks, service marks, taglines and logos currently used or that may hereafter be used in the operation of the Boutique. You must use the Marks only for the operation of your Franchise and in the manner authorized by us.

The word mark "Make Body" is registered on the principal register of the United States Patent and Trademark Office (referred to as "USPTO") bearing the registration number 3391047 dated March 4, 2008 owned by De-Xin Xu. The design mark "Make Body" is also registered on the principal register of the USPTO bearing the registration number 4134659 dated May 1, 2012 owned by De-Xin Xu. De-Xin Xu has granted us a license to use the Marks and to franchise the use of the Marks. De-Xin Xu has not yet filed affidavits of use, because the time period for filing an affidavit of use has not yet expired. Because, the 10 year registration period for both registered trademarks has not expired, De-Xin Xu has not filed any affidavits of renewals. If our right to use any of our Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no presently effective determinations of the USPTO, the Trademark Trial And Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or material litigation involving the Marks.

There are no effective agreements that limit our right to sublicense you the Trademarks.

By "trademarks" we mean trade names, trademarks, service marks, logos and commercial symbols used to identify the business and certain foreign marks. There are no other agreements currently in effect that significantly limit our rights to use or license others to use the Marks in any manner material to the System.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Marks, or claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding or other administrative proceeding.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or participate in your defense, protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

You may not, without our written consent, in our sole discretion, commence or prosecute, or seek leave to intervene in, any litigation or other proceeding, including any arbitration proceeding, in which you purport to enforce any right or recover any element of damage arising from the use or infringement of any of the Marks or unfair competition.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions

with respect to a reasonable time after notice by us. You, in connection with the use of a new or modified Mark, may be required, at your own expense, to remove existing signage from your Boutique, and to purchase and install new signage. We have no liability to you for such modification or discontinuance.

There are no infringing uses actually known to us as of the Effective Date of this Disclosure Document that could materially affect your use of the Marks in the State of New York, California, or in any other state. However there may be other businesses using trademarks, trade names or other symbols similar to our Marks with superior rights to our rights. Before starting business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your business name.

All your usage of the Marks granted under the Franchise Agreement is nonexclusive, and we retain the right, among others: (a) to use the Marks in connection with the selling products and services; (b) to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you as provided in Item 12.

All your usage of the Marks and any goodwill you establish are to inure to our exclusive benefit and you retain no right or rights in the Marks on the termination or expiration of your Franchise Agreement. You may not use the Marks as a part of any corporate or trade name, nor may you use any trade name, trademark, service mark, emblem or logo other than the Marks, as we may designate periodically. You must prominently display the Marks on such items and in the manner we designate. You must obtain such fictitious or assumed name registrations as we require or under applicable law. You must identify yourself as the owner of your Franchise by placing your name on the Boutique and on all checks, invoices, receipts, contracts and other documents that bear any of the Marks, and on all printed materials your name must be followed by the phrase "A Franchise of Make Body®" or such other phrase as we occasionally direct.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights, or any pending patent applications which are material to this franchise; however we claim common law copyright and trade secret protection for several aspects of our System, methods, techniques, operational procedures, products, services, design, décor, signage, manuals (including the Operations Manual) and all related materials including advertisement and promotional materials although such materials may not have been registered with the United States Copyright Office. If we register any of our copyrighted materials with the United States Copyright Office, we intend to renew such registrations if we are still using that specific material. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate.

There currently are no effective determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. There is no material litigation at this time in any court concerning any of our copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend any patent, trade secret, copyright or to participate in your defense.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials, or trade secrets, or claim by any person of any rights in any copyright or trade secrets which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to

exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding, but we are not required to take any such action. We may require you to discontinue use or modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions with respect to a reasonable time after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We are not aware at this time of any patent, copyright, or trade secret infringements that could materially affect you.

We possess certain confidential information including knowledge of and specifications for bras, shapewear, undergarments, lingerie and sleepwear products; personal design, fitting and consulting services; merchandising methods and techniques, purchasing strategies, inventory management systems, manufacturer, vendor and supplier relationships; cost and pricing strategies, promotional programs, procedures for safety and quality control, customer service standards, employee hiring, retention, training materials; build out specifications, operational procedures, software, forms, contracts, record keeping and reporting methods, sales, advertising, promotions and marketing materials, systems and knowledge of, and experience in, the operation and franchising of a Make Body[®] (the "Confidential Information"). We will disclose Confidential Information to you during our initial franchise training program, seminars, workshops, continuing education sessions and conventions sponsored by us in the Operations Manual and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents or independent contractors develop any new product, program, concept, technique, method, formula, process or improvement in the operation or promotion of your Boutique, you are required to promptly notify us with all necessary related information, without compensation. However as a matter of corporate policy, we may create an incentive program to reward you, your partners, members, managers, directors, shareholders, employees, agents or independent contractors for any new product, program, concept, technique, method, formula, process or improvement that we implement throughout the System. You and your managing partners, managing members, members, or shareholders acknowledge that any such new product, program, concept, technique, method, formula, process or improvement will become our property and we may use or disclose such information to other franchisees as we deem appropriate.

The Franchise Agreement provides that you will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of your Boutique during the term of your Franchise Agreement and that the use or duplication of the Confidential Information in any other business would constitute unfair competition. You also agree that the Confidential Information is proprietary to us and is disclosed to you solely on the condition that you (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form; and (4) will adopt and implement all reasonable procedures required by us to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosures to employees of your Franchise and any other business(es) owned by you and if you are an Entity, any of your Owners, and the use of nondisclosure and noncompetition clauses in employment agreements with your employees or Owners.

Item 15
**OBLIGATION TO PARTICIPATE IN THE ACTUAL
OPERATION OF THE FRANCHISE BUSINESS**

The Franchise Agreement provides that a Make Body® Franchise must at all times be under your direct, day-to-day, full time supervision (or if you are an Entity then a managing Owner of such Entity, approved by us) or a non-Owner manager of your Boutique who is approved by us. This person must have successfully completed our training program.

You (or your managing Owner if you are an Entity or non-Owner manager) must use his or her best efforts in the operation of a Make Body® Business.

You are required to retain a manager ("General Manager") for the operation and management of your Make Body® Business. The General Manager may, but need not, be you or one of Owners of the Business if you are an Entity. The General Manager must meet all of our standards and criteria for such positions as set forth in the Operations Manual, and complete our training program mentioned in Item 11. The General Manager need not have any set percentage of the equity of the franchised business. These individuals must also satisfy the applicable training requirements as outlined in the Franchise Agreement (Franchise Agreement Section XII.F).

Each of your employees, service providers, agents, members, principals and affiliates must sign a confidentiality agreement containing substantially the same protections as provided in the form agreement contained in the Operations Manual (although you are responsible for ensuring its adequacy and enforceability under local law). Our approval of a manager other than you is conditioned upon the manager entering into a confidentiality and restriction of like business agreement containing covenants like those contained in the Franchise Agreement and Schedule 8 of the Franchise Agreement against engaging in competing businesses and use/disclosure of our confidential business information during the tenure of employment with you and for a period of three years following employment by you. You will provide us with copies of the same upon request.

You may not employ any individual who is at the time or was at any time during the prior six months employed in a managerial, administrative, body designer or sales position by us or any of our affiliates or by another franchisee of ours without our prior written consent. As a condition to such consent, you may be required to compensate the former employer for the actual costs and expenses incurred by the employer in connection with the training of any replacement employee.

If you are a corporation, limited liability company, or partnership, each shareholder, member, or partner must personally guarantee your obligations under the Franchise Agreement, and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, agree to be bound by the confidentiality provisions and noncompetition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interests. The required Guaranty of Obligations is attached as Schedule 5 of the Franchise Agreement.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Due to the differing nature of markets across the United States, and because the size of each individual Franchise will vary, a franchisee will have a wide variety of possible sites to choose from which to conduct their business operations with the approval of the Franchisor. You may not use the Make Body® store premises for any

other purpose than the operation of a Make Body® business, unless otherwise approved by us in writing. Alternative operation sites that may be approved can include for example, incorporating your Franchise operations within the premises of an existing complimentary business.

You must comply with all of our standards and specifications relating to the purchase and sale of products, supplies, POS, computer and camera surveillance system, software, furniture, fixtures, décor items, signage, printed advertising materials and other products to be sold or used at the Boutique (See Item 8).

You are required to offer for sale approved products and services as specified by us including: our privately labeled line of our privately labeled line of functional bras, undergarments, shapewear, sleepwear and intimate apparel in addition to offering one-on-one private fitting services to custom fit all products along with various other products and services as expressly authorized by us in writing or in the Operations Manual, or developed by us as a result of your pre-market entry study (included in your Operations Manual) to meet the needs of your unique market, and any updates to be incorporated in the Operations Manual periodically. You must sell, offer and use only the products, supplies and services that we have expressly approved in writing. You must sell all such products and offer the services we specify as a part of your Franchise either from your Boutique or at off-site events within your defined Territory (as described in Item 12). You may offer additional products and services that are unique to your area in an effort to blend in with your community; however, you must obtain our written approval before such products and services are offered and the time to approve or deny your request is 30 days (as described in Item 8). We can, and expect to, modify our standards and specifications periodically. We will inform you by email, or by any other form of communication of our modification of any specifications. You must discontinue selling, offering and using any products, supplies and services that we may disapprove in writing at any time, whether a product, supply or service is being submitted for approval or is currently in use. We may change the types of products and services we authorize you to sell. There are no limits on our right to do so. You may not offer for sale any products or provide any services that has not specifically approved by us in writing. We will suggest pricing strategy and we may establish minimum and maximum prices at which you may provide services and sell products to the extent allowed by federal and state laws. You may not independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights for any designer, manufacturer, or proprietary product inside or outside your Territory without our written consent.

In addition, you acknowledge that we may, in our discretion, allow you and other franchisees or company-owned stores sell products through an alternative channel of distribution (such as on the Internet or Websites) provided you adhere to our standards. You acknowledge that this may create competition and you will not receive any compensation from such sales made by other franchisees or company-owned locations. If we authorize you to sell products through alternative channels of distribution, all products sold must be from your Boutique. Unless otherwise approved by us in writing, you are not authorized to sell any products or supplies on the Internet, World Wide Web or in any other media, whether known or hereinafter invented.

You must participate in any trade-in, gift certificate or gift card programs we establish. You may not create or issue your own gift certificates or cards unless otherwise approved by us.

You must maintain proper permits and licenses to operate a Make Body® Business and perform services in your area. You must not engage in any trade, practice or other activity that is harmful to our goodwill or reflects unfavorably on our reputation, that constitutes deceptive or unfair competition, or that is in violation of any applicable law.

You may advertise to sell products and offer services to customers located within your Territory. We place no restrictions upon your ability to sell products or offer services to customers provided you do so from your Boutique or at off-site events within your Territory in accordance with our standards. However you are prohibited

from conducting business at off-site locations in any other geographical area or through any alternative channels of distribution without our permission (see Item 12).

Item 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
a. Length of Franchise term.	FA Section VII.A.	FA-Initial term is 10 years
b. Renewal or extension of the term.	FA Section VII.B.	FA-Up to (2) 10 year renewal terms if you meet certain term requirements.
c. Requirements for you to renew or extend.	FA Section VII.B.	FA - Written notice from you to renew no less than 6 months or more than 12 prior to expiration of the current term; you must be in full compliance with the FA; sign our then current form or new FA; pay the renewal fee; comply with the then current training and qualification requirements; execute a general release; and upgrade the Boutique to then current standards. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you.	Section XXIII.D	FA - If we have materially failed to comply with terms of the FA after 90 days' notice.
e. Termination by us without cause.	Not applicable	We cannot terminate your FA without cause.
f. Termination by us with cause.	FA -Section XXIII.C FA- Section XIV.B	FA - We can terminate if you breach a material provision of the FA or fail to open the business.
g. "Cause" defined - curable defects	FA- Sections XXIII.C.	FA – You fail to secure a territory, you fail to secure a lease within 90 days; you fail to open the store within 180 days; you fail to

attend and complete the training program; you fail to submit any financial statement, tax return, or pay royalties when due; abandonment of Business; surrender of control; you operate the boutique in any manner that poses an environmental, health, or safety threat to employees or customers; you are unable to provide the products and services associated with the system; you fail to comply with any federal, state, or local law 15 days after receiving notice of non-compliance; you violate any environmental, health, or sanitation law and do not cure the violation within 72 hours; misrepresentation or omission in application; felony conviction; unauthorized transfer or assignment improper assignment upon death or disability; loss of possession of Business; unauthorized use, sale, transfer, rental, distribution, or disclosure of Confidential Information; you fail to sell our approved products; you fail to meet any of our current inventory requirements; you fail to use our services; you fail to execute our purchasing strategies; you fail to use our merchandising methods; you fail to comply with modifications to the system within 120 days of the announcement of such modification; you fail to remove any product from your MakeBody store that we deem violates the Franchise Agreement; you fail to offer products according to our specifications; you fail to maintain and repair the POS system, camera surveillance system, or software; you engage in any other activity that has a material adverse effect on us; you challenge any of our intellectual property rights to the System, proprietary products, or software; you translate, reverse engineer, decompile, or disassemble any of our confidential information, proprietary products or software; you manufacture or distribute any product that competes with any of our proprietary products, or other products sold by us or our franchisees; you act as exclusive distributor, or enter into an exclusive distribution agreement to sell any products without our consent; you exhibit a reckless disregard for the physical or mental well-being of employees or customers; you fail to procure and maintain all required insurance coverage; you

		engage in target marketing; you use or names and marks on the internet in any way without our approval; you are convicted of a felony relating to the distribution of controlled substances, steroids, or any crime of moral turpitude; you, fail to pay taxes or liens; dishonest or unethical conduct; you maintain false records or keep false books; assignment for benefit of creditors; bankruptcy; or you fail to comply with Sections XII, XIV, XX, or XXI of the Franchise Agreement.
h. "Cause" defined - noncurable defects	FA- Section XXIII.B	FA-; 5 days for failure to pay amounts owed; 72 hours for violations of health, safety, or sanitation laws; 30 days for all other defaults.
i. Your obligations on termination / non-renewal.	FA- Section XXIV	FA -Cease operating franchised business; cease use of confidential information and Marks; no adaption of confusingly similar Marks; deliver property containing the Marks; cancel assumed or similar name registrations; pay outstanding amounts and damages; transfer domain names and web sites; give us the rights to purchase your assets if we choose; deliver manuals; assign phone numbers; comply with covenants and see "r" below.
j. Assignment of contract by us.	FA- Section XXII.C.	No restriction on our right to assign.
k. "Transfer" by you-defined.	FA- Section XXII.B	FA - Includes transfer of the FA and business assets by you.
l. Our approval of transfer by you.	FA- Section XXII.C and XXII.E	FA -We have the right to approve all transfers by you.
m. Conditions for our approval of transfer.	FA- Section XXII.B	FA- Full compliance; transferee qualifies; transferee does not operate a business similar to a Make Body®; all amounts due are paid in full; completion of training by transferee; transfer fee paid; transferee agrees to be bound by all terms of FA; you sign and deliver other required documents including a release to our satisfaction; transferee executes an assumption agreement; transferee upgrades the

		Boutique to our then current standards; you remain liable for all obligations that you incur prior to the date of transfer; you obtain all necessary consent from your lenders and governmental authorities for the transfer; you obtain the landlord's approval of the transfer; and you do not compete with us or our franchisees.
n. Our right of first refusal to acquire your business.	FA- Section XXII.C and XXII.E	FA - We have the right to match any offers.
o. Our option to purchase your business	FA- Section XXII.E and XXIV.G	FA- Purchase for fair market value determined by appraisal if parties are unable to agree.
p. Your death or disability.	FA- Section XXII.D	FA - Franchise must be assigned to approved buyer within 6 months.
q. Non-competition covenants during the term of the Franchise.	FA- Section XIX.C	FA - No involvement in any competitive business within 25 miles of any franchise or company-owned business.
r. Non-competition covenants after the franchise is terminated or expires.	FA- Section XIX.C	FA - No interest in competing business for 2 years within 25 miles of any company owned outlet or other franchises.
s. Modification of the Agreement.	FA- Section XXV.J.	FA - No modification except by written agreement, Operations Manuals are subject to change.
t. Integration / merger clause.	FA- Section XXV.K	FA - Only terms of the Disclosure Document and Franchise Agreement are binding. Notwithstanding the prior sentence nothing in the Franchise Agreement or any related agreement is intended to disclaim any representations Franchisor has made in the entire Franchise Disclosure Document. Any representations made outside of the disclosure document or the franchise agreement may not be enforceable.
u. Dispute resolution by mediation or arbitration.	FA- Section XXV.D.	FA- Arbitration and mediation in Queens County, State of New York (subject to State law).

v. Choice of forum.	FA- Section XXV.G.	FA -Litigation in Queens County, State of New York (subject to state law).
w. Choice of law.	FA- Section XXV.G.	FA - State of New York laws apply (unless prohibited by laws of state where Franchise is located).
x. Liquidated damages.	FA- Section XXIV.H	FA – If the Franchise Agreement is terminated prior to its expiration date, you shall be obligated to pay (1) Royalty Fees for the remaining term under the original (or renewal) term of Franchise Agreement or three (3) years (whichever comes first); and (2) System Advertising Fund Contribution based on the average contribution paid to Franchisor during previous twelve (12) months through the earlier of the remaining term (or renewal term) of the Franchise Agreement or three years (whichever comes first).

