Received
LA Mailroom

MAY 31 2016

Department of
Business Oversight

FRANCHISE DISCLOSURE DOCUMENT

MEDIFAST FRANCHISE SYSTEMS, INC.,
a Delaware corporation
11445 Cronhill Drive
Owings Mills, Maryland 21117
1-888-YMEDIFAST
http://www.medifastcenters.com

The franchise offered is for the establishment and operation of center-based retail weight loss centers ("**Medifast Weight Control Centers®**," "**Medifast® Centers**," or "**Centers**") that sell Medifast-branded meal replacement products and lifestyle education services to overweight and obese individuals. All franchisees must agree to develop a minimum of three (3) Medifast® Centers within a defined geographic region pursuant to our Development Agreement.

The total investment necessary to begin operation of a Medifast® Center business with the rights to open three (3) Medifast® Centers is from $157,250 - $292,500. This includes from $42,750 to $51,000 that must be paid to the franchisor or affiliate (representing, in part, the Franchise Fee for the first of the three Medifast Centers and a non-refundable deposit towards the Franchise Fee of an additional two Medifast Centers of $5,000 each). If you purchase the right to open more than three (3) Centers, you must pay us an additional development fee equal to $20,000 times the number of additional Centers (beyond the first three (3)) that you have agreed to develop and operate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this 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 Christopher Rom at 11445 Cronhill Drive, Owings Mills, Maryland 21117 and 410-504-8172.

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 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: April 29, 2016

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 A** 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 AND DEVELOPMENT AGREEMENT REQUIRE THAT MOST DISAGREEMENTS BE SUBMITTED TO MEDIATION AND ARBITRATION IN BALTIMORE COUNTY, MARYLAND. DISPUTES THAT ARE NOT SUBJECT TO MEDIATION OR ARBITRATION MUST BE LITIGATED ONLY IN THE STATE AND COUNTY IN WHICH THE FRANCHISOR MAINTAINS ITS PRINCIPAL PLACE OF BUSINESS. THE FRANCHISOR IS CURRENTLY LOCATED IN BALTIMORE COUNTY, MARYLAND. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE, ARBITRATE, OR LITIGATE WITH US IN MARYLAND THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT STATE THAT MARYLAND LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. IN SOME CASES, SPOUSES OF FRANCHISE OWNERS MUST EXECUTE A PERSONAL GUARANTY, PLACING THEIR PERSONAL/MARITAL ASSETS AT RISK.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

The Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Documents be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

The Franchise Disclosure Document is registered on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	———
Florida	———
Maryland	———
Minnesota	———
New York	———
North Dakota	———
Virginia	———
Wisconsin	———

In all the other states, the effective date of this Franchise Disclosure Document is the issuance date of April 29, 2016.

FOR MICHIGAN RESIDENTS OR IF YOU WILL OPERATE THE FRANCHISE IN MICHIGAN

The state of Michigan prohibits certain unfair provisions that are sometimes contained in franchise documents. If you are a Michigan resident and any of the following provisions are contained in these franchise documents, the provisions are void and cannot be enforced against you.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term, except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state. However, the provision of the Michigan Franchise Investment Law that prohibited contractual provisions requiring arbitration outside of the state of Michigan is preempted by the Federal Arbitration Act and, therefore, arbitration between Us and You will take place in the state and county where we are located at the time of filing.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor, its corporate affiliates or its franchisees.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

FOR MINNESOTA RESIDENTS OR IF YOU WILL OPERATE THE FRANCHISE IN MINNESOTA:

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes; provided that this part shall not bar an exclusive arbitration clause. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

TABLE OF CONTENTS

ITEM		PAGE
ITEM 1.	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2.	BUSINESS EXPERIENCE	3
ITEM 3.	LITIGATION	5
ITEM 4.	BANKRUPTCY	5
ITEM 5.	INITIAL FEES	6
ITEM 6.	OTHER FEES	7
ITEM 7.	ESTIMATED INITIAL INVESTMENT	12
ITEM 8.	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	15
ITEM 9.	FRANCHISEE'S OBLIGATIONS	19
ITEM 10.	FINANCING	20
ITEM 11.	FRANCHISOR'S OBLIGATIONS	20
ITEM 12.	TERRITORY	26
ITEM 13.	TRADEMARKS	29
ITEM 14.	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	30
ITEM 15.	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS	31
ITEM 16.	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	32
ITEM 17.	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	33
ITEM 18.	PUBLIC FIGURES	40
ITEM 19.	FINANCIAL PERFORMANCE REPRESENTATIONS	40
ITEM 20.	OUTLETS AND FRANCHISEE INFORMATION	41
ITEM 21.	FINANCIAL STATEMENTS	44
ITEM 22.	CONTRACTS	45
ITEM 23.	RECEIPTS	45

EXHIBITS

A. LIST OF STATE ADMINISTRATORS
B. LIST OF STATE AGENCIES / AGENTS FOR SERVICE OF PROCESS
C. FRANCHISE AGREEMENT
D. DEVELOPMENT AGREEMENT
E. FINANCIAL STATEMENTS
F. GUARANTEE OF PERFORMANCE BY MEDIFAST, INC.
G. LIST OF CURRENT AND FORMER FRANCHISEES
H. MULTI-STATE ADDENDA
I. FRANCHISEE DISCLOSURE QUESTIONNAIRE
J. NON-DISCLOSURE AGREEMENT FOR PROSPECTIVE FRANCHISEES
K. SAMPLE RELEASE

ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this Disclosure Document, the words "we," "our" and "us" refer to Medifast Franchise Systems, Inc., the franchisor of this business. The words "you" and "your" refer to the person who buys the franchise, whether you are an individual or a corporation, limited liability company or other legal entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Disclosure Document also apply to your owners and other principals and will be noted.

We were incorporated in the State of Delaware on December 5, 2006 for the purpose of offering Medifast Weight Control Center franchises and area development rights. Our principal business address is 11445 Cronhill Drive, Owings Mills, Maryland 21117. We do business only under our corporate name and the name "Medifast Weight Control Centers." Our Internet address is http://www.medifastcenters.com.

Our Parent and Affiliates

Our parent company is Medifast, Inc., a Delaware corporation incorporated on May 5, 1989, that is publicly traded on the New York Stock Exchange under the stock symbol "MED." Its principal business address also is 11445 Cronhill Drive, Owings Mills, Maryland 21117.

We have no predecessors. Each affiliate described below has the same principal place of business as we do.

Our affiliate, Jason Pharmaceuticals, Inc. ("**Jason Pharmaceuticals**"), is a Maryland corporation incorporated on July 23, 1981 that manufacturers meal replacement products and sells them to consumers under the trade names "Medifast" and "Take Shape For Life". If you become a Medifast Weight Control Centers franchisee, Jason Pharmaceuticals will supply you with Medifast® meal replacement foods and other products for you to re-sell to clients. Jason Pharmaceuticals also offers Medifast® products for retail sale via the Internet, through toll-free telephone and mail orders, and through other methods of distribution. Jason Pharmaceuticals has been manufacturing and selling diet products under the name "Medifast" since 1981.

Our affiliate, Jason Properties, LLC, is a Delaware limited liability company formed on July 24, 2002. Jason Properties, LLC operated Medifast Weight Control Centers between 2006 and December 2014. As of December 31, 2014, Jason Properties, LLC had ceased to operate Medifast Weight Control Centers. Jason Properties LLC has also licensed third parties the right to operate weight control centers under the name "Hi Energy Weight Control Centers" since 2003. As of December 31, 2014, there were 2 licensed Hi Energy Weight Control Centers. Hi Energy Weight Control Centers offer and sell meal replacement products manufactured by Jason Pharmaceuticals, but do not use the same recipes formulas, or weight loss methodologies as Medifast® Weight Control Centers, and are not required to use any business methods specified by us or our affiliates.