Item 18 **PUBLIC FIGURES**

We currently do not use any public figure to promote our Franchise.

Item 19 **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting De-Xin Xu, 40-22 Main Street, Flushing, New York 11354, (646) 247-3130, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table One
Systemwide Outlet Summary
For Fiscal Years 2010 thru 2012

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2010	0	0	0
	2011	0	0	0
	2012	0	0	0
Company- Owned	2010	0	0	0
	2011	0	2	+2
	2012	2	3	+1
Total Outlets	2010	0	0	0
	2011	0	2	+2
	2012	2	3	+1

Table Two
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2010 thru 2012

State	Year	Number of Transfers
California	2010	0
	2011	0
	2012	0
New York	2010	0
	2011	0
	2012	0
Total	2010	0
	2011	0
	2012	0

Table Three
Status of Franchise Outlets
For Fiscal Years 2010 thru 2012

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0

New York	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
Totals	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0

Table Four
Status of Company-Owned Outlets*
For Fiscal Years 2010 thru 2012

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
	2012	0		0	0	0	0
New York	2010	0	0	0	0	0	0
	2011	0	2	0	0	0	2
	2012	2	1	0	0	0	3
Totals	2010	0	0	0	0	0	0
	2011	0	2	0	0	0	2
	2012	2	1	0	0	0	3

* "Company-Owned Outlets" includes the non-franchised businesses owned and operated by our founder De-Xin Xu (Sonny). These businesses are not part of the Franchise System. They may be sold to others or to a franchisee in the future.

Our fiscal year end is December 31. As of the issuance date of this Disclosure Document, our affiliates operated 4 non-franchised businesses at the locations listed below:

Make Body®
5003 8th Ave
Brooklyn, NY 11220

Make Body®
28 Bowery Unit A
New York, NY 10013

Make Body®
40-22 Main Street
Flushing, NY 11354

Make Body®
143A Hester Street
New York, NY 10002

Table Five
Projected Openings
As of December 31, 2013

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
New York	0	1	0
New Jersey	0	1	0
California	0	1	0
Totals	0	3	0

A list of the names of all Franchisees and the addresses and telephone numbers of their Make Body® business are listed as Exhibit G to this Disclosure Document. A list of the name and last known home address and telephone number of every Franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of this Disclosure Document issuance date is attached as Exhibit H.

If you buy this franchise, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system.

At this time, there are no previously owned Make Body® franchised outlets for sale.

During the last three fiscal years, no current or former franchisee or Licensee have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee or Licensee in our franchised system.

At this time there are no trademark specific franchisee organizations representing Make Body® franchisees, and no such trademark specific franchisee organization has asked us to be included in this Disclosure Document.

Item 21
FINANCIAL STATEMENTS

Our audited financial statements for the period from our date of formation on June 24, 2013 to October 31 2013 are attached to this Disclosure Document as Exhibit I. Our fiscal year end is December 31. We have not been in business for three years or more and cannot include all the financial statements required by the Rule for our last three fiscal years.

Item 22
CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

- Exhibit A – Franchise Agreement with Schedules
 - Schedule 1 – Authorization for Pre-Arranged Payments
 - Schedule 5 – Individual Guaranty
 - Schedule 6 – Collateral Assignment of Lease
 - Schedule 8 – Confidentiality and Non-Compete Agreement
- Exhibit D – State Addendum
- Exhibit F – Option Agreement

Item 23
RECEIPTS

Included as the last document of this Disclosure Document (Exhibit J) and/or as a separate executable form, is a Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least fourteen (14) calendar days before signing of the Franchise Agreement or payment of any fee by you.

DEC - 9 2013

Sacramento Office

EXHIBIT A

FRANCHISE AGREEMENT

Between

Makebody Franchising, LLC

and

Franchisee



FRANCHISE AGREEMENT

Between

Makebody Franchising, LLC

40-22 Main Street
Flushing, NY 11354
Direct: (646) 247-3130
Fax: (877) 426-9446
Toll Free: (877) 324-5778
Web: www.MakeBodyUS.com

and

Collectively referred to as "Franchisee"

Makebody Franchising, LLC
FRANCHISE AGREEMENT

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Makebody Franchising, LLC FRANCHISE AGREEMENT

PARTIES

THIS FRANCHISE AGREEMENT ("Agreement") is made by and between Makebody Franchising, LLC, a New York limited liability company, hereinafter sometimes referred to as "MBF" or "Franchisor" and that Party or Parties described as the Franchisee in the first two pages of this Agreement and on the signature line, hereinafter known as "you" or "Franchisee." For ease of reference, Makebody Franchising, LLC, will also be referred to as "we," "us" or "our" in this Agreement. The persons signing as Franchisee or Guarantors will also be referenced to herein individually as "you" or "yours" or collectively as "Franchisee." The Parties hereto are entering into this Agreement to evidence the agreement and understanding between the Parties as follows:

RECITALS

WHEREAS, Franchisor has established upscale lingerie boutique business model offering only privately labeled specialty items that are custom fit for women that are not available in mainstream retail stores. This is a retail store typically located in upscale shopping centers, shopping malls or free standing structures (all of which must be approved by us) that offers: an entire series of functional bras undergarments, shapewear, sleepwear and intimate apparel and other merchandise as approved by us (hereinafter collectively referred to as "Products") in addition to one-on-one private fitting sessions (hereinafter referred to as "Services") at any Make Body® franchised location (hereinafter referred to as the "Franchise," "Franchised Business" or "Business")

WHEREAS, we identify our System by means of certain trade names, service marks, trademarks, logos, emblems, trade dress and other indicia of origin, including but not limited to the marks "Make Body®" and such other trade names, service marks, trademarks and trade dress as are now designated (or may be designated hereafter by Franchisor in writing) for use in connection with our System (referred to as the "Names and Marks" or "Names" or "Marks"); and

WHEREAS, Franchisor has entered into an exclusive license ("License Agreement") with De-Xin Xu for the right to use the Names, Marks and other property in connection with the operation of a Make Body® business and has developed expertise (including confidential information) and a unique, distinctive and comprehensive system ("System") for the establishment and operation of an upscale lingerie boutique; and

WHEREAS, Franchisor continues to develop, use, and control the use of such Names and Marks to identify for the public the source of services and products marketed thereunder and under its System, and to represent the System's high standards of consistent quality, appearance, and service; and

WHEREAS, Franchisor has established substantial goodwill and business value in its Names and Marks, expertise and the System; and

WHEREAS, Franchisor has the right to license a system or business program, including expertise for conducting and operating a business under the Make Body[®] Mark; and

WHEREAS, Franchisee desires to obtain a franchise from Franchisor and Franchisor desires to sell a Franchise to Franchisee for the right to use the Names and Marks and the expertise for operating a Make Body[®] Franchised Business, and to obtain the benefits and knowledge of Franchisor's System including, but without limitation: distinctive privately labeled products, personal design and fitting consultants, purchasing strategies, merchandising, sales techniques and methods; customer service guidelines, manufacturer, vendor and supplier relationships; inventory management systems, operational procedures, build-out specifications, displays and furnishing, procedures for safety and quality control, cost and pricing strategies, guidelines for employee hiring and retention, training and ongoing operational assistance; advertising, marketing and promotional programs; sales materials, control systems, bookkeeping, financing and accounting methods; and in general a style, method and procedure of business operation utilizing the Names and Marks and System, all as a Franchisee of Franchisor; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by Franchisor and Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, appearance, and service and the necessity of operating the Business in conformity with Franchisor's standards and specifications.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

I. FRANCHISEE'S ACKNOWLEDGEMENT OF BUSINESS RISK AND ABSENCE OF GUARANTEE

Franchisee and if you are an "Entity" such as a limited liability company, a partnership, corporation or other type of entity then each person or Entity holding any type of ownership interest in the Entity (each an "Owner") hereby represents that Franchisee has conducted an independent investigation of the Franchisor's business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will depend upon Franchisee's abilities as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty, statement, promise, or guarantee, express or implied, as to the potential volume, profits, sales, revenues, or success of the business contemplated by this Agreement. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Agreement that Franchisee may not have initially understood and that Franchisor has advised Franchisee to have this Agreement reviewed by an attorney. Except as otherwise provided under applicable state law or federal or state regulation, Franchisee hereby releases Franchisor, any owners of a direct or indirect interest in Franchisor, all employees of Franchisor, its affiliated companies and all agents of Franchisor from liability based on any such warranties, guarantees, statements, representations or agreements, to the extent permitted by law.

The Franchisee acknowledges that neither the Franchisor nor any of its employees, agents, or contractors, have made, and does not hereby make, any representation, statement, promise, or warranty as to potential revenues, income, profits, sales, revenues, volume or success of the Franchise or merchantability, performance, condition, fitness or suitability for the Franchisee's purposes of any

component of the System, or make any other representation or warranty with respect to the System. Franchisor shall not be liable to the Franchisee for, nor shall the Franchisee's obligations hereunder be affected by, any loss, claim, liability, cost, damage or expense of any kind caused, or alleged to be caused, directly or indirectly, by the System, or any Products or Services, or by an inadequacy of the System for any purpose, or by any defect in, the use or maintenance of, any repairs, servicing or adjustments of, or any interruption or loss of service or use of, the System, or any loss of business, profits, consequential or other damage of any nature.

II. FRANCHISEE'S ACKNOWLEDGMENTS CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT

Franchisee acknowledges having received, read, and understood this Agreement, the Franchise Disclosure Document, Exhibits, and attachments thereto. Franchisee further acknowledges that Franchisor has provided Franchisee ample time and opportunity to consult with independent legal counsel and other advisors of its own choosing concerning the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that it has received a completed copy of this Agreement, exhibits, attachments and schedules (collectively the "Schedules") referred to herein, and agreements relating hereto, as well as the Franchise Disclosure Document if any, at least 14 calendar days prior to the date on which this Agreement was executed and any money paid for the franchise.

Franchisee acknowledges that it has read and understands this Agreement, the Schedules and any agreements relating thereto, and that Franchisee has been advised by a representative of Franchisor to consult with an attorney or advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement prior to its execution.

Franchisee acknowledges that any statements, oral or written, by Franchisor or its agents preceding the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by Franchisor. The only representations, warranties, duties, and obligations of Franchisor are those specifically set forth in the Franchise Disclosure Document and this Agreement. Franchisee must not rely on, and the parties do not intend to be bound by, any statement or representation not contained therein.

Franchisee acknowledges that we will not provide or designate locations for Franchisee, will not provide financial assistance to Franchisee and have made no representation that it will buy back from Franchisee any products, supplies, computers, POS system, furnishings or fixtures purchased by Franchisee in connection with the Business, except where the Franchisor is otherwise required by law or regulation to buy back products, supplies, computers, POS system, furnishings and fixtures upon expiration or termination of this Agreement.

III. ACTUAL, AVERAGE, PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS

Franchisee, and each party executing this document hereto, acknowledges that neither Franchisor nor any officer, director, employee or agent of Franchisor has made, and Franchisee has not received or relied upon, any express or implied oral, written, or visual information, representations, assurances, warranties, guarantees, inducements, promises or agreements concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings or likelihood of success that Franchisee might expect to achieve from operating the Business (defined as "Financial Performance Representations"), except as set forth in the Franchise Disclosure Document reviewed by Franchisee or its representatives.

We do not make or present and have not prepared Financial Performance Representations and have not made them as an exhibit to the Franchise Disclosure Document

IV. RELATIONSHIP OF THE PARTIES

A. Franchisee is an Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, the Franchisee shall hold itself out to the public as an independent contractor operating its Business pursuant to a franchise from the Franchisor. Franchisee agrees to take such affirmative action as may be necessary, including, without limitation, exhibiting multiple public notices of that fact, the content and display of which Franchisor shall have the right to specify. For example, such notices shall be provided on letterhead, business cards, bank account names, bank checks, and signs at the place of business. The Franchisee is responsible for collecting and remitting Social Security, Medicare, unemployment contributions and/or any other mandated county, state or federal tax or other obligations on behalf of its employees.

B. Franchisor Is Not In a Fiduciary Relationship With Franchisee

It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. In addition, the Franchisor shall not have any fiduciary relationship to the Franchisee by virtue of the facts that the Franchisor may operate a System Advertising Fund (as defined in Section X.B of this Agreement).

It is understood and agreed that nothing in this Agreement authorizes the Franchisee, and the Franchisee shall have no authority, to make any contract, agreement, warranty, guarantee, or representation on behalf of Franchisor, act as an agent on behalf of the Franchisor, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall Franchisor be liable by reason of any act or omission of the Franchisee in its conduct of the Business or for any claim, liability or judgment arising therefrom against the Franchisee or Franchisor.

The Franchisee represents, warrants and agrees as follows: the Franchisee is duly organized and is in good standing in all jurisdictions where legally required in order to carry on its Business, has duly authorized the execution, delivery and performance of this Agreement and all other documents contemplated hereby, which are, or upon signing, will be binding on the Franchisee, such documents do not and will not contravene any other instrument or agreement to which the Franchisee is party and there is no pending litigation, lien, tax claim, proceeding or dispute that may adversely affect the Franchisee's financial condition or impair its ability to perform its obligation under the terms of this Agreement.

It is understood that Franchisee will have sole responsibility for its employees and all acts of its employees, and all employment-related decisions involving wages, benefits, hours of work, scheduling, hiring, firing, discipline, supervision, record keeping, withholding income tax, social security contributions, Medicare contributions, unemployment fund contributions and all other terms and conditions of employment (as described in Section XII.F).

V. FRANCHISE GRANT

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege, and Franchisee hereby accepts a franchise under the terms and conditions set forth herein, to operate a Business that has been assigned a protected territory as

set forth in Section VI (referred to as the "Territory"), with the right to use solely in connection therewith the Franchisor's Names and Marks, Products, Services, its advertising and merchandising methods, and Franchisor's System, as they may be changed, improved and further developed from time to time only at the Accepted Location as set forth in Section VI and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or any other agreement is executed, this franchise grant does not include the right of Franchisee to sub franchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by Franchisor in the manner that Franchisee, in Franchisee's sole and absolute discretion, deems most appropriate for the operation of a Make Body® Franchise, provided that Franchisee shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

VI. TERRITORY

Franchisee is not granted an exclusive territory. The Territory is a protected marketing territory as defined in this Agreement. The location of the Franchise Business (referred to as the "Boutique") shall be: within the State of _____ in the county of _____. If the actual Franchise Business address has not yet been chosen, the Territory will be defined from the following crossroads: _____ and _____. The final Territory will be defined for the actual Franchise Business address once chosen.

The exact "Accepted Location" for your Boutique is:

The protected Territory will be: _____ driven from any direction of the Boutique.

If the Parties do not select a territory prior to the signing of this Franchise Agreement, then they shall agree to it at a later date, under the terms of this Agreement. Failure to agree on a Territory, secure a lease for the Boutique within ninety (90) days after the execution of this Agreement and/or failure of Franchisee to open the Boutique within one hundred and eighty (180) days after the execution of this Agreement will permit Franchisor to terminate this Agreement, as provided in Section XXIII.C. The Territory, under the terms of this Agreement, if not stated above or in a separate addendum to the Agreement, will include up to three (3) miles driven in any direction from the Boutique as defined by MapQuest or a similar computer mapping program. We reserve the right to grant a Territory that is larger or smaller than the three (3) mile area described above, in order to account for more densely or sparsely populated areas. We will determine population based on the most recently published data from the U.S. Census Bureau (or such other source we may indicate to you). Franchisee may not conduct business out of any other site (facility where Franchisee operates a Make Body® store) other than the Accepted Location identified above however, Franchisee may conduct business at off-site events (such as expos, trade shows, fashion shows, etc.) to sell Products or provide Services as long as such events are within the Franchisee's Territory.

The size of the Territory which normally will be up to three (3) miles driven in any direction from the Boutique (as described above), will be determined by population, demographics of the surrounding area, traffic patterns, proximity to major roads, available parking, competition, availability of appropriate sites, adequate square footage, reasonable rent, or other conditions important to the successful operation of a

Franchised Business as we deem appropriate. The Territory is determined once a location is chosen and approved by us, and will not be altered even if there is a population increase or decrease during the term of this Agreement. The Territory is not dependent upon achievement of certain revenues, sales volume, market penetration or any other contingency. The boundaries of the Territory described above shall be determined by major topographical features which clearly define contiguous areas such as: Streets, highways, freeways or other roadways, rivers, streams, mountains and underdeveloped land. We determine the size and boundaries of the protected Territory.

Franchisee shall not relocate a Make Body® business that has been assigned a location with the Territory, without the express prior written consent of Franchisor (specified in Section XXII.A). During the term of this Agreement, Franchisor shall not establish, nor license another party or entity to establish, a Make Body® business within the Territory outlined above unless Franchisee decides to open additional Boutiques. If Franchisee decides to open additional Boutiques and buys the rights to additional franchises, such sale and purchase to be in Franchisor's discretion, then those separate franchise agreement(s) will dictate the terms of the applicable territory (a separate Franchise Agreement is required for each additional Boutique as described in Section IX.D of this Agreement).

Franchisee must operate its Boutique within the specific Territory as identified in this Section VI. Franchisee is not restricted as to the geographic area into which Franchisee may attract customers; however, Franchisee cannot perform any Target Marketing into any other territory of another franchisee. The term "Target Marketing" means a concerted effort by a Franchisee to solicit and obtain customers by any type of advertising or marketing directed at all or a portion of another franchisee's territory, company-owned business or unassigned area. Franchisor shall use commercially reasonable efforts to deal with any Franchisee that violates this policy. Franchisee may sell Products (which includes shipping Products) and provide Services to customers who come from anywhere, so long as the Products and Services that Franchisee is providing are being performed from or at the Accepted Location within the defined Territory. In addition, Franchisee may be allowed to sell Products that Franchisee offers in its Boutique through alternative channels of distribution such as the Internet or Websites (as defined below) only if granted permission by Franchisor to do so. If Franchisee is granted permission to sell Products through an alternative channel of distribution, per Franchisor's written approval, Franchisee may sell Products to customers anywhere including outside Franchisee's Territory without compensation to the other franchisee or company-owned store. Franchisor's response to Franchisee's request will be by email or any other form of written communication within thirty (30) days after Franchisor receives it. Approval may be revoked in Franchisor's sole discretion via e-mail or any other form of written communication to Franchisee. Franchisor, company-owned locations and other franchisees reserve the same right to sell and ship Products through alternative channels of distribution to customers anywhere, even if such customers live within Franchisee's Territory, without compensation to Franchisee.

If Franchisee is asked to conduct business at off-site events in geographical areas in which there is another franchisee, Franchisee must refer that request to the Make Body® store in that geographical area or directly to us. Franchisee must not conduct business at off-site events if another franchise or company-owned business is operating in that geographical area. If there is not a Make Body® store in that geographical area, then Franchisee must submit a written request to conduct business at off-site events to Franchisor and upon Franchisor's written approval, in its sole discretion, Franchisee can proceed. Franchisor shall approve or deny Franchisee's request to conduct business at off-site events in other geographical areas not owned by other franchisees, Franchisor or its affiliates; which approval is in Franchisor's sole discretion, within five (5) days of Franchisee's written request. Failure of Franchisee to refrain from Target Marketing and/or refer off-site events to another franchisee or company-owned store, as described above, may result in termination of this Agreement as specified in Section XXIII.C.

We encourage Make Body® stores, when owned by different individuals, to work out an advertising arrangement if they are within close proximity of each other (defined as being within a ten (10) mile radius of each other). We must be notified in writing and consent to all such arrangements.

We may, from time to time, establish certain programs for the benefit of franchisees and the System whereby Make Body® franchisees will be permitted to purchase, sell or provide Products and/or offer Services in accordance with the specifications described in any particular program established by us. Currently in effect, is our National Account program. The National Account program is defined as follows:

- a) The term "National Account" means a special class of customers which may include but are not limited to: any store, large business, national organization or non-profit organization with outlets located in multiple territories or government agencies who on their own behalf or through agents, franchisees or other third parties owns, manages, controls or otherwise has responsibility for products, buildings or common-services in more than one location whose presence is not confined within any one particular franchisee's territory regardless of the aggregate contract amount of the Products and/or Services the Franchisee wishes to purchase, sell or perform. Any dispute as to whether a particular customer is a National Account shall be determined by us in our sole and absolute discretion and our determination shall be final and binding;
- b) We shall have the exclusive right, unless otherwise specifically delegated in writing, on behalf of ourselves, Franchisee and/or any other franchisees utilizing the Marks, to negotiate and enter into agreements or approve forms of agreement to purchase or sell Products and offer Services from or to National Account customers, including any affiliate, company owned or franchised locations within the Territory;
- c) Following the execution of a contract with or the acceptance of any type of agreement or bid by a National Account customer which contemplates the purchase or sale of Products or the provision of Services either with or to one or more National Account customer location within the Territory, Franchisor will, if Franchisee is qualified and conditioned upon the terms of this Agreement and any addendum, provide Franchisee the option to purchase or sell such Products and provide Services pursuant to the terms and conditions of the National Account contract or on such terms and conditions as Franchisor in its sole discretion determines;
- d) If Franchisee elects not to sell Products and/or provide Services to a National Account customer in conformity with the terms and conditions of the National Account agreement, bid or contract, or fails to make an election within the time specified by us, of being offered the opportunity by us, we shall have the right, exercisable in our sole discretion, to:
 - i. Sell directly or through any other affiliate or franchisee utilizing our Marks, Products and/or provide Services to the National Account customer location(s) within the Territory on the terms and conditions contained in the National Account bid or contract; and/or
 - ii. Contract with another party to sell such Products and/or provide Services to the National Account customer location(s) within the Territory on the terms and conditions contained in the National Account agreement, bid or contract between us and the National Account customer, utilizing our proprietary marks or any trademarks, service marks or trade names.

- e) Neither the direct provision by us (or a franchisee, affiliate or agent of ours) of Products or Services from or to National Account customers as authorized in (i) above, nor if we contract with another party to sell such Products and/or provide Services as authorized in (ii) above, shall constitute a violation of Section VI of this Agreement relating to the exclusivity of the Territory, even if such Products and/or Services are delivered or performed from a location within the Territory. Franchisee disclaims and waives any compensation for Products sold or Services provided by others in the Territory pursuant to this section.

Franchisee's rights in the Territory are exactly (and only) as expressly set forth in this Section VI. Except as expressly provided in this Agreement, Franchisee has no right to exclude, control or impose conditions on the location, operation, or otherwise of present or future Make Body® (or any other brand) units or distribution channels of any type, franchised or company-owned, regardless of their location or proximity to the Boutique and whether or not they purchase or sell Products and/or provide Services to customers within the Territory. Franchisee does not have any rights with respect to other and/or related businesses, products and/or services, in which we or any Franchisor-related persons or entities may be involved, now or in the future.

Any rights not expressly granted to the Franchisee are reserved to the Franchisor. Such rights to the Franchisor include but are not limited to:

- 1) Own and/or operate ourselves, and/or authorize others to own and/or operate:
 - a) Any kind of business in the Territory, including businesses that are not substantially similar to a Make Body® store, whether or not using Make Body® Marks and System and on any terms and conditions we deem appropriate; and
 - b) Any kind of business outside of the Territory, including, without limitation, Make Body® stores, whether or not using Make Body® Marks and System and on any terms and conditions we deem appropriate;
- 2) Develop, distribute, advertise, market and sell Make Body® labeled and branded (or any other brand) products to customers located anywhere (including within the Territory) using any channel of distribution and on any terms and conditions Franchisor deems appropriate (including, but not limited to, other retail stores, expos, trade shows or fashion shows and other similar venues and other channels of distribution such as television, mail, catalog sales, wholesale to unrelated retail outlets or over the Internet) other than Franchisee's Boutique located in the Territory and on any terms and conditions we deem appropriate;
- 3) Develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using Make Body® System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere;
- 4) Acquire, be acquired by, sell our assets, sell our stock, membership units, or partnership units to, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Make Body® Marks and System). Franchisee agrees to participate at its expense in any such conversion as instructed by Franchisor;

5) We may choose in our Business Judgment (as defined in Section XXI of this Agreement) to advertise, market, sell and distribute Products and/or offer Services through the Internet, World Wide Web and other similar venues (no matter where the customer is located) without paying any compensation to Franchisee. Alternative channels of distribution (such as Websites as defined below) is reserved exclusively to Franchisor and Franchisee may not independently market on any Website, without the Franchisor's written consent; and

6) Acquire any Websites utilizing a domain name incorporating one or more of the following words or any variation thereof: make, body, lingerie, bras, shapewear, undergarments, intimate, apparel, sleepware, clothing or boutique. The term "Website" includes: Internet and World Wide Web home pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, LinkedIn, blogs and other applications). Franchisee shall not establish a Website on the Internet using any domain name containing the words "Make Body®" or any variation thereof or any other words that describe the Make Body® business as described above and determined by us, in our sole discretion, which may change from time to time. The Franchisee acknowledges that we have all right, title and interest in and to such domain names, as we shall designate in the Operations Manual. Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information, or otherwise having a presence on a Website, regarding the Boutique. If we approve a separate Website (which we are not obligated to do), then each of the following provisions will apply: (i) Franchisee may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, Franchisee must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require; and all such work must be performed by us, our affiliates or approved vendors (Franchisee is responsible for all expenses); (iii) Franchisee must not use or modify a Website without our prior written approval; (iv) Franchisee must comply with the standards and specifications for Websites that Franchisor may periodically prescribe in the Operations Manual or otherwise in writing; and (v) if Franchisor requires, Franchisee must establish hyperlinks to Franchisor's website and other Websites; and (vi) Neither Franchisee nor any of its employees shall post any information regarding Franchisor, its members, managers, officers, or employees or the System, on any Website or any internet site including, but not limited to, social media sites, without our prior written approval, nor any disparaging statement either during or after termination or expiration of the Agreement. Further Franchisee shall monitor its employees to avoid them making any such postings. Franchisor retains the right to pre-approve Franchisee's use of linking and framing between the Franchisee's web page and all other Websites. The Franchisee shall within five (5) days, dismantle any blogs, frames and links between the Franchisee's web page and any other Websites, if and as requested by Franchisor.

Franchisor may provide Franchisee, subject to certain terms and conditions, with options, rights of first refusal or similar rights to acquire additional franchises in other areas or areas contiguous to the Territory. Franchisee's Territory may be altered during the initial term but only by mutual consent in writing from both Franchisee and Franchisor or at the time of transfer or renewal as a condition of transfer or renewal.

VII. TERM AND RENEWAL OF AGREEMENT

A. Term

The franchise herein granted for a Make Body® store, shall be for a term of ten (10) years from the date of execution and acceptance by Franchisor (the "Effective Date") of this Agreement by us and subject to earlier termination as herein provided.

B. Renewal

Franchisee and Franchisor may, at their mutual option, continue renew this Franchise in ten (10) year increments, provided Franchisor is still offering franchises at that time, and further subject to the following conditions, all of which must be met prior to renewal:

1. Franchisee shall give the Franchisor written notice of its election to renew not more than twelve (12) months and not less than six (6) months prior to the end of the then current term;
2. Franchisee must not be in default under any provision of the Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisor and Franchisee, and Franchisee shall have complied with all the terms and conditions of all such agreements during the terms thereof;
3. Franchisee's right to renew is contingent on satisfactory performance of and full compliance with this Agreement and any renewal agreement. Franchisor may refuse to renew or extend the Franchise if: (a) Franchisee has failed to use its best efforts to operate the franchised business to Franchisor's satisfaction; (b) the franchise is terminable by law or under this Agreement; (c) Franchisee fails to give timely written notice of its exercise of its renewal option; (d) Franchisor is withdrawing from franchising in the geographic market Franchisee serves; (e) Franchisee fails to satisfy Franchisor's then-current standards for new franchisees or (f) Franchisee is in default of this Agreement;
4. Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates, and shall have timely met these obligations throughout the previous term;
5. Franchisee shall execute, before the renewal term, the Franchisor's then-current form of Agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement. Franchisor will charge Franchisee a flat renewal fee of \$5,000, the three (3) month monthly royalty grace period does not apply upon renewal, and renewal may be for the same protected Territory;
6. The three (3) month monthly royalty grace period does not apply upon renewal. For all franchise renewals royalty payments may continue at Franchisee's current royalty rate or be subject to the terms of the then-current form of Agreement, as determined by Franchisor in its sole discretion;
7. Franchisee shall comply with Franchisor's then-current qualification and training requirements;
8. Franchisee must execute a general release, in a form prescribed by Franchisor described in Section XXIII.D of this Agreement, of any and all claims against Franchisor and its

affiliates, and their respective owners, officers, managers, directors, agents and employees, if such release is not in conflict with any local, state or federal laws; and

9. Franchisee shall upgrade, remodel and/or refurbish the Boutique (both inside and outside) in order to meet our then-current standards. All graphics, signage, furnishing, fixtures, POS, computer and camera surveillance systems located at the Boutique must be updated to meet our then-current requirements. All remodeling, modernization, redecoration, or replacements will be completed at Franchisee's expense in accordance with our specific standards and specifications.

VIII. FRANCHISEE'S INITIAL INVESTMENT

The Franchisee's initial investment will vary depending upon the location, the market for retail space rentals in the Franchisee's territory, amount of leasehold improvements necessary to convert the retail space, number of employees that the Franchisee hires, amount of inventory Franchisee purchases, size of the Boutique, time of year when Franchisee starts business, implementation of a marketing plan, Franchisee's management skills, economic conditions, competition in the surrounding area and other factors.

Franchisee hereby certifies that he or she has reviewed the estimated initial investment and start-up costs as detailed in the Franchise Disclosure Document, and has sufficient cash resources available to meet said expenses. These start-up costs include the initial Franchise Fee.

IX. FRANCHISEE'S INITIAL FRANCHISE FEE

A. Time Limit for Starting Business

The Franchisee shall maintain the Boutique in accordance with the provisions and requirements of Section XII hereof, and must secure a lease that has been approved by Franchisor (as described in Section XII.S) within ninety (90) days of the execution of this Franchise Agreement and open the Boutique for business (the "Opening") within 180 days of the date of execution of this Franchise Agreement (the "Opening Date"). The Opening requires that Franchisee has qualified for and has obtained all necessary licenses and permits needed to sell Products and offer Services. Franchisor may grant Franchisee one 90-day extension past the allotted time within which to secure a lease and/or open the Boutique.