Our affiliate, Take Shape For Life, Inc., was originally incorporated in Delaware on July 25, 2002, and it became Take Shape for Life, LLC, a Delaware limited liability corporation on January 27, 2016, manages a network of independent contractors ("**Health Coaches**") who assist clients with a weight loss and health program using Medifast meal replacements and program materials purchased by the client. There were approximately 11,900 active Take Shape For Life Coaches as of December 31, 2015. Health Coaches do not charge clients for their services. Clients purchase products through their Health Coach's Take Shape For Life website and Health Coaches receive commission based on these sales. This Disclosure Document describes the offer of a franchise for a Medifast Weight Control Center, and not a "Take Shape for Life" business. Product orders are fulfilled by Jason Pharmaceuticals, Inc. Thus, you may compete with one or

more Health Coaches located in your territory for retail sales of Medifast® products as well as other products that the Health Coaches may be authorized to sell.

Our affiliate, Jason Enterprises, Inc., is a Delaware corporation that was incorporated on May 2, 2005 and owns all patents and trademarks used by us and our affiliates. Jason Enterprises, Inc. has granted us a long-term license to operate Medifast Weight Control Centers® businesses and franchise the right to do so to qualified third parties.

Neither our parent nor any of our affiliates are offering or have offered franchises in any line of business.

Our Business Activities

We grant franchises to qualified individuals and business entities to establish and operate businesses in conjunction with the trademark "MEDIFAST®" and certain other logos and trademarks (collectively referred to as the "Marks").* We refer to these businesses as "Medifast® Weight Control Centers." We refer to the Medifast Weight Control Centers® businesses you will operate as your "Centers". We have offered franchises since 2007. We do not offer and have not previously offered franchises in any other line of business. We do not own or operate a business of the type being franchised.

The Centers

Medifast® Weight Control Centers are retail weight loss centers that sell meal replacement products and lifestyle education services to overweight and obese individuals. The Medifast Program (defined in Item 16) combines nutritionally balanced, clinically proven food products with education and individual counseling to help clients lose weight and then maintain their reduced weight over time. The Medifast Program is based on the use of a defined formula diet designed to create a gap between the calories the person takes in and the amount the person's body needs, and each customer's diet is specified after the Center's staff conducts an in-person Health History Survey of the customer. Each Medifast meal is formulated with a combination of carbohydrates and protein that has proven, in clinical trials and in practice, to allow people to lose weight without losing muscle.

Each of the Medifast Weight Control Centers® operates in accordance with our "System". The distinguishing characteristics of the System include, among other things: the Marks; proprietary diet system programs and the sale of Medifast-branded products for providing weight reduction and control; and standards and procedures for business operations and management. Franchisees who operate a Center must offer and provide the Medifast Program to all customers, and may not simply sell products without providing the Medifast Program counseling and guidance.

Each franchised Center operates under a franchise agreement (the "**Franchise Agreement**"), the current form of which is attached to this Disclosure Document as **Exhibit C**, and in accordance with our confidential operations manual, which may contain several volumes and be transmitted to you electronically as well as in paper form (the "**Operations Manuals**").

All Medifast Weight Control Centers® franchisees must agree to initially develop a minimum of three (3) Medifast Centers, each with its own defined geographic territory, pursuant to our area development agreement (the "**Development Agreement**"), the current form of which is attached to this Disclosure Document as **Exhibit D**. The development schedule ("**Development Schedule**") attached to the Development Agreement will describe the number of Centers you must open and the date by which each

* Capitalized terms not otherwise defined have the same meaning as in our Franchise Agreement attached as **Exhibit C**.

must be operational for you to retain the exclusive right to develop Centers in your designated region. We will negotiate the Development Schedule with you as part of your Development Agreement.

General Description of the Market and Competition

The market for weight loss products and services is well developed. You will compete with national chains such as Weight Watchers and Jenny Craig and with regional and local weight loss businesses. You also will compete with self-administered weight loss regimens and books, direct marketers of weight loss programs such as Nutri System, doctors, nutritionists, dietitians, and non-profit groups that offer weight control help using diets, exercise and drugs. You will also face competition from food manufacturers and distributors of low-calorie and diet products. In addition, new competitive methods of weight control are continually introduced into the marketplace. You also may face competition in the sale of Medifast®-branded weight control food products from Take Shape For Life® health coaches, medical practices, and via the Internet.