The Initial Franchise Fee is fully earned on payment, and is allocated to training and other services to be rendered to Franchisee before opening. The Initial Franchise Fee is currently uniform as to all persons currently acquiring a Make Body® Franchise as of the effective date of this Agreement, but this may change. The Initial Franchise Fee is nonrefundable. Upon Franchisee's failure to (i) agree on a Territory and acquire a lease within ninety (90) days from the Effective date; or (ii) timely satisfy the Opening requirement or agree on a Territory within one hundred and eighty (180) days from the Effective Date then Franchisor may, at its sole discretion, terminate the Franchise and this Agreement and retain all fees paid by Franchisee or return such fees less its expenses and cost, without breach of this Agreement (Section XXIII.C).

During the term of this Agreement, the Boutique shall be located solely within the accepted Territory and shall be used exclusively for the purpose of operating a franchised Make Body® store. In the event the Boutique shall be damaged or destroyed by fire or other casualty, or be required to be repaired, Franchisee shall commence the required repair of the Boutique within thirty (30) days from the date of such casualty or notice of such governmental requirement (or such lesser period as shall be designated by such governmental requirement), and shall complete all required repairs as soon as possible thereafter, in

continuity, but in no event later than ninety (90) days from the date of such casualty or requirement of such governmental notice. The minimum acceptable appearance for the restored Boutique will be that which existed just prior to the casualty; however, every effort should be made to have the restored Boutique include the then-current image, design and specifications of a Make Body® store.

As between us and the Franchisee, the Franchisee shall bear the entire risk of any damage, loss, theft or destruction to the Boutique from any cause whatsoever or requisition of the Boutique by any governmental entity or the taking of title to the Boutique by eminent domain or otherwise (collectively, "Loss"). The Franchisee shall advise us in writing within ten (10) days of any such Loss. No such Loss shall relieve the Franchisee of the obligation to pay Royalty Fees and all other amounts owed hereunder. In the event of any such Loss, we, at our option, may: (a) if the Loss has not materially impaired the Boutique (in our reasonable Business Judgment), require that the Franchisee, upon our demand, place the Boutique in good condition and repair reasonably satisfactory to us as mentioned above; or (b) if the Loss has materially impaired the Boutique and it is substantially destroyed (in our sole judgment), we may require the Franchisee to repair the existing Boutique or find an alternative location within the Territory within thirty (30) days. Franchisor may extend this period an additional thirty (30) days at its discretion and failure of Franchisee to comply may result in termination of this Agreement. Upon termination, the Franchisee must return to us all components and materials related to the System, and Franchisor has the first right of refusal to purchase all Assets (as described in Section XXIV.G).

It is understood and agreed that, except as expressly provided herein this franchise includes no right of Franchisee to sub franchise.

B. Cooperation Required

Franchisee shall cooperate reasonably with Franchisor to ensure that the various actions occur which are necessary to obtain acceptance by Franchisor of the Boutique location. In particular, Franchisee shall furnish any pertinent information as may be reasonably requested by Franchisor regarding Franchisee's business and finances.

C. Initial Franchise Fee

By executing this Franchise Agreement, the applicant agrees to become a Franchisee and pay an Initial Franchise Fee in the amount of \$5,000 for a Make Body® store. This Initial Franchise Fee includes a license to operate a single Make Body® store in a protected territory that is up to three (3) miles driven in any direction from the Boutique determined by boundaries as described in Section VI of this Agreement. The Initial Franchise Fee includes an affiliate local web page housed within our national website, a seven (7) day initial training program, manuals and up to five (5) days of on-site guidance, pre-opening assistance and grand opening assistance.

D. Establishing Additional Franchise Businesses

If Franchisee desires to establish and operate additional Make Body® Businesses; we may in our sole discretion, grant Franchisee a license to operate additional Boutiques for a reduced Franchise Fee of \$2,500 per each additional Boutique subject to the payment of an option discussed elsewhere in this Agreement. In order for Franchisee operate additional Boutiques, Franchisee must meet the following minimum conditions: (a) Franchisee must satisfy our then-current qualifications and training requirements; (b) Franchisee must execute our then-current franchise agreement; and (c) the Franchisee must not be in default of any of the terms of this Agreement, or its Schedules plus any other requirements to purchase an additional franchise.

E. Total Initial Franchisee Fee and Payment

The Total Initial Franchise Fee per this Franchise Agreement is \$5,000, half is due (\$2,500) upon the execution of the Franchise Agreement and the other half (\$2,500) is due within the first two (2) weeks the Franchisee's Business is open for operation and receipt of which is hereby acknowledged by Makebody Franchising, LLC, for the Franchisee's license to conduct business in the Territory.

The Total "Initial Franchise Fee" shall be as follows:

\$5,000 The Initial Franchise Fee for a Make Body® business in a protected Territory.

The Initial Franchise Fee is uniform as to all persons currently acquiring a Franchise, and is nonrefundable. The Initial Franchise Fee shall be paid in two (2) increments as described above in U.S. funds and shall be deemed fully earned and nonrefundable in consideration of administrative and other expenses incurred by us in granting this franchise and for our lost or deferred opportunity to franchise others, except as described above in Section IX.A.

X. OTHER FEES

A. Royalty Fees

In addition to the Initial Franchise Fee described in Section IX above, the following recurring payments are required to be made by the Franchisee. The Franchisee pays to the Franchisor a Royalty Fee which is a flat \$500 each calendar month. The Royalty Fee is due or before the fifth (5th) day of each month and begins on the fourth (4th) month after the Boutique is open for business then continues for the term of this Agreement. If Franchisee opens the Boutique for business on the fifteenth (15th) of the month or anytime thereafter, then Franchisee's Business will be deemed open for operation the next calendar month. For example if Franchisee opens its Business on April sixteenth (16th) then Franchisor would consider May as Franchisee's first month in operation and since there are no royalties due for the first three months, Franchisee's royalty payments would begin in September for Franchisee's August royalty obligation. The Royalty Fee is uniform as to all persons currently acquiring a Make Body® Franchise, and is nonrefundable. If the Franchise Agreement is terminated, Franchisee may be required to continue such royalty payments as described in Section XXIV.H.

Any payment or report not actually received by us on or before the specified date shall be deemed overdue. If any payment is overdue, in addition to the right to exercise all rights and remedies available to us under this Agreement, Franchisee shall pay us a fee of \$25, in addition to the overdue amount, interest on such amount from the date it was due until paid at the rate of 1.5% percent per month or the maximum rate allowed by the laws of the State in which Franchisee's business is located or any successor or substitute law (referred to as the "Default Rate"), until paid in full.

B. System Advertising Fee

Franchisee will pay a System Advertising Fee equal to a flat \$50 each calendar month, begins on the fourth (4th) month after the Boutique is open for business and continues for the term of the Agreement. The System Advertising fee is uniform to all franchisees and is nonrefundable. The System Advertising Fee can be increased by Franchisor and such increase will not exceed more than \$25 per month in any calendar year during the term of this Agreement. If we increase the System Advertising Fee, Franchisee will be given ninety (90) days' written notice prior to such increase.

The System Advertising Fee is to be received by the Franchisor on or before the fifth (5th) day of each month for the prior month. This fee will be deposited into our System Advertising Fund (the "Fund") for ongoing technology and new product development, and such national advertising or public relations programs as we, in our sole discretion, may deem appropriate to promote the Marks. The Fund may also be used for local franchisee group advertising or marketing and franchisee advisory council expenses; local, regional, national or international advertising or marketing; administration of advertising and marketing (including salaries, accounting, collection, legal and other costs), related expenses and any media or agency costs. We will direct all such programs, and will have sole discretion over the creative concepts, materials, endorsements and media used in such programs, and the placement or allocation of such programs. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs.

Franchisor may disclose the identity of vendors who pay promotional allowances to Franchisor upon request and only after Franchisee's signing an appropriate non-disclosure agreement. If Franchisor requires Franchisee to buy items from a vendor who pays these allowances, Franchisor may do one of the following: (i) place all or some of the allowances in the Fund or (ii) spend them directly on related advertising. This does not apply to fees Franchisor receives from purchases that are not required to be made from a specified source. Franchisor is not obliged to spend more on advertising and marketing than the amount of the Fund. Any unspent balance in the Fund at the end of the year may be carried over to later years and used for the purposes described in this Agreement. Neither the Franchisor nor any of its members has any fiduciary duty to the Franchisee regarding the Fund.

Franchisee's failure to pay required advertising contributions is a material breach of this Agreement, subjecting Franchisee to all remedies at law and as set forth in this Agreement. Franchisor may remove Franchisee from advertising or marketing materials without notice if Franchisee fails to timely remit its System Advertising Fee.

C. Local Advertising

Franchisee will spend a minimum \$800 per calendar month for local advertising and promotion, in addition to payment of the System Advertising Fee required above. Franchisor may reduce the amount of Franchisee's minimum local advertising requirement after Franchisee's third full year of operation, upon written approval and at Franchisor's sole discretion. Franchisor shall have the right to approve or disapprove any advertising proposed for use by Franchisee. Franchisee will spend at least \$1,500 on "grand opening" marketing and promotion on "grand opening" marketing and promotion within the first month of opening which will substitute for the obligation to spend \$800 per month beginning after the first month of opening the Boutique for local advertising, as indicated above.

The Franchisee agrees to create a local advertising and marketing plan by which Franchisee shall place local advertising in any media it desires, provided that such advertising conforms to the standards and requirements of Franchisor as set forth in our Operations Manual or otherwise designated by Franchisor. Such advertising may include but is not limited to: Any telephone, email, Internet, domain name, electronic network, directory and listings of the Boutique per our written approval. All items mentioned are the Franchisor's property and on termination will revert to the Franchisor. Franchisee agrees to execute any and all documents needed to perfect such reversions. Franchisee shall not advertise the Boutique in connection with any other business, except with Franchisor's prior written approval. Franchisee shall obtain Franchisor's prior approval of all unapproved advertising and promotional plans and materials that Franchisee desires to use thirty (30) days before the start of any such plans. Franchisee shall submit such unapproved plans and materials to Franchisor (by personal delivery or through the mail, return receipt requested). Franchisee shall not use such plans or materials until they have been approved by Franchisor and shall promptly discontinue use of any advertising or promotional plans and material upon the request of Franchisor. Franchisor shall approve or deny Franchisee's request by e-mail or any other form of written

communication, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request.

Franchisee will not independently advertise or promote in any media (including on any Website as defined in Section VI) without Franchisor's prior written approval, except when using materials previously approved by Franchisor. Franchisor shall approve or deny Franchisee's request by e-mail or any other form of written communication, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request. Franchisee will participate in at its own expense and cooperate with all advertising and promotional programs Franchisor or any advertising group of franchisees selects, including any franchise marketing council Franchisor may implement. Franchisee is not required to follow or maintain any sales price, except that Franchisor will set minimum and maximum prices and will suggest prices, to the extent allowed by law.

D. Electronic Funds Transfer

Franchisor reserves the right to require Franchisee to remit fees and other amounts due to Franchisor hereunder via electronic funds transfer or other similar means utilizing a Franchisor approved computer, POS system or otherwise. If Franchisor notifies Franchisee to use such payment method, Franchisee agrees to comply with procedures specified by Franchisor and/or perform such acts and deliver and execute such documents including authorization, in the form attached to this Agreement as Schedule 1 "Authorization Agreement for Prearranged Payments" for direct debits from Franchisees' business bank operating account, as may be necessary to assist in or accomplish payment by such method. Under this procedure Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to Franchisor and any interest and related processing fees charged due thereon. Franchisee shall make funds available to Franchisor for withdrawal by electronic transfer no later than the due date for these payments. If Franchisee has not timely paid its Royalties then Franchisor shall be authorized, at Franchisor's option, to debit Franchisee's account for the Royalty and System Advertising Fees that are due.

E. Product and Vendor Assessment Fee

Franchisee will pay an assessment fee for our approval of any product, manufacturer, vendor and/or supplier (to the extent not then on Franchisor's list of approved products, manufacturers, vendors or suppliers), which may also require third party testing. The assessment fee is \$100 for a single product manufacturer, vendor or supplier that Franchisee wishes to sell, use and/or substitute in the Boutique. Franchisor may waive these fees if the products, manufacturers, vendors or suppliers that the Franchisee selects meet Franchisor's requirements and make it on Franchisor's approved list of products, manufacturers, vendors or suppliers for all franchise locations.

Franchisee must obtain our written approval for the use of such products, manufacturers, vendors or suppliers in the Boutique (Section XII.I of this Agreement). Franchisor will have thirty (30) days following the receipt of Franchisee's written request to approve or disapprove proposed products, manufacturers, vendors or suppliers. Such approval or disapproval shall be made by e-mail or any other form of written communication. Franchisee also acknowledges that the cost for third party testing is Franchisee's responsibility.

XI. FINANCING ARRANGEMENTS

Franchisee hereby acknowledges that financing and securing a revolving line of credit with vendors is the responsibility of the Franchisee. The Franchisor does not finance or guarantee the obligations of the Franchisee for a Make Body® Business. The Initial Franchise Fee is due and payable upon execution of this Agreement and as set forth in Section IX.C of this Agreement.

XII. GENERAL OBLIGATIONS OF FRANCHISEE

A. Follow Operations Manual and Directives of Franchisor

Franchisee agrees that use of Franchisor's System and adherence to our Operations Manual (the "Operations Manual" or "Manual"), in compliance with Franchisor's standardized design and specifications for décor, signage and uniformity of the Boutique are essential to the image and goodwill thereof. The Manual contains mandatory and suggested specifications for the Boutique, standards and operating procedures and further define Franchisee's obligations under this Agreement. Franchisor may change or add to the Manual to reflect changes in its image, specifications and procedures and methods of operation and will lend Franchisee copies of any changes or additions. Franchisee shall cooperate and assist Franchisor with any customer or marketing research program, which Franchisor may institute from time to time. Franchisee's cooperation and assistance shall include, but not be limited to, the distribution, display and collection of surveys, comment cards, questionnaires, evaluations and similar items.

B. Operate Franchised Business Only

Franchisee shall use the System and the Names and Marks provided to Franchisee by Franchisor for the operation of the Boutique and shall not use them in connection with any other line of business or any other activity. Neither Franchisee, nor any of its employees, may conduct any business at the Boutique other than that authorized pursuant to this Agreement, without the prior written approval of Franchisor. Neither Franchisee, nor any of its employees, may conduct any activity at the Boutique or in connection therewith which is illegal or which could result in damage to the Names and/or Marks or the reputation and goodwill of Franchisor. Franchisee will not allow the Franchised Business to be used for any immoral, unethical, unauthorized or illegal purpose.

Franchisee must conduct all business through the Boutique unless otherwise approved by us in writing. Franchisee must disclose to us any pre-existing businesses and agree to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 2 "Pre Existing Businesses."

C. Comply With Laws

Franchisee shall comply with all federal, state and local laws, ordinances, consumer protection laws and regulations, wage and hour laws, labor laws, workers compensation and unemployment laws, zoning laws, fire codes and building construction (including zoning classifications and clearances), dumping, hauling off, recycling and price-integrity laws and/or regulations, Equal Employment Opportunity Commission ("EEOC"), Federal Trade Commission ("FTC") and shall obtain and at all times maintain any and all governmental licenses, permits, industry specific licenses or certificates (if applicable), laws and regulations relating to occupational hazards and health such as Occupational Safety and Health Administration ("OSHA"), or that may be required for full and proper operation of the Business franchised under this Agreement in Franchisee's state of operation. In addition, with respect to all credit card transactions and customer information obtained through credit card usage, Franchisee agrees to diligently comply with all laws and rules regarding such usage and Franchisee will protect the privacy of credit card customers. Franchisor's standards may exceed any and all of the requirements of said laws. Copies of any and all notices, inspection reports or other communication from any governmental entity with respect to the

conduct of a Make Body® store which indicates the Franchisee's failure to meet or maintain governmental standards, or less than substantial compliance by the Franchisee with any applicable law, rule or regulation, shall be forwarded to the Franchisor within five (5) days of the Franchisee's receipt thereof. Franchisee agrees to indemnify us under Section XVIII of this Agreement which includes any claims arising out of Franchisee's failure to perform Franchisee's obligations as described above.