Regulations Specific to the Industry

Some state consumer protection laws and regulations cover contracts for the provision of weight loss services. These laws and regulations may require you to include certain language in contracts with your clients, and may permit clients to withdraw from the Program and receive a refund if they request it within a certain number of days after entering the Program.

Some state laws and regulations also restrict the duration of prepaid contracts for certain types of services, including weight loss and management services. These laws may require you to limit the duration of your customer contracts. Some state health club and related laws also require businesses to post bonds for the protection of their customers, and these bonds may be in amount equal to the amounts prepaid to you by the customers of the Center.

Sales of prepackaged foods which are part of the Program are regulated in most states by rules for retail food stores. These rules govern the storage of foods, cleaning and sanitation, toilet facilities and similar matters.

Certain states or local jurisdictions may enact or impose laws, regulations, or rules directed toward owners and operators of stores that operate as a chain, or under a similar brand name, even if the other locations in the chain are not in the same jurisdiction or state. These laws, regulations, or rules may regulate minimum wages, employee benefits, and other labor or employment practices, or other aspects of your business.

You should consult your own lawyer on federal, state and local laws and regulations that will apply to your business.

Agent for Service of Process

Our agents for service of process are disclosed in **Exhibit B** to this Disclosure Document.

ITEM 2. BUSINESS EXPERIENCE

Secretary and Director: Michael C. MacDonald

Mr. MacDonald has been one of our Directors since September 2012, and has served as our Secretary since December 10, 2014. Mr. MacDonald served as our Vice President from September 2012 to December 2014, and as our Treasurer from September 2012 through December 2013. He has been the Chief Executive Officer of our parent company Medifast, Inc., in Owings Mills, Maryland since November 2011. He has served as Medifast, Inc.'s Executive Chairman since November 2011 and as a member of the Executive

Committee of its Board of Directors since 1998. Mr. MacDonald was Executive Vice President of OfficeMax, in Naperville, Illinois, from 2007 until 2011, overseeing the Contract Division—a $3.6 billion division of the OfficeMax Company.

Treasurer, Director, Chief Financial Officer: Timothy G. Robinson

Mr. Robinson was elected as our Treasurer in December 2013, and has served as one of our Directors since December 2014. He has also been the Chief Financial Officer of Medifast, Inc. since February 2013. Prior to joining Medifast, Inc., Mr. Robinson was Vice President, Business Operations for Canon Business Solutions, Inc. in Burlington, New Jersey, from 2008 to 2013, where he served as a key member of the executive team for this national office products subsidiary of Canon U.S.A. From 1995 to 2008, Mr. Robinson was Vice President, Finance & Administration for Canon Business Solutions-East, Inc.

Executive Vice President, Chief Marketing Officer: Brian Kagen

Mr. Kagen has served as our Executive Vice President and Chief Managing Officer since September 2012. Previously, he served as our Executive Vice President for Sales, Marketing, and Business Development from June 2011 until September 2012. Before joining the franchisor, Mr. Kagen was at Stanley Black & Decker in Towson, Maryland, from June 1997 until May 2011, where he served as Vice President and in other capacities.

Vice President, Business Partnerships: Christopher Rom

Mr. Rom has served as our Vice President of Business Partnerships since January 2016. Previously he was the Director of Business and Field Development from January 2012 until January 2016, and Contact Center Director from December 2008 until January 2012, at our affiliate, Jason Pharmaceuticals, in Owings Mills, Maryland.

Training Manager: Todd L. Brace

Mr. Brace has been our Training Manager since January of 2012. He is also the Director of Corporate Learning for Medifast, Inc. and has been in that position since June of 2011. Prior to that, Mr. Brace was Director of Technology Training for the WilmerHale Law Firm in Washington, DC from June 2009 through June 2011, and the Director of Corporate Learning at Provident Bank in Baltimore, Maryland from May 1998 through May 2009. Mr. Brace holds a Master's Degree in Adult Learning/Instructional Design, and serves on the curriculum advisory board for the Instructional Design Master's program at the University of Maryland.

Operations Manager: Bradford C. Porterfield

Mr. Porterfield has served as our Operations Manager since December 2014. He served as the Business Operations Manager of Jason Properties, LLC, from December 2012 to December 2014. Prior to that time, Mr. Porterfield held various other positions with us and our affiliates, including serving as a Senior Accountant from March 2012 through December of 2012, and as a Staff Accountant from July 2005 through March 2012.

Note: Unless otherwise indicated, the location of the employer is Owings Mills, Maryland.

ITEM 3. LITIGATION

1. United States of America v. Jason Pharmaceuticals, Inc., United States District Court, District of Columbia, Civil Action No. 12-1476 (not filed). On July 20, 2012, Jason Pharmaceuticals, Inc. ("**JPI**"), our affiliate, signed a proposed consent decree with the Federal Trade Commission ("**FTC**") in response to the FTC's investigation of certain statements in Medifast, Inc.'s advertising for its weight-loss programs. On September 17, 2012, the consent decree was entered and approved by the United States District Court for the District of Columbia. The consent decree replaces a previous consent order entered into by JPI and the FTC in 1992. The FTC expressed concern that some of the Medifast, Inc.'s advertising contained claims which were not compatible with current standards for substantiation. Pursuant to the consent decree, Medifast, Inc. agreed to modify certain advertising claims in this regard and agreed to ensure that its clinical studies meet the protocol contained in the consent agreement. The Company paid a civil penalty of $3.7 million to resolve the FTC's concerns and avoid protracted legal proceedings.

2. Medifast Franchise Systems, Inc. v. Team Wellness, Inc., Team Wellness Louisiana, LLC and Neal Smith, United States District Court for the District of Maryland, Case No. 1:14-cv-03668-JFM. On November 21, 2014, Medifast Franchise Systems, Inc. filed suit against two former franchisees, Team Wellness, Inc. ("**TWI**") and Team Wellness Louisiana, LLC ("**TWL**"), and their principal Neal Smith ("**Smith**"), based on their failure to pay past due royalties and amounts owed for products delivered to the franchisees, fraudulent inducement for failing to disclose all the owners of TWL, trademark infringement, and unfair competition for improper use of our trademarks. Medifast is seeking compensatory and punitive damages in an unspecified amount, declaratory relief affirming that the defendants breached their franchise agreements, and an injunctive order ratifying and enforcing the termination of the defendants' respective franchise agreements. Medifast moved for a default judgment against the companies after they failed to answer the complaint. The court granted the motion on June 24, 2015. The court's Order requires the companies to pay $2,100,927.53 to Medifast, which includes the following: outstanding royalties and receivables on food purchases in the amount of $141,239.89, reimbursement for loan payments in the amount of $1,892,834.44, and interest and fees on those loan payments in the amount of $66,853.20. In addition, the court awarded Medifast its attorneys' fees and costs in the amount of $45,231.05. The court's Order also requires the companies to abide by their post-termination obligations under the franchise agreements, including that they cease using Medifast's confidential information. The case against the primary guarantor remains ongoing. Medifast filed for summary judgment against the guarantor for nonpayment and fraud—the remaining counts in the complaint. The guarantor filed a motion for summary judgment on the fraud claim. The court denied the guarantor's motion for summary judgment; Medifast's motion for summary judgment is currently pending before the court.

3. Jason Properties, LLC, et al. v. TransformU, LLC, et al. United States District Court for the Eastern District of Virginia, Case No. 1:16-cv-00035-AJT-JFA. On January 12, 2016, Jason Properties, LLC, filed suit against a former franchisee, TransformU, LLC, and their principals Ronald Fields and James Smith, based on their failure to pay past due amounts owed pursuant to their agreements with Jason Properties. On February 1, 2016, the parties entered into a Settlement Agreement and Mutual Release whereby the defendants were required to pay a one-time Settlement Payment and both Jason Properties and the defendants mutually released the other party for all claims asserted in the action.

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

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

The following is a description of all initial fees and payments you must make for services or goods received from us or our affiliates before your first Center opens for business. None of these payments are refundable after you make them.