It is Franchisee's sole responsibility and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of a Make Body® store. Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of a Make Body® store and must at all times operate the Boutique in full compliance with all applicable laws, ordinances and regulations (including without limitation, regulations relating to safety, truth in advertising, occupational hazards, health, laws relating to non-discrimination in hiring and accessibility, worker's compensation and unemployment insurance). Franchisor makes no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise will be required for Franchisee in the Franchisee's Territory in connection with a Make Body® store. It is Franchisee's sole responsibility to identify and obtain all authorizations necessary for operation. Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities.

Franchisee shall agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224 and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to the Boutique as may be required by law. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that Franchisee's indemnification responsibilities as provided in Section XVIII pertain to Franchisee's obligations hereunder. Franchisee agrees to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 3 "Executive Order 13224 and Related Certifications."

The Make Body® store is designed, constructed and is to be operated in compliance with all local, state and federal laws, including (without limitation) the American with Disabilities Act ("ADA"). Even though Franchisor may have designed the Boutique space, Franchisee is responsible for compliance with all applicable federal, State and local laws and regulations concerning access by customers with disabilities. Any required modifications to the Boutique are Franchisee's sole responsibility and expense. Franchisee agrees to execute and deliver to us an ADA Certification in the form attached to this Agreement as Schedule 4 before Franchisee opens the Boutique and to confirm and certify that the Boutique and any proposed renovations comply with the ADA requirements.

D. Maintain Confidentiality of Proprietary Information

Neither Franchisee nor any of its Owners if you are an Entity, officers, directors, shareholders, partners, members, agents, or employees, except as required in the performance of the duties contemplated by this Agreement, may disclose or use at any time, whether during the terms of this Agreement or thereafter, any confidential and proprietary information disclosed to or known by Franchisee or any such person as a result of this Agreement. Such information, includes, but shall not be limited to: confidential matters, trade secrets, customer lists that includes lists of prospective customers; specifications for all Products, fitting and design consulting services; purchasing strategies, merchandising methods and techniques, inventory management systems, relationships with and lists of approved manufacturers, vendors and/or supplies; cost and pricing strategies, promotional programs, procedures for safety and quality control, build-out specifications, décor and signage; operational procedures, customer service standards,

employee hiring, training and retention programs; training materials, website, advertising and marketing materials, bookkeeping, financing and accounting methods, proprietary information conceived, originated, discovered, or developed by Franchisee or by any employee of Franchisee which is not generally known in the retail industry or about Franchisor's Products and Services, including information relating to discoveries, ideas, manufacturing, purchasing, accounting, engineering, website development and design, marketing, merchandising, selling of Products and Services (collectively referred to as "Confidential Information" and further defined in Section XVI.A of this Agreement).

Franchisee further acknowledges that the Confidential Information was unknown to Franchisee prior to negotiation for and execution of this Agreement and that the unique and novel combination of "know how," products, strategies, methods and techniques developed by Franchisor and licensed to Franchisee for the operation of a Make Body® store are particular to the retail industry. Franchisee agrees to take all steps necessary, at Franchisee's expense, to protect the Confidential Information and shall not release it to any person that does not have a need to know, including employees, agents and independent contractors, either during the term or after to the termination or expiration of this Agreement without Franchisor's prior written consent.

Franchisee further agrees that it will not contest in any litigation, arbitration, mediation, or in any other manner the Franchisor's ownership rights to any or all of the above Confidential Information.

E. Maintain and Renovate Boutique

Franchisee shall at all times maintain the Boutique in a clean, orderly condition and in first class repair in accordance with all maintenance and operating standards set forth in the Manual. Franchisee shall make, at Franchisee's expense, all additions, repairs, replacements, improvements and alterations that may be determined by Franchisor to be necessary so that the facilities which are viewed by the public will conform to the uniform corporate image, as may be prescribed by Franchisor from time to time. Franchisee shall undertake and complete such additions, repairs, replacements, improvements and alterations within the time and under the terms and conditions, which may be reasonably specified by Franchisor.

If at any time, in our sole and absolute discretion, the general state of repair, appearance or cleanliness of the Boutique or its fixtures, furnishings or signage does not meet our standards, Franchisee expressly agrees that we have the right to notify Franchisee, specifying the action Franchisee must take to correct the deficiency. If Franchisee does not initiate action to correct such deficiencies within ten (10) days after Franchisee receives our notice, and then does not continue in good faith and with due diligence, a bona fide program to complete any required maintenance and refurbishing, we have the right, in addition to all other remedies, to enter the premises of the Boutique and do any required maintenance or refurbishing on Franchisee's behalf, and Franchisee agrees to reimburse us on demand for any expenses we incur.

At our request, which shall not be made more than once every four (4) years (or as described above), Franchisee shall refurbish the Boutique at its expense, to conform to Franchisor's design, trade dress, color schemes, signage, furnishings and presentation of trademarks and service marks consistent with our designated image, including, without limitation, repairing, remodeling, redecoration and modifications to existing improvements which shall not exceed \$10,000 for each four (4) year period. Franchisee shall have six (6) months after receipt of Franchisor's written notice within which to complete the refurbishing of the Boutique.

F. Maintain Competent Staff

Franchisor will create, and make available to Franchisee and its Owners if you are an Entity, training programs and other selected training materials, as Franchisor deems appropriate. Franchisee must

staff a position to have day-to-day supervision for the operation and management of the Boutique (referred to as "General Manager"). Franchisee's Boutique must be personally managed on a full-time basis by a General Manager who has successfully completed our mandatory training and meets our then-current standards. The General Manager may, but need not, be you or one of the Owners of the Boutique. Franchisee must train a replacement General Manager (who Franchisor may disapprove in its sole and absolute discretion) in accordance with Franchisor's training program and at Franchisee's expense. Replacement General Managers or staff may attend Franchisor's training program for a fee and subject to space availability. Currently the fee is \$200 per person per day plus our expenses as described in Section XX.A of this Agreement. Franchisee, its Owners and/or General Manager is responsible for all travel, room and board and food. Franchisor has the right to require that the General Manager be at the Boutique for any inspection Franchisor, its affiliates or third parties conduct.

Franchisee acknowledges that it is Franchisee's sole and absolute responsibility to hire employees (referred to as "Employees") in an effort to provide service to customers according to our standards as outlined in the Operations Manual and Section XX.E of this Agreement. Franchisee is solely responsible for employee's terms of employment, compensation and the proper training in the operation of a Make Body® store. Franchisee is solely responsible for all employment decisions and functions, including hiring, firing, establishing wage and hour requirements, disciplining, supervising and record keeping.

Franchisee must not use unethical or illegal tactics to recruit Employees. Franchisee shall properly hire Employees per our standards (subject to applicable employee protection laws) which include carefully screening Employees by the use of background checks, before employing them, to ascertain fitness for employment. Specifically, Franchisee must use its best efforts, including taking every action required by applicable laws related to background checks of persons working in the Boutique, to ensure that no person is employed who has a record of child molestation or abuse, immoral conduct, drug, alcohol or substance abuse; criminal behavior or any other pattern of conduct which might jeopardize the welfare of the customers or reflect adversely on the reputation of us or the System. If Franchisee learns or if we advise Franchisee that we have learned that an Employee does not meet our recommended qualification standards or that one or more Employees cannot meet the written standards imposed by us or by all applicable law and regulations, Franchisee shall promptly investigate the situation and immediately discharge and replace the Employee if they do not meet such standards. Failure of Franchisee to adhere to our qualification process for Employees and standards for employment may result in termination of this Agreement as specified in Section XXIII.C of this Agreement. Franchisee will indemnify Franchisor (as described in Section XVIII) for all claims arising out of or relating to Franchisee's Employees and Franchisee's hiring, firing and discipline decisions regarding employees.

Franchisee will require its Employees to dress professionally while working at the Boutique, and such professional standards shall be defined by Franchisor as such standards may change from time to time, as set forth in the Operations Manual.

Franchisee will keep us advised, in writing, of all management and non-management personnel involved in the operation of the Boutique. The Boutique must be personally managed on a full-time basis by a person who has successfully completed the mandatory training program and meets our then-current standards.

G. Open Boutique Within Time Limit

Time is of the essence. The Franchisee must secure a lease within ninety (90) days of executing this Agreement and open the Boutique for business within one hundred and eighty (180) days after execution of this Agreement which includes having obtained Franchisor's approval prior to opening, subject to Section IX of this Agreement. Prior to opening, Franchisee shall complete, to Franchisor's satisfaction, all preparations of the Boutique, in accordance with specifications set forth in the Pre-Opening and Operations

Manual, and as required by local governmental agencies, including installation of all furnishings and fixtures; the acquisition of a POS system, software, phone systems, camera surveillance systems, Products, supplies and inventory, completion of training, and provision to us of all required local information, artwork and photos for the completion of the Franchisee's web page.

H. Operate Boutique in Strict Conformity to Requirements

Franchisee shall operate the Boutique in strict conformity with such standards, techniques, and operational procedures as Franchisor may from time to time prescribe in the Operations Manual, or otherwise in writing, and shall not deviate without Franchisor's prior written consent. Franchisee further agrees to offer its customers all Products and Services which Franchisor may, from time to time, prescribe, to offer its customers only those Products and Services which meet Franchisor's standards of quality and which Franchisor has approved in writing to be offered in connection with the Boutique's operations, and to discontinue offering any Products or Services which Franchisor may, in its sole discretion, disapprove in writing at any time.

Franchisee is required to use, sell and offer only approved Products and Services in the manner and style Franchisor specifies, which may, from time to time, be amended or modified in writing, designated and approved by Franchisor (as described in Section XII.I). Prior to opening the Boutique for business, Franchisee must adequately supply its Boutique with Products (as described in Section XII.I); merchandise and display all Products in accordance with Franchisor's specifications; and while operating the Boutique Franchisee must maintain in inventory only approved Products to sell to customers as specified by Franchisor and as outlined in the Operations Manual. Franchisee agrees that Franchisor may periodically and upon written notice to Franchisee, add to, modify, discontinue or change such approved Products, inventory requirements, Services, purchasing strategies, merchandising methods and/or standard at any time, in its sole discretion. Franchisee promises to promptly accept and implement, in the operation of the Boutique, all such additions, modifications, discontinuances and changes at Franchisee's expense within one hundred and twenty (120) days of receiving such notice. Franchisee agrees to modify, change or discontinue any Product, inventory requirement, Service, purchasing strategy, merchandising method and/or standard at Franchisee's expense and agrees to make no claim in connection with any modification, change or discontinuance of such Products, inventory requirements, Services, purchasing strategies and merchandising methods or standards. Additional products or services Franchisee desires to offer for sale in its Boutique must be authorized in writing by Franchisor (as described in Section XII.I). Failure of Franchisee to adhere to: Franchisor's approved Products that Franchisee is authorized to sell to customers; inventory requirements, execution of Services, purchasing strategies, merchandising methods and standards and/or to adhere to any additions, modifications, discontinuances or changes after receiving written notice from Franchisor (as described above) will be considered to be in breach of this Agreement and Franchisor, in its sole discretion, may terminate this Agreement as described in Section XXIII.C.

Franchisee must comply with our required procedures for purchasing and selling Products as we may periodically adopt and must accurately post and label the prices for all Products. Franchisee may be permitted to sell Products offered in its Boutique through alternative channels of distribution (such as on the Internet or Websites) and if given permission to do so, as described in Section VI, must adhere to our Website standards as outlined in the Operations Manual. If you are given permission, which we are not obligated to grant, all Products sold over the Internet must be sold and shipped directly from the Boutique. Except for Internet and Website sales (if Franchisee is authorized to do so) and off-site events within its Territory (also described in Section VI), Franchisee is not permitted to sell or offer Products from any other location, in any other media or alternative channels of distribution, whether known or hereinafter invented. If Franchisee attempts to sell Products through any alternative channel of distribution (as described above) without Franchisor's prior written permission such action will be considered a breach of this Agreement and may result in termination of this Agreement as described in Section XXIII.C.

Franchisee must respond promptly to all inquiries and complaints in order to achieve customer satisfaction as specified in the Operations Manual. If Franchisee does not provide customers with satisfactory service and/or fails to resolve customer complaints at the time complaint is registered (which includes accepting returns within the guidelines as Franchisor outlines in the Operations Manual) or if Franchisee violates operating standards or this Agreement, Franchisor may, in addition to its other remedies, complete the customer services and bill the Franchisee or customer for its services. Franchisee shall reimburse Franchisor for any expense incurred. In addition, there may be other System oriented programs designed to promote to the public the quality care and service provided by a Make Body® store that the Franchisor may wish to implement on a system-wide basis and advertise and market. Franchisee shall be required to participate in the then-current specials or promotions as may be developed by and as may be modified periodically by the Franchisor, in its sole discretion.

Franchisor may institute various programs designed to verify customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) a toll-free number, online surveys, customer comment cards, secret shoppers or otherwise. Franchisor will share results of such programs as they pertain to Franchisee's Territory, with Franchisee and Franchisee will reimburse Franchisor for all costs associated with any and all such programs provided that Franchisee is not in compliance with this Agreement and the System.

Franchisee recognizes that one of our primary methods of communication with Franchisees is through newsletters and/or memos we may periodically publish and an intranet system we may provide to Franchisees on our website (currently not in effect). Franchisee is responsible for knowing all of the information contained in the newsletters, memos and the intranet system and complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of the Boutique through our newsletters, memos and intranet system. If Franchisor establishes an intranet system, Franchisor will have no obligation to maintain the intranet system indefinitely and may dismantle it at any time without notice and without liability to Franchisee and the following will apply:

1. Franchisor will establish policies and procedures for use of the intranet system. These policies, procedures and other terms of use may address the issues such as (i) restrictions on the use of abusive, slanderous, defamatory, or otherwise offensive language in electronic communications; (ii) restrictions on communications between or among franchisees that endorse or encourage breach of any agreement with Franchisor; (iii) confidentiality of materials that Franchisor transmits; (iv) password protocols and other security procedures; (v) grounds for suspending, or revoking Franchisee's access to the intranet system; and (vi) a privacy policy governing Franchisor's access to and use of electronic communications that franchisees submit on the intranet system. Franchisee acknowledges that as administrator of the intranet system, Franchisor can access and view any communication that anyone posts on the intranet system. Franchisee further acknowledges that the intranet system and all communications that are posted to it will become the Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.
2. Upon receipt of notice from Franchisor that the intranet system has become operational, Franchisee agrees to purchase and install all necessary additions to their computers and to establish and continually maintain electronic connection with the intranet system that allows Franchisor to send messages to and receive messages from Franchisee. Franchisee's obligation to maintain connectivity with the intranet system will continue until expiration or termination of this Agreement.

3. Franchisor may use part of the System Advertising Fund that Franchisor collects under this Agreement to develop, maintain and further develop the intranet system.

Franchisee is not required accept credit and debit cards however is encourage do so and we may change our requirements from time to time. Franchisee shall offer and will honor for customers, any incentive, coupon, or customer loyalty programs, which Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor's standards and procedures for such programs to the extent permitted by the laws of the Franchisee's state. These programs may include, without limitation, membership programs, repetitive use for service programs, co-op programs and other local and national activities. Franchisee's full and complete participation in such programs are required. Franchisee will be required to use and honor only system-wide gift cards, certificates and checks that we designate. All such gift cards, certificates and checks may be obtained from us or an approved supplier. Franchisor may require Franchisee to join and participate in various industry specific local or national associations. Franchisee is responsible for membership fees and any related costs.

Franchisee's full and complete participation in such programs and associations are required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense.

In the marketing and operation of a Franchisee's Boutique, Franchisee will use each of, and only, the contracts, waivers and/or other forms and/or materials as are designated by us periodically. However, the Franchisee may lease a premises subject to the landlord's lease, as long as the lease contains all of the terms and conditions required by this Agreement, and the Franchisee may execute its lender's standard promissory note, personal guaranty and security agreement provided that the terms and conditions of any promissory note, personal guaranty and security agreement do not affect or impair this Agreement, or any of the Franchisor's rights or remedies under this Agreement. If the Franchisee has two or more Owners or it is an Entity, then the Franchisee must submit a copy of its Operating Agreement, Partnership Agreement, or Shareholders Agreement and bylaws, as applicable for the Franchisor's review prior to execution as specified in Section XII.R of this Agreement.