Franchise Fee

We require each new franchisee to sign a Development Agreement which requires the franchisee to open a minimum of three (3) Centers under the Development Agreement. You must pay a minimum of $35,000 when you sign our Development Agreement. This amount represents the initial franchise fee (the "**Franchise Fee**") of $25,000 for the first Medifast Weight Control Center you agree to develop, plus a non-refundable deposit of $5,000 against the Franchise Fee for each of the next two (2) Centers you agree to develop. Thereafter, you will be required to pay a non-refundable Franchise Fee of $25,000 for each Center above the first three Centers you develop pursuant to a Development Agreement at the time you execute the applicable franchise agreement.

You will be required to sign our then-current form of franchise agreement upon receiving our approval of a site and before entering into a lease for each Center to be developed pursuant to your Development Agreement. However, the initial Franchise Fee for each such Center shall be $25,000, meaning that an additional payment of $20,000 (if you have already paid a deposit towards the Franchise Fee for a Center) or an additional payment of $25,000 (if you have not paid a deposit towards the Franchise Fee for a Center) must be paid at the time of execution of the applicable franchise agreement.

The following chart summarizes the payment requirements described above:

Event	Amount to be Paid	Reason for Payment
Execution of Development Agreement	$35,000	Franchise fee of $25,000 for Center No. 1 and non-refundable deposit of $5,000 towards franchise fee for next two Centers
Execution of Franchise Agreement for Center No. 1	-0-	
Execution of Franchise Agreement for Center No. 2	$20,000	Franchise fee of $25,000 less $5,000 deposit
Execution of Franchise Agreement for Center No. 3	$20,000	Franchise fee of $25,000 less $5,000 deposit
Execution of Franchise Agreement for Center No. 4 and each Center thereafter	$25,000	Franchise fee

For every Center you open after completion of the Development Agreement schedule, you will be required to sign our then-current Development and Franchise Agreements, and pay the fees as set forth in those agreements.

The Franchise Fee for the first Center you will open and a deposit of $5,000 towards the Franchise Fee for the next two Centers you will open are paid to us in a lump sum when you sign the Development Agreement and is nonrefundable. The Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as required by the Development Agreement and Franchise Agreement and for

costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. Except as explained above, the Franchise Fee is uniformly calculated for all franchisees under this offering.

No part of your Franchise Fee will be refunded to you under any circumstances, even if you do not develop some or all of the Centers under the Development Agreement.

Initial Inventory Package

You must purchase an initial inventory of Medifast® food and weight loss products from our affiliate, Jason Pharmaceuticals, Inc. (the "**Initial Inventory Package**") for each of your Centers before it opens for business. The size and composition of each Initial Inventory Package will vary based on factors such as the capacity and layout of the Approved Location for each Center, customer demographics, and other like factors. We estimate that your cost to purchase the Initial Inventory Package for each Center, including shipping, will be approximately $7,750 to $16,000 U.S. Dollars as of the date of this Disclosure Document, although the cost of the Initial Inventory Package may increase over time due to inflation.

The purchase price for your Initial Inventory Packages will not be refunded for any reason. This cost is included within the category "initial inventory" of the Initial Investment chart set out in Item 7 of this Disclosure Document. For more information about products that Jason Pharmaceuticals will sell to you, see Item 8 of this Disclosure Document.

ITEM 6. OTHER FEES

Name of Fee	Amount	Due Date	Remarks (Unless otherwise specified, all references are to the Franchise Agreement)
Royalty Fee	5% of Sales not to exceed $1,000 per Center per month [1]	By the 30th day after the invoice date	See definition of Sales. [1] (Section 3.2)
Breaching Royalty Fee	Additional 5% of Sales (10% total fee) with no cap	Monthly with standard royalty, if you are in breach	See definition of Sales.[1] (Section 3.2) If you are in breach of the Franchise Agreement and fail to cure the breach within the required time period, we may charge you "double royalties" until you cure the breach or we terminate the Agreement. (Section 3.2) Any royalty cap that we may have in effect at the time of the breach will not apply to you during this time period.
Site Selection Assistance	$400 per day plus expenses [2]	Upon demand	For each of your Centers, we will not charge this fee for visiting your designated site selection area once to evaluate potential sites, should you request this service or we deem it appropriate to do so. This fee will be charged for any

Name of Fee	Amount	Due Date	Remarks (Unless otherwise specified, all references are to the Franchise Agreement)
			subsequent visits to select a site for a new Center. (Section 5.1)
Ongoing Purchases of Franchisor-Supplied Products	Varies according to your sales and your capacity to stock inventory at your location	30 days from date of invoice via electronic funds transfer	You will need to replenish your inventory of Medifast products by purchasing them from our affiliate, Jason Pharmaceuticals, Inc. (Sections 3.4 and 13.1)
Regional Cooperative Advertising	Prorated based upon the number of Centers in the Co-Op; 5% - 10% of Sales	Monthly if program implemented	We may require you to participate in a regional Cooperative Advertising program ("**Co-Op**") that we would administer, and if so your contributions to that program will be deducted from the amount of Local Advertising you will be required to fund. Each Center that operates within the region (whether operated by a franchisee, us or one of our affiliates) will have one vote in deciding how the Cooperative's Funds are used. (Section 10.3)
Web Site Hosting Fee	No more than $100 per month during the initial term	Monthly if implemented by Us	We may require you to pay a reasonable per page hosting fee to Us or a third party vendor to cover the expense of maintaining a region-specific Internet "landing page" to promote your franchises. (Section 10.4)
Operation of a Center in Case of Your Default	Current rates as published in the Operations Manuals; currently, $400 per person per day plus expenses	Upon demand	We may operate one or more of your Centers if you fail to timely cure a curable default. (Section 16.4)
Audit	All costs and expenses associated with audit.	Upon demand	Audit costs payable only if the audit shows an understatement in amounts due of at least 2%. (Section 11.4)

Name of Fee	Amount	Due Date	Remarks (Unless otherwise specified, all references are to the Franchise Agreement)
Late Fees	18% per year or the highest rate allowed by law, whichever is less	Upon demand	Applies to all overdue Royalty Fees, Regional Cooperative Advertising contributions (if any), and amounts overdue to us or our Affiliates, including Jason Pharmaceuticals, Inc. (Section 3.5) Also applies to any amount due revealed by an audit. (Section 11.4)
Fee for Use of Unapproved Marketing and Advertising Materials	$1,000 per occurrence	Upon demand if you use unapproved advertising and marketing materials	Applies if you develop your own marketing and advertising materials, and fail to obtain our approval of the materials prior to publication or use (Section 10.2.5.
Fee for Marketing Collateral	Pro-rata share of our costs.	30 days from date of invoice via electronic funds transfer	Applies if we develop and provide editable marketing collateral to you, such as television commercials which you can customize with your Center's information. (Section 10.2.6).
Renewal Fee	$10,000	At the time of renewal	Applies if you opt and qualify for a successor franchise at the end of the initial term or any renewal term. (Section 4.2) This amount is for the initial renewal and for subsequent additional terms and will increase by the growth in price inflation.
Insurance Premium Reimbursement	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. (Section 15.5)
Transfer Fee	If a transferee does not own a Center, the higher of $10,000 or 25% of the then-current Franchise Fee. If transferee already owns a Center, $6,000. $3,000 for transfer of a minority interest in	At the time of transfer	(Section 18.3.6 (transfer of a majority share) and Section 18.4 (transfer of a minority share)