All advertising, promotions and public relations by Franchisee in any medium shall be conducted in a dignified manner and shall conform to the standards and requirements of Franchisor as set forth in the current version of the Operations Manual. Franchisee shall have the right to sell Products and offer Services at any prices Franchisee may determine, except that Franchisor reserves the right to establish minimum and maximum prices for any given Product or Service system wide to the extent allowed by federal and state laws. To clarify, Franchisee agrees that Franchisor has the right, in its sole discretion, to establish minimum and maximum prices for any Product or Service system wide, temporarily (for a limited period of time), in specific geographic areas or in conjunction with any promotional and/or marketing program so long as such decisions are made with the honest belief that the measure Franchisor is adopting will help everyone in the System meet competition and succeed in the marketplace. If Franchisee elects to sell or offer any Product or Service at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such Products or Services at the recommended price will enhance Franchisee's sales or profits. Franchisee shall participate in and comply with all sales and promotional programs and/or product promotions promulgated by Franchisor periodically.

I. Use Approved Products, Supplies, Manufacturers, Vendors and Suppliers

Franchisee acknowledges that we have spent considerable time in researching and developing the Products, Services, processes, techniques, layout, design, methods, systems and technology used in the operation of a Make Body® business. Accordingly, Franchisee acknowledges that Franchisee is required to sell, purchase and use only approved Products and supplies from Franchisor, its affiliates or approved vendors and suppliers that include, but is not limited to: our privately labeled line of functional bras (such as

classic, romantic, push-up, luxury and bras made of specialty fabric and trace mineral elements), undergarments, shapewear (such as corsets, hip lifting, leg slimming and body shaping products using different levels of pressure), sleepwear (such as pajamas, night gowns and night shirts, robes, etc.), intimate apparel (such as slips, garters, satin and lace products, etc.), furniture and fixtures, POS System, software, camera surveillance system and televisions in addition to supplies (such as: packaging materials, box cutters, hangers, tags, etc.), signage, printed advertising, promotional and marketing materials for the operation of the Boutique. Franchisee is prohibited from: selling any Product that is not on Franchisor's approved list of Products or that has not been approved by Franchisor; or purchase and/or use the services of an unapproved manufacturer, vendor or supplier without Franchisor's written approval (as further described below). Franchisor will provide Franchisee with: a written list of all approved Products that Franchisee is authorized to sell and offer in its Boutique, recommended procedures and strategies when purchasing Products in addition to a list of all approved manufacturers, vendors and suppliers Franchisee is permitted to use to purchase such Products from for the operation of the Boutique during the initial training program. We may derive income through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved manufacturers, vendors and/or suppliers. We do not know the precise basis of these payments because we have never previously collected them. If we require Franchisee to buy from us, we believe that the product's price and quality will be comparable to similar products from other sources. We may take a portion of that income to spend on advertising or place in a separate franchise advertising account. If we require Franchisee to buy Products, supplies or services from a manufacturer, vendor or supplier that pays such allowances, we may spend all such fees on related advertising or may place them in the advertising account Fund as described in Section X.B of this Agreement. If we don't require the purchase, we need not place such fees in a separate account or use them on advertising. Franchisee agrees that we may periodically and upon written notice, add to, modify, discontinue or change such approved Products (as described in Section XX.H), supplies, manufacturers, vendors and suppliers. Franchisee promises to promptly accept and implement, in the operation of the Boutique, all such additions, modifications and changes at Franchisees expense. In addition, Franchisee acknowledges that:

1. We have spent considerable time designing the decoration and outfitting of a Make Body® store with furnishing, fixtures, décor items and signage. This is part of our trade dress. Franchisee must purchase such items from us and/or our affiliates or approved vendors as specified in the Operations Manual and Section XII.T of this Agreement.
2. To insure the consistent high quality and uniformity of Products and Services provided by a Make Body® store, Franchisee must purchase all Products and supplies (as described above) for use in the operation of its Boutique, from Franchisor, its affiliates or approved manufacturers, vendors and suppliers who demonstrate to Franchisor's continuing satisfaction an ability to meet Franchisor's standards and specifications. Franchisor is not liable to Franchisee for any loss or damage, or deemed to be in breach of this Agreement, if Franchisor, its affiliates or approved manufacturers, vendors and/or suppliers cannot deliver, or cause to be delivered, Franchisee's order of such items when out-of-stock or discontinued. Franchisee is prohibited from purchasing unapproved Products and supplies from unapproved manufacturers, vendors and/or suppliers who are not on Franchisor's approved list without Franchisor's written approval. All manufacturers, vendors and suppliers must be approved in writing by Franchisor and may be disapproved by Franchisor anytime thereafter. Franchisor shall approve or deny Franchisee's request, which approval is in Franchisor's sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by e-mail or any other form of written communication. If Franchisee purchases any Products and supplies from or uses the services of any unapproved manufacturer, vendor or supplier without Franchisor's permission, as described above, it may result in termination of this Agreement as specified in Section XXIII.C.

3. In approving any manufacturer, vendor or supplier Franchisor may consider factors such as: quality, composition, performance, technical specifications, delivery, distribution, safety, design, durability, service maintenance programs, determination of quality control, value, customer service strength, prompt attention to complaints, litigation against the supplier, any product recalls instituted by the United States Consumer Product Safety Commission, the supplier's financial strength and capacity to supply franchisee's needs promptly, reliably, and cost effectively. If Franchisee desires to sell and/or offer products or offer a service that has not been approved by Franchisor or that is unique to Franchisee's area then Franchisee must submit to Franchisor a written request for such approval. Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by e-mail or any other form of written communication. Franchisor shall have the right to require, as a condition of its approval and review, that its representatives are permitted to inspect the facilities of the proposed vendor and that the proposed item is delivered to Franchisor or its designee for testing. The cost of such inspection and testing shall be paid by Franchisee, vendor or supplier and Franchisor shall not be liable for damage to or for the return of any sample and Franchisee may be responsible for the product and vendor assessment fee as described in Section X.E of this Agreement. Franchisor reserves the right, at any time, to re-inspect the facilities and to retest the product of any approved vendor and to revoke any approval if the vendor fails to continue to meet Franchisor's high standards.
4. Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Make Body® locations with: Products, supplies, POS systems, software, signage, camera surveillance systems, televisions, advertising and marketing materials and/or other products or services that Franchisor requires for use and sale in the operation of the Boutique. In this event, Franchisor may limit the number of approved vendors with whom Franchisee may deal with and designate sources that Franchisee must use for some or all such items and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System. Franchisor shall have unlimited discretion to approve or disapprove of the vendors who may be permitted to provide such items to Franchisees.
5. For a Make Body® store, no less than sixty percent (60%) of Franchisee's total inventory of Products must be of approved functional bras; not less than fifteen percent (15%) of Franchisee's total inventory of Products must be of approved shapewear; not less than fifteen percent (15%) of Franchisee's total inventory of Products must be of approved undergarments and lingerie; and the remaining ten percent (10%) of approved sleepware and other approved products at all times. Currently Franchisor does not require Franchisee to maintain specific styles of Products in inventory (defined as Minimum Representation as described below) however retains the right in the future to do so. Failure of Franchisee to adhere to Franchisor's inventory requirements of Products, as described above, may result in termination of this Agreement as specified in Section XXIII.C.
6. Franchisee will not make any claims against us with respect to any manufacturer, supplier, vendor and/or related supplier for: Products, computer system, POS and camera surveillance systems, software, televisions, furniture, fixtures or any other related products or supplies necessary for the operation of the Boutique (and/or our designation of, or our relationship with, any vendor/supplier/products). THE FRANCHISOR MAKES NO WARRANTIES REGARDING ANY VENDOR PRODUCTS OR SUPPLIES, AND HEREBY DISCLAIMS THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF

FITNESS FOR A PARTICULAR PURPOSE, THE IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, THE IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND THE IMPLIED WARRANTY OF INFORMATION CONTENT. FRANCHISOR MAKES NO WARRANTY THAT ANY VENDOR PROVIDED SOFTWARE WILL BE BUG FREE, VIRUS FREE, OR FREE OF TROJAN HORSES OR WORMS. FRANCHISOR MAKES NO WARRANTIES REGARDING ANY OPEN SOURCE SOFTWARE CONTAINED IN ANY VENDOR PRODUCTS OR SUPPLIES. FRANCHISEE HEREBY AGREES THAT SUCH DISCLAIMER IS AN ESSENTIAL PART OF THE BARGAIN, AND THAT THE FRANCHISOR WOULD NOT HAVE ENTERED INTO THIS TRANSACTION ABSENT SUCH DISCLAIMER. Any claim with respect to any vendor-related and/or similar matters shall be made only against the manufacturer or vendor in question. Franchisee will provide us with written notice prior to taking any action in connection with such a claim. Franchisor will use diligent efforts to assist Franchisees in resolving any disputes with manufacturers and vendors approved and/or designated by us.

7. Franchisee is required to use and/or offer for sale any and all branded merchandise or Proprietary Products developed by Franchisor, which will be listed in the Operations Manual. The term "Proprietary Products" is defined as all products, supplies, marketing materials and Makebody® branded products all of which must be purchased by the Franchisee directly from Franchisor, its affiliates or approved vendors, unless the Franchisee has submitted and received written approval from Franchisor to use an alternate supplier. Currently Franchisor has developed Proprietary Products and Franchisee must purchase all such items from Franchisor's affiliates. Franchisor may become the only approved supplier for such items in the future.
8. Franchisee acknowledges that it must maintain a certain percentage of Products in inventory (as described above) in its Boutique at all times however Franchisor currently does not require Franchisee to maintain in inventory specific styles of Products or a minimum representation of a certain Product (however retains the right to so in the future). "Minimum Representation" shall be defined as the continuous maintenance of a specific amount of a certain Product and/or Proprietary Products meeting requirements as defined in the Operations Manual. Franchisee shall at all times comply with Franchisor's Minimum Representation requirements and the terms of any auto-ship requirements (currently Franchisor does not have any such requirements, however does require that Franchisee purchase updates for all promotional and marketing materials when designated as mandatory by Franchisor and as specified in the Operations Manual). If we require Franchisee to carry a Minimum Representation of Products, we will provide Franchisee with written notice and Franchisee will have one hundred and twenty (120) days to comply with such requirements. If a particular Product does not sell well in the Franchisee's Boutique, Franchisee may request that the specific Product be removed from the Boutique and the required Minimum Representation list. Franchisor shall approve or deny Franchisee's request, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by e-mail or any other form of written communication.
9. Franchisee shall not make any changes to the Proprietary Products or any third party products including changing the containers, packaging, labeling, promotional materials, advertising, cartons or the like without Franchisor's or the manufacturer's prior written approval, which may be withheld in the sole discretion of the Franchisor, designer and/or manufacturer.

10. Franchisee may not independently act as an exclusive distributor for any third party vendor or secure any exclusive rights to distribute Products and/or Proprietary Products inside or outside of Franchisee's Territory without Franchisor's written consent. Franchisor shall approve or deny Franchisee's request, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request. Failure to adhere to these guidelines or will result in termination of this agreement as specified in Section XXIII.C of this Agreement.
11. Franchisee shall not manufacture or produce any product that is similar to, or competes with any of Franchisor's Product, Proprietary Products or third party product, or any product offered or sold in the Boutique or in any channel of distribution selling similar products without the advanced written consent of the Franchisor and/or manufacturer, which may be granted or denied in Franchisor's and/or the manufacturer's sole discretion. Violation of this shall be grounds for immediate termination as specified in Section XXIII.C of this Agreement.
12. Franchisee agrees to purchase, use, maintain, service, repair and update at Franchisee's expense all computer systems, POS system, software and camera surveillance system meeting our specifications, as we may modify them. Except as provided in the Franchise Disclosure Document, Franchisor cannot estimate the future costs of the computer system, POS system, software or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs of obtaining the software, computers, POS and camera surveillance systems (or additions and modifications) and required service, maintenance repairs and support. Franchisee agrees to replace the computers, POS and camera surveillance system at Franchisee's expense as the computers, POS and camera surveillance systems (i) become obsolete or inoperable; or (ii) if, in Franchisor's sole discretion, replacement is necessary because of new functionality, change in software, change in computer servers, change in methods of service or because of health or safety considerations. Franchisee agrees to maintain all computers, POS and camera surveillance systems on-line to allow us to access system data and information. Franchisee agrees to comply with our then-current Terms of Use and Privacy Policies and any other upgrade requirements regarding all computer systems, POS system, camera surveillance system, software, including Internet usage. Franchisor has no obligation to reimburse Franchisee for any computer, POS or camera surveillance system or software costs. Within one hundred and twenty days (120) days after Franchisee receives written notice from Franchisor, Franchisee agrees to obtain any computer system, POS system, camera surveillance system, software and components that the Franchisor designates and to ensure that Franchisee's computer system, POS and camera surveillance system and software as modified, is functioning properly. Failure of Franchisee to purchase, maintain, service, repair and comply with any changes to Franchisor's computer, POS and camera surveillance system and software requirements, as described above, may result in termination of this Agreement as described in Section XXIII.C.
13. Franchisee may be required to use our proprietary software for the operation of the Boutique (currently not in effect). If Franchisor develops proprietary software and requires Franchisee to use such software, Franchisor will provide Franchisee with a one hundred and twenty (120) day written notice to purchase (if applicable) and use such software for the operation of the Boutique. Franchisor will provide all update and upgrade requirements for the proprietary software as necessary. The installation, maintenance, repairs and upgrade costs for the proprietary software will be the responsibility of the Franchisee. Usage of any proprietary software ("Software"), if developed, will be subject to the following terms:

- a. Franchisee will use our Software on a computer system that: (i) meets Franchisor's computer hardware specifications; and (ii) is located at the Boutique or on a backup system if the original computer is inoperable. Franchisee will be licensed to use our Software only for Franchisee's internal, in-house data processing and data communications purposes and only in connection with the Boutique and not for re-marketing or redistribution under any circumstances;
- b. Franchisee acknowledges and agrees that Franchisor will be the sole and exclusive owner of all right, title and interest in and to our Software, including all trade secrets and copyrights related to the Software, subject only to the rights we expressly license to Franchisee in this Agreement. This license will not provide Franchisee with title or ownership of the Software, but only a limited right of use. Franchisee agrees that Franchisee will not contest or otherwise seek to share, diminish or invalidate our ownership rights in our Software;
- c. Franchisee will not modify, the Software in any way without our prior written consent. Franchisee will promptly disclose to us all ideas and suggestions for modifications or enhancements to the Software that Franchisee conceives or develops and we will have the right to use such ideas and suggestions. We shall own all copyrights and other intellectual property rights to all modifications and suggestions proposed by Franchisee. The term "all copyrights and other intellectual property rights shall mean all means, methods, and process, by all media whether now known or hereinafter invested, including complete and entire interactive rights and rights to derivative works. This Agreement shall be a work for hire. In the event that a court of competent jurisdiction holds that this Agreement is not a work for hire, then the Franchisee agrees to execute all documents that the Franchisor deems is necessary to assign all copyright and other intellectual property rights to the Franchisor. All modifications or enhancements made to the Software will be our property and belong exclusively to us, without regard to the source or creator of the modification or enhancement, however we may provide incentive programs for such contributions;
- d. Franchisor will have the right at all times to access Software and to retrieve, analyze and use all the data in Franchisee's files stored on Franchisee's computer systems, POS system, camera surveillance system or any other computer system. Additionally, Franchisee will electronically transfer all files and reports to us on our request. All information that Franchisee stores in any computer system, POS or camera surveillance system shall become the Franchisor's confidential and proprietary information, and subject to all of the terms and conditions of this Agreement regarding the Franchisor's Confidential Information.
- e. Franchisee and Franchisee's employees will not make available the Software, or portions thereof, to any person other than Franchisee's or our employees without prior written consent. Franchisee agrees that Franchisee will not: (i) copy the Software except as necessary for use in the Boutique; (ii) translate, reverse engineer, reverse compile, disassemble or create derivative works based on the Software; (iii) sublicense, rent, lease, sell or otherwise transfer the Software or any portion thereof, or any rights therein, to any person or entity. Failure to adhere to these guidelines or allowing unauthorized usage of the Software may result in termination of this Agreement as specified in Section XXIII.C of this Agreement;
- f. Franchisee acknowledges and agrees that the Software, if developed, will be our valuable, proprietary product, the design and development of which took the

investment of considerable time, money and the effort of skilled computer programmers. Franchisee will keep the Software and any data generated by the use of the Software confidential during and after the term of this Agreement and will maintain security precautions to maintain the secrecy of the Software and to prevent unauthorized access or use of the Software. Franchisee agrees that it will treat the Software as confidential and that the Software will contain substantial trade secrets of ours that we have entrusted to Franchisee in confidence to use only as we authorize under this Agreement. We hereby claim and reserve all rights and benefits afforded under copyright law, trade secret law, patent law, intellectual property law and other laws relating to confidential and proprietary material. Franchisee agrees not to improperly use, disseminate, or disclose the Software, and to ensure that Franchisee's employees who gain access to the Software will protect them against improper use, dissemination or disclosure;

- g. ANY SOFTWARE SHALL BE PROVIDED ON AN "AS-IS" BASIS WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND IMPLIED WARRANTY OF INFORMATIONAL CONTENT. ALL WARRANTIES AGAINST INFRINGEMENT ARE HEREBY DISCLAIMED EXCEPT WE REPRESENT THAT WE HAVE SUFFICIENT AUTHORIZATION TO LICENSE THE SOFTWARE TO FRANCHISEE. WE DO NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE SOFTWARE WILL MEET FRANCHISEE'S REQUIREMENTS OR THAT THE USE OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. WE MAKE NO WARRANTIES THAT THE SOFTWARE IS FREE FROM BUGS, VIRUSES, TROJAN HORSES, OR WORMS. WE MAKE NO WARRANTY REGARDING ANY OPEN SOURCE SOFTWARE CONTAINED IN THE SOFTWARE. In no event will we be liable to Franchisee for damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to the use of or inability to use the Software, even if we have been advised of the possibility of such damages, or for any claim by any other party. The foregoing limitations of liability are intended to apply without regard to whether other provisions of this Agreement have been breached or proven ineffective;
- h. Franchisee acknowledges and agrees that Franchisee's license to the Software will terminate immediately and automatically should Franchisee fail to adhere to any of Franchisee's obligations under this license or if this Agreement expires or is terminated for any reason;
- i. Franchisee acknowledges and agrees that any violation by Franchisee of the provisions of the Software license would cause us irreparable harm for which we would have not adequate remedy at law; and that, in addition to other remedies available to us, we will be entitled to seek injunctive relief against any such violation (without the posting of a bond or other security if permitted by law);
- j. In the event Franchisee fails to adhere to any of Franchisee's obligations under this Agreement, or is no longer a franchisee of ours, or this Agreement expires or terminates for any reason, Franchisee will immediately (within five (5) days) terminate the use of the Software and destroy any and all material or information related to the Software or any data generated by use of the Software unless we specifically instruct otherwise; and

- k. Franchisee must update all computer systems upon our request to optimize performance of the Software.
14. Franchisee acknowledges that neither we nor our affiliates, will have any liability and/or obligation (and neither you or any managing partners, managing members, members, shareholders or other Owners of Franchisee will make any claims) about any loss of data, loss of information, inability to use, failures, errors, bugs, viruses, Trojan horses, worms, or any other occurrences relating to any computer or system hardware, POS system, camera surveillance system or software without an express written warranty from us, even if recommended or specified by us. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting themselves from these problems. Franchisee must also take reasonable steps to verify that information about Franchisee's vendors, suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee rely, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems and use of backup systems.
15. Franchisor may set standards or specifications for leases, real estate, the construction and build-out of the Boutique; furniture, fixtures, décor items, signage and Internet or network access services, at its discretion, including its subjective determinations relating to quality, value and appearance.

Nothing in this Agreement shall be construed to be a promise or guarantee by Franchisor as to the continued existence of any particular Product, nor shall any provision herein imply or establish an obligation on the part of the Franchisor and its affiliates to sell Products and supplies to Franchisee if Franchisee is in arrears on any payment to Franchisor, its affiliates, or any other designated vendor or approved supplier, or otherwise is in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of Products, supplies, furniture, fixtures, signage, advertising and marketing materials, or any other merchandise, Franchisor or its affiliates shall not be obligated to sell such items to Franchisee.

J. Use Approved Design and Signage for Boutique

In operating a Make Body® store, Franchisee must adhere to Franchisor's signage standards and utilize signage designs in accordance with the standards and specifications recommended by Franchisor, or that will continue to be recommended by Franchisor. Franchisee may use an approved supplier for signage, or submit an alternate supplier to Franchisor for approval. Franchisee shall purchase or lease, subject to local building codes and regulations, exterior and interior signs that provide maximum displays of the Names and Marks of Franchisor. Franchisee shall be totally responsible for obtaining and equipping the Boutique with all exterior signage and interior signage that are approved for use by Franchisor from time to time. The color, size, design and location of said signage shall be as specified and/or approved by Franchisor. Franchisee shall not place additional signs, posters, newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar devices and décor items in the Boutique without Franchisor's prior written consent.

K. Participation in the Operation of the Boutique

Franchisee acknowledges that Franchisor has not represented that that this business is going to be easy for Franchisee (or any of its Owners) and agrees to participate in the day-to-day operation of the

Boutique. Franchisee may assign the supervision of the Boutique to an Owner or General Manager once approved by Franchisor. Franchisee agrees that the General Manager will supervise all Employees. The General Manager will also be responsible for providing continuing guidance, oversight, day-to-day management, instruction and properly process all reports or complaints.

L. Development of Market

Franchisee shall at all times use its best efforts to promote and increase recognition of the Products and Services offered by the Boutique pursuant to the System and Operations Manual, to effect the widest and best possible distribution of Products and Services from the Boutique and to devote its best efforts to growing the Business.

M. Maintain Regular Business Hours

Franchisor requires that Franchisee's Boutique is open for business a minimum of six days each week, except for holidays (as specified in the Operations Manual). The only exception to the above is if Franchisee is given written permission by Franchisor to operate at a lesser period; or if the hours of operation for the Boutique are required by the lease of the premises on which the Boutique is operated. It is required that Franchisee maintains a telephone answering system to take messages and monitor an e-mail address for the Boutique.

N. Maintain Uniform Operating Standards

Franchisee understands and acknowledges that every detail in the operation of the Boutique is important to the Franchisee, Franchisor and other franchisees in order to develop and maintain uniform operating standards, to increase the demand for the Products and Services offered by the Boutique under the System, and to protect Franchisor's trademarks, service marks, reputation and goodwill.

Franchisee acknowledges and agrees that the System must continue to evolve in order to reflect changing market conditions and meet new and changing customer demands. As a consequence, changes, modifications and variations to the System's standards may be required from time to time to preserve and enhance the public image of the System and enhance the operational efficiency of all franchises.

Franchisee therefore agrees that we may periodically and upon written notice, add to, modify or change the System, including without limitation the adoption and use of new or modified trademarks, approved Products, inventory requirements, Services, signage, décor, furnishings, fixtures, operational methods, POS systems, computers, camera surveillance systems, Software, non-proprietary software, methodologies, employee hiring guidelines, training and retention programs, advertising, purchasing, sales and marketing strategies. Franchisee promises to promptly accept, implement, use and display in the operation of the Boutique, all such additions, modifications and changes at Franchisee's expense.

Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities. Franchisee will not engage in any services, trade practices, abusive excessive, or illegal collection techniques or other activity; or sell any product which Franchisor determines to be harmful to the goodwill or to reflect unfavorably on the reputation of Franchisee or Franchisor, the Franchised Business, or the services and products sold thereof; or which constitutes deceptive or unfair competition, results in unfounded litigation against your customers or otherwise is in violation of any applicable laws, or regulations. The above limitations are closely related to the business image, purpose and marketing strategy of the System, and therefore any change therefrom would fundamentally change the nature of the business;

Franchisor will not require Franchisee to make any changes, alterations, modifications and/or variations to the System that are not required of all franchisees (unless such change, modification or variation relates only to certain franchisees due to one or more unique factors such as geographic location, local laws, regulations or customs); further we may periodically meet with representative groups of franchisees and solicit their input prior to the implementation of any material change or modification. Franchisee's failure to comply with modifications to the System within one hundred and twenty (120) days of such written notice is an incurable default as described in Section XXIII.C of this Agreement, except as allowed in Section XII.E of this Agreement.

O. Telephone Number of Business and Web Page

Franchisee understands and agrees that the telephone number(s), the URL address, web page and if permitted, Websites for the Boutique (in addition to any cell phone numbers) constitute a part of the System and are subject to the restrictions of this Agreement. Accordingly, Franchisee shall not change the telephone number(s), URL address, web page or Websites for the Boutique without prior notice and written approval by Franchisor. Franchisee shall advertise and publicize the telephone number(s) and, permitted by Franchisor, the URL address, web page and Websites for the Boutique in the manner prescribed by Franchisor. As stated above, all telephone numbers, URL addresses, web page, Websites, Internet or similar connections, directory and listings for the franchised business are the Franchisor's property and upon termination will revert to the Franchisor.

P. Disclose Discoveries and Ideas to Franchisor

Franchisee shall promptly disclose to Franchisor all products, discoveries, concepts, methods, formula, techniques, processes, programs, operational procedures, inventions or ideas, whether patentable or not, relating to Franchisor's business, which are conceived or made by Franchisee or any Owner, agent, or employee of Franchisee solely or jointly with others, during the term of this Agreement, whether or not Franchisor's facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such products, discoveries, concepts, methods, formulas, techniques, processes, programs, operational procedures, inventions or ideas are the exclusive property of Franchisor, as well as the trade secrets of the Franchisor, and that Franchisor shall have no obligation to Franchisee. The Franchisor shall own all copyrights and other intellectual property rights to all such discoveries proposed by Franchisee. The term "all copyrights and other intellectual property rights shall mean all means, methods, and process, by all media whether now known or hereinafter invested, including complete and entire interactive rights and rights to derivative works. However as a matter of corporate policy, Franchisor may, in its sole discretion, create an incentive program to reward Franchisee, its Owners, employees or agents for any such new product, program, discovery, concept, method, formula, technique, process or improvement that Franchisor implements throughout the System. The Franchisee, its officers, directors, managers, members, partners or shareholders agree to execute all documents deemed reasonably necessary by the Franchisor to assign all such patent, trade secret, trademark, and copyright rights in any Franchisee discovery or idea to the Franchisor. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by Franchisees within the System will be distributed to the other Franchisees as a benefit of belonging to the System. Franchisee agrees to execute all documents that the Franchisor deems reasonably necessary to carry out such transfer of intellectual property rights to the Franchisor.

Q. Permit Franchisor to Enter Business

Franchisee shall permit Franchisor and its agents or representatives to enter the Boutique during normal business hours for the purpose of: conducting inspections without notice to Franchisee and inspect the operations of the Boutique; review business operations (which includes photographing and taking video of the operations of the Boutique for observation purposes) to ensure Services are being performed according to Franchisor's standards; and to remove products without payment, for Franchisor to review to determine if such products meet Franchisor's then-current standards and specifications. Franchisee shall cooperate fully with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be deemed necessary to immediately correct any deficiencies detected during such inspections. In the event Franchisee fails or refuses to promptly correct any deficiency detected during such inspection, Franchisor shall have the right to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. The foregoing shall be in addition to any other remedies Franchisor may have pursuant to this Agreement.

R. Additional Requirements for Corporate Franchisee

If Franchisee is or becomes a corporation, limited liability company, general or limited partnership or other organization or entity, the following requirements shall apply:

1. Franchisee shall confine its activities to the establishment and operation of the Boutique and off-site events within the Territory (as described in Section VI);
2. Franchisee's Certificate of Formation, Articles/Certificates of Incorporation or Articles of Organization, Shareholders Agreement, Operating Agreement, Partnership Agreement Business Trust Agreement, and/or Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to the operation of the Boutique and that the issuance, redemption, purchase for cancellation and transfer of voting stock, voting membership units, voting partnership units, or other ownership interest therein, is restricted by the terms of this Agreement. Franchisee shall furnish Franchisor promptly upon request copies of Franchisee's Articles/Certificates of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, Shareholders Agreement, Business Trust Agreement, and other governing documents, and any other documents we may reasonably request, and any amendments thereto, from time to time;
3. Franchisee shall maintain a current list of all owners of record and beneficial owners of any class of voting stock, partnership interest or membership of Franchisee and shall furnish such list to Franchisor upon request;
4. Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) except in accordance with the provisions of Section XXV of this Agreement. All securities issued by Franchisee shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate, membership unit certificate, partnership unit certificate, or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE
TERMS AND CONDITIONS OF THIS FRANCHISE AGREEMENT
WITH MAKEBODY FRANCHISING, LLC AS OF THE SIGNING

DATE. REFERENCE IS MADE TO SAID AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE ARTICLES AND BYLAWS, SHAREHOLDERS AGREEMENT, OPERATING AGREEMENT, PARTNERSHIP AGREEMENT, CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP OR BUSINESS TRUST.

5. All shareholders, managing members, general partners and owners of Franchisee shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement, provided, however, that the requirements of this Section XII.R. shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "Publicly-Held Corporation");
6. If Franchisee is or becomes a partnership, corporation or limited liability company, Franchisee shall furnish Franchisor a copy of its partnership agreement or comparable agreement, and any other documents Franchisor may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a limited liability company, Franchisee shall furnish Franchisor with a copy of its operating agreement and any other documents Franchisor may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a corporation, Franchisee shall furnish Franchisor a copy of its shareholders agreement bylaws, and any other documents Franchisor may reasonably request and any amendments thereto, from time to time;
7. Each individual or Entity holding a 10% or greater ownership or beneficial ownership interest in the Franchisee's business, directly or indirectly, (including each individual holding a 50% or greater interest in any partnership, limited liability company, or corporation which has a 10% or greater interest in the Franchisee's business) shall enter into a continuing guaranty agreement, in the form attached hereto as Schedule 5 as such form may be amended or modified by Franchisor, from time to time (if such guaranty agreement is to be executed after the date of this Agreement in accordance with the terms of this Franchise Agreement); and
8. From and after the date of this Agreement, Franchisee and its Owners shall not sell, transfer, assign, pledge, mortgage, hypothecate or encumber all or any direct or indirect ownership interest in Franchisee without first obtaining Franchisor's written consent in which consent shall be approved or denied within thirty (30) days of Franchisee's request.

S. Site Selection

Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining and developing a site for the Boutique to be established under the Franchise Agreement and for the build out of the Boutique. A typical Make Body® store has approximately 500-1,500 square feet of space. The space for a Make Body® store must be enclosed and separate from other businesses with its own locking door. Franchisee may buy or lease the required real property and improvements from any source and on terms approved by Franchisor in writing. Franchisee must not invest any monies for a site in which Franchisee wishes to open a Business until Franchisee has obtained Franchisor's written approval for the site which such approval will be made by email or any other form of written communication. On the execution of any lease for the Business, Franchisee will deliver to Franchisor a copy of the executed lease and an option to assume the lease executed by the lessor in favor of Franchisor in a form acceptable to Franchisor. All improvements to the Boutique must be approved by Franchisor.

FRANCHISEE ACKNOWLEDGES THAT OUR ACCEPTANCE OF A PROSPECTIVE SITE AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF A SITE DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY, OR GUARANTEE BY US THAT A MAKE BODY® FRANCHISE OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

Franchisee acknowledges that we have spent considerable amount of time choosing the creating the decoration and outfitting the Make Body® stores. It is part of our trade dress. Franchisee acknowledges and agrees that the design, layout, furniture, fixtures, signage and other characteristics of the Boutique constitute and/or contain Confidential Information and/or Trade Secrets of ours, and we may claim trademark ownership of the design, layout, signage, and any other non-functional characteristic of the boutique. Franchisee agrees that the Boutique shall be maintained and operated as follows:

1. Franchisee will maintain the Boutique and every component of the furnishings, fixtures, signage, computers, POS and camera surveillance systems in good order and repair at all times as specified in the Operations Manual;
2. Franchisee will keep the Boutique fully insured as specified in this Agreement and in the Operations Manual;
3. Franchisee will keep the Boutique at all times in a clean and tidy condition and free of any advertising and promotional material other than that required by law or the Operations Manual, and will exhibit only the signage, colors and logos in the Boutique and upgrade or review the same as specified in the Operations Manual;
4. Franchisee will not alter or in any way amend the appearance of the Boutique, or any furnishings, fixtures, signage, computers, POS and camera surveillance systems contained within the Boutique as specified in the Operations Manual;
5. Franchisee will maintain and upgrade the Boutique and all furnishings, fixtures and signage as specified from time-to-time in the Operations Manual so as to always use our then-current specifications;
6. Franchisee shall meet and maintain the highest level of health standards and ratings applicable to the operation of the Boutique. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates and/or ratings resulting from inspections conducted by any federal, state or local governmental authority with jurisdiction over the Boutique; and
7. Franchisee may be required to use only approved service stores for repairs and maintenance of furnishing, fixtures, signage, computers, POS and camera surveillance systems in the Boutique.

Franchisee shall not execute a lease or sublease for the Boutique, or make any modifications or amendments to the lease or sublease, without our prior written consent, which we may not unreasonably withhold.. Franchisee will deliver to Franchisor a copy of any lease or sublease for Franchisor's review at least thirty (30) days before execution. Franchisee must deliver a copy of the signed lease or sublease to us within five (5) business days after it is signed. Franchisee shall ensure that the lease or sublease for the Boutique contains, in an addendum or otherwise, the following provisions which:

- 1). Permit Franchisee to operate a Make Body® store in accordance this Agreement and the Manuals;

- 2) Provide that the site will be used only for the operation of a Make Body[®] store, and prohibit Franchisee from assigning or modifying any of Franchisee's lease rights, or extending the term without our prior written consent;
- 3) Require the lessor to concurrently provide us with a copy of any written notices of default to Franchisee under the lease and give us the right to cure any default if we so choose; within fifteen (15) days following the expiration of the Franchisee's cure period under the lease;
- 4) Provide us with a right to take assignment and possession of the Boutique, without the lessor's consent or any additional consideration. If we exercise this right and Franchisee is in good standing, we will sign a sublease with Franchisee for the same rent Franchisee is paying. In any case, we will not assume any liability for any obligations incurred prior to our occupancy. Franchisee agrees to take whatever actions are necessary to accomplish such assignment and will, when you sign this Agreement, also sign the Collateral Assignment of Lease attached as Schedule 6. If Franchisee loses lease rights to the site in connection with any bankruptcy, the lessor will, on our request, enter into a new lease with us on essentially the same terms as the terminated lease;
- 5) Provide that the lessor consents to the use of the Marks, signage, trade dress and other aspects of the System, as modified from time-to-time, and give us the right to enter the premises during normal business hours for purposes of inspection, to take steps to protect the Marks, signage and trade dress and/or prevent/cure any default; and
- 6) Not contain any clause providing that if the Franchisee sells the assets of its store, or the stock/membership units/partnership units of the Boutique, Franchisee must pay the landlord a certain percentage or a flat amount of the sale. Provided, that nothing in this sentence shall impair the Franchisee from entering into a lease that allows its landlord to impose a reasonable administrative fee for processing the assignment or sublease.

T. Development and Construction of Boutique

Franchisee must select and employ licensed contractors reasonably acceptable by us for the complete build out and/or any leasehold improvements. Franchisee is solely responsible for the selection and work of any contractor selected and/or employed by Franchisee, even if referred by us, and for the preparation of architectural and working drawings necessary to complete construction and/or build out at the approved Boutique. Franchisee will be provided with mandatory requirements and specifications (interior and exterior) for the build out of the Boutique which includes specifications for Boutique layout, storage, furnishings, fixtures, décor and signage. Franchisor must review Franchisee's architect's final plans prior to implementation. Such plans and specifications are subject to alteration as may be necessary in Franchisor's sole discretion and Franchisee must be in full and strict compliance with plans and specifications approved by us. Franchisee is responsible for the cost and installation of all build out specifications. Franchisor reserves the right to receive rebates, commissions or other forms of consideration from designated or approved suppliers involved in the construction or fixturing of the Boutique and to use such rebates, commissions or other consideration in any way Franchisor deems appropriate in Franchisor's sole discretion, without obligation to share or remit any portion of such rebates, commissions or other consideration to Franchisee.

We would expect that a Make Body[®] store would need minimal construction improvements. Costs may vary widely depending on such factors as property location, the condition of the property and the extent of alterations required for the property. Franchisee shall be responsible for obtaining all zoning classifications, health, sanitation, clearances, permits and certifications which may be required by state or

local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Once approved by Franchisor, such final plans shall not thereafter be changed, altered, or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Boutique until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

Franchisee shall comply with all federal, state and local laws, codes and regulations, including without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Boutique. If Franchisee receives any complaint, claim or other notice alleging a failure to comply with the ADA or other law or regulation related to health or safety, Franchisee agrees that it shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

Except as provided in Section IX.A of this Agreement, Franchisee shall construct, furnish and open the Boutique according to the requirements contained herein, and Franchisee shall open the Boutique no later than one hundred and eighty (180) days from the Effective Date. Time is of the essence. Prior to opening for business, Franchisee shall provide Franchisor with evidence of lien-free completion of all work (including, without limitation, any and all mechanic liens) and to comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the grand opening advertising program), the Operations Manual, and/or elsewhere in writing by Franchisor.

Franchisee shall not open the Boutique until Franchisor has determined that all construction has been substantially completed, and that such construction conforms to Franchisor's standards including, but not limited, to materials, quality of work, furnishings, fixtures, signage, decor, paint and Franchisor has given Franchisee written approval to open, which approval shall not be unreasonably withheld. Franchisor's approval to open the Boutique does not constitute a waiver of Franchisor's right to require Franchisee to conform the Boutique to Franchisor's standards.

U. Training

Prior to Franchisee's opening of the Boutique to the public, Franchisee, its Owners if it is an Entity, or General Manager shall complete to our satisfaction the seven (7) day training program required by this Agreement no earlier than forty-five (45) days of the date Franchisee anticipates opening the Boutique. At our option, key personnel subsequently employed by Franchisee shall also complete the training program. We may, at our discretion, make available additional training programs, certifications, seminars, as well as refresher courses available to the Franchisee and/or Franchisee's designated individual(s) from time to time. We may, at any time, discontinue management training and decline to certify Franchisee and/or Franchisee's designated individual(s) who fail to demonstrate an understanding of the management training acceptable to us. If Franchisee or Franchisee's designated individual's management training is discontinued by us, Franchisee shall have thirty (30) days to present an alternative acceptable candidate for management training to Franchisor. If Franchisee's new candidate does not adequately complete the management training, then we shall have the option of terminating this Agreement. We shall provide instructors and training materials for all required training programs; and Franchisee or its employees shall be responsible for all other expenses incurred by Franchisee, its employees, or agents in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages.

V. Ongoing Training and Support.

The Franchisee will have access to our personnel for questions, ongoing training and support by phone and e-mail. Franchisor will continue to consult with and advise Franchisee; provide a telephone help

line, free of charge, to answer any questions from Franchisee or its staff (Section XX.A of this Agreement), provide the Manual, specifications, supplier, product, marketing and operational updates as they become available; review advertising, product and/or supplier approval requests; and administer the System Advertising Fund.

XIII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE

A. Overall Coverage Required

Before Franchisee opens a Make Body® Franchised Business, Franchisee must purchase insurance coverage from a responsible carrier and Franchisee must maintain such insurance throughout the duration of the initial term of the Franchise Agreement and any renewal terms. Franchisee shall list Franchisor as additional insured on all its policies. Franchisee will procure and maintain general comprehensive liability insurance with a minimum policy limit of \$1,000,000 per occurrence and \$2,000,000 aggregate (this policy should include general tort, premises damage, personal and advertising injury should be at least \$1,000,000) in addition to product liability insurance with a minimum policy limit of \$2,000,000 and property and casualty insurance with a minimum policy limit of \$1,000,000 or an amount specified by the Franchisor.

Franchisee must also procure and maintain "All Risks" or "Special Form" insurance (coverage for the full cost of replacement of the premises and all other property) in addition to business interruption insurance to fully insure loss of earnings for a period of one-hundred and eighty (180) days or longer as may specify and statutory workers' compensation insurance with limits of greater than \$100,000 or the minimum limits required by law.

For any construction, renovation, refurbishment or remodeling of the site, Franchisee may require that the general contractor maintain, with an approved insurer, commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builders risk, product liability and independent contractor's coverage) with limits of no less than \$1,000,000 per claim, naming Franchisee and us as additional insureds, as their interests may appear, together with workers' compensation and employer's liability insurance as required by law and as required by the lease. It is Franchisee's responsibility to obtain certificates of insurance from the contractor prior to the initiation of any construction.

To the extent available, Franchisor may require Franchisee to acquire automobile liability insurance (with coverage of owned and hired vehicles with minimum coverage in amounts not less than \$1,000,000 combined single limit (bodily and property damage) or what is in accordance with Franchisee's state guidelines), professional liability insurance, employer's liability insurance, employment practices liability insurance, employee dishonesty and crime insurance as well as other disability benefits type insurance as may be required by the statute or rule of each State, with policy limits of \$1,000,000 or in the amount Franchisor specifies.

All insurance policies will name Franchisee as certificate holder and Franchisor as an additional named insured with waiver of subrogation by Franchisee for the benefit of Franchisor. Franchisor may establish minimum standards for coverage to be met by underwriters for insurance. Before beginning operations, Franchisee will obtain any other liability insurance required by law, provide Franchisor with certificates of insurance within ten (10) days of issuance, and maintain all required insurance during the term of this Agreement. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing insurance coverage within ten (10) days after each of the following events (i) at all policy renewal periods, no less often than annually and (ii) at all instances of any change to, addition to or replacement of any insurance. Lapses, alterations, or cancellations require immediate notice to Franchisor and shall, in Franchisor's sole discretion, be deemed an immediate material breach of this Agreement as set forth in Section XXIII.C. If Franchisee fails to obtain the required insurance and to keep the same in full

force and effect, Franchisor may, but shall not be obligated to, pay the premiums or acquire insurance, and bill Franchisee. Franchisee shall reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure such insurance. Franchisor may change these insurance requirements on reasonable notice to Franchisee.

Franchisee's insurance will cover all claims for injury, damage and death or otherwise, arising directly or indirectly out of the franchised business.

Franchisee shall notify Franchisor immediately in writing of any event that could materially affect Franchisee or the franchised business, and no later than the date on which Franchisee notifies its insurance carrier.

Franchisor makes no representation or warranty to Franchisee that the amount of insurance to be carried by Franchisee under the terms of this Agreement is adequate to fully protect Franchisee's interest. If Franchisee believes that the amount of any such insurance is insufficient, Franchisee is encouraged to obtain, at its sole cost and expense, such additional insurance as it may deem desirable or adequate. Franchisee acknowledges that Franchisor shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for, or with respect to, the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance coverage, and Franchisee hereby expressly assumes full responsibility therefore and all liability, if any, with respect thereto.

Franchisee's compliance with insurance requirements shall not relieve Franchisee of its liability under the indemnity provisions of this Agreement, Section XVIII. Obligations to maintain insurance coverage will not be affected by reason of any separate insurance maintained by us, nor will the maintenance of such insurance relieve Franchisee of any obligations under this Agreement.

Franchisee shall also acquire tenant's liability insurance (if applicable); any other insurance required by the state or locality in which the Boutique is located and operated, in such amounts as required by statute; and other insurance coverage, as we or the landlord may reasonably require.

XIV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS

A. Bookkeeping, Accounting and Records

Franchisee acknowledges that the maintenance of accurate financial records and the preparation of financial statements on a timely basis, are essential to the efficient operation of the Boutique. Franchisee shall maintain during the term of this Agreement, and shall preserve for a minimum of five (5) years, full, complete accurate records of sales, payroll, accounts payable and accounts receivable in accordance with the standard accounting practices or otherwise specified in writing however state or federal guidelines may require a longer time period. Franchisee will keep its books and records related to this business separate from any other business owned by Franchisee or its principals. Any such separate business will be conducted by a separate entity.

Franchisee will provide Franchisor all hard copy and electronic reports Franchisor prescribes. As Franchisor requires, Franchisee will deliver or provide electronic access to business records (Franchisor will have independent access to all information that Franchisee stores in any computer, POS or camera surveillance system), including an itemized report of Franchisee's Gross Revenue for the prior period on a form Franchisor prescribes. As used in this Agreement, "Gross Revenue" shall include all revenue accrued

from the performance of services in, at, upon, about, through or from the Boutique, online or any other market place, whether for cash or credit and regardless of collection in the case of credit, and income of every kind and nature related to the Boutique including but not limited to revenues generated from: the sale of all Products, sale and delivery of all Products and Services made from the Business premises or off-site, insurance proceeds and/or condemnation awards for loss of sales, profits or business; and fair market value for any service or product Franchisee receives in barter or exchange for services and products it receives. Gross Revenue shall not include: (i) revenues from any sales taxes or other add on taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority; and (ii) the amount of refunds Franchisee's in good faith gives to customers, gratuities received by the Franchisee's employees from its customers, and (iii) customer refunds of previous payments Franchisee made to customers.

Franchisee acknowledges and agrees that Franchisor, at all times during and after termination, expiration or cancellation of this Agreement, has the right to access (electronically or otherwise) all Business Records of the Boutique. Franchisor may use, transfer, copy or analyze such Business Records as Franchisor determines in its sole discretion to be in the best interest of the System. For purposes of this Agreement, "Business Records" means all records, documents, insurance policies, databases and the like (whether in print, electronic or other form), including all names, addresses, phone numbers, email addresses, customer purchase records, financing arrangements, contracts, records and all other records contained in databases created and maintained by Franchisee pertaining to the operation of a Make Body® store, including but not limited to customers, employees, vendors and other professionals related to the Boutique.

Franchisee will be required by us to obtain specified POS systems and computers and may be required to use specific software, including, without limitation, a license to use our Software (if developed by us), or any of our vendors in accordance with Section XII.I of this Agreement and the Operations Manual. Franchisee agrees to pay all costs in connection with obtaining the POS system, computers and software and Franchisee agrees to maintain, upgrade, etc. the POS system and computers and any additional licenses for the software at its own expense (upgrades, maintenance and support for our proprietary software (if developed) will be provided by Franchisor as described in Section XX.I). We have the right to charge a reasonable fee for any additional licenses, modification, maintenance and/or support of Software that we may license to Franchisee and other products and services that we may furnish to Franchisee related to the POS and computer systems.

Franchisee will adopt a fiscal year as approved by us and prepare all financial reports in accordance with U.S. generally accepted accounting principles, consistently applied. Franchisee must periodically deliver to Franchisor accounting, tax and other information or copies of documents, as Franchisor requests.

B. Franchisor's Right to Audit

Franchisor or its agents may enter the Franchisee's location to examine or audit Franchisee's business at any reasonable time without notice. Franchisor may examine, inspect or audit Franchisee's database and Business Records, which records will include, but will not be limited to: payroll records, ledgers, purchase agreements, sales reports, timecards, check stubs, bank deposits, bank statements, merchant account printouts, receipts, sales tax records and returns, insurance policies and other documents. Franchisor will bear the cost of the audit and Franchisee must correct any deficiency found at Franchisee's own expense and provide Franchisor with written evidence that such deficiency was corrected.

C. Method of Payment

All payments Franchisee makes to Franchisor will be by any method Franchisor specifies, including cash, check, certified check, money order, credit card, automatic pre-authorized payment plan, Internet, or electronic funds transfer (as described in Section X.D of this Agreement). All payments to Franchisor and