Name of Fee	Amount	Due Date	Remarks (Unless otherwise specified, all references are to the Franchise Agreement)
	a Center or the franchisee entity.		
Relocation Assistance	Costs of processing relocation requests, up to no more than $5,000 per Center [2]	Time of assistance	We will charge you for relocation assistance if you request it and we agree to provide it. (Section 5.6)
Customer Service	$1,500 per customer incident[2]	Upon demand	You must reimburse us if we determine it is necessary for us to intervene in a dispute between your Center and its Customers. (Section 13.7)
Additional or Remedial Training	$400 per day for grand opening assistance, $100 - $500 per day for training, as well as your and your employees' expenses in attending	Time of service	We provide you with an initial training program in 2 phases, first in Owings Mills, Maryland or at another location we may designate. If you request additional training, or we require it due to your failure to meet our standards, you may be required to pay for it. (Sections 9.1 and 9.4) Our training programs are described in Item 11 of this Disclosure Document.
Ongoing Training Programs	$100 -$500 per day for training, as well as your and your employees' expenses in attending	Time of program	Attendance will not be required more than one (1) time per year and for not more than three (3) days, unless otherwise required due to your operational defaults. (Section 9.4)
Cost of Enforcement	All costs including attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations if we prevail. We must reimburse you for your defense costs if you prevail. (Section 22.4)
Indemnification	All damages and costs including attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Center. (Section 21.2)
Re-inspection Fee	Up to $10,000	Prior to re-inspection	We may charge you a reasonable fee, not to exceed $10,000, to cover our expenses incurred in re-inspecting your Center to determine whether substantial and

Name of Fee	Amount	Due Date	Remarks (Unless otherwise specified, all references are to the Franchise Agreement)
			material defaults identified during a prior inspection have been cured. (Section 3.6)
Termination Fee	Up to $30,000	Upon termination of the Franchise Agreement	You must pay us a termination fee of up to $30,000 if you terminate the Franchise Agreement in certain circumstances or if we terminate the Franchise Agreement for cause. This fee applies separately to each one of your Centers. (Sections 16.1, 17.1.11)
Development Schedule Default Fee	$1,000 per month in addition to lost profits attributable to food you do not purchase as a result of your default	Monthly, on the 5th day of each month	If you fail to develop all required Centers within the time frame specified in the Development Schedule, we may, instead of terminating the Development Agreement, require you to pay this fee until you either reach compliance with the development schedule or either you or we choose to terminate the Development Agreement. (Section 6.D.2. of Development Agreement)

NOTES

1 **"Sales"** means the accrued gross sales revenues received from sales conducted from the Center for Medifast Weight Control products and services, whether from cash, check, credit, charge account, debit account, redemption of gift certificates, barter or exchange, or otherwise, and includes the amounts received for the sale of goods, wares and merchandise, including sales of food, beverages, and tangible property of every kind and nature, promotional or otherwise and for services performed at or from the Center, together with the amount of all orders received at the Center, whether the orders are taken at the Center or elsewhere, less the following deductions: (1) sales of goods for which cash has been refunded to the customer, if these sales shall have been previously included in the gross sales revenue; (2) the amount of any sales tax imposed by any government authority directly on sales and collected from customers, if this amount is added to the selling price or absorbed therein and actually paid by you to such governmental authority; or (3) the face value of coupons or discounts redeemed by customers. (Section 1 of the Franchise Agreement)

2 **Inflation adjustment right:** All fees that are a specific figure or a periodic rate (for example, "$400 per day,") as opposed to percentage rate fees, may be increased by us, effective January 1 of each year (as compared to the prior year), by the greater of three percent (3%) or the increase in the core Consumer Price Index: All Items/U.S. City Average All Urban Consumers as published by the Bureau of Labor Statistics, U.S. Department of Labor ("**C.P.I.**") for the most recent December as compared to the index for December of the immediately preceding year.

No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party. All fees are uniformly imposed for franchisees receiving this Franchise Disclosure Document and are generally non-refundable. However, franchisees who signed franchise agreements before we issued this Franchise Disclosure Document may pay fees on different terms than you.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Names of Expenditures	Actual or Estimated Amounts To Be Paid By You	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee [1]	$35,000	Check or Wire	Upon Signing Development Agreement	Us
Real Estate/Rent [2]	$12,000 to $18,000	As Arranged	Before Beginning Operations	Lessor
Utility Deposits [3]	$500 to $2,000	As Arranged	Before Beginning Operations	Utilities
Leasehold Improvements [4]	$30,000 to $100,000	As Arranged	Before Beginning Operations	Third Parties
Furniture, Fixtures & Equipment [5]	$11,000 to $20,000	As Arranged	Before Beginning Operations	Approved Suppliers
Computer Hardware & Software [6]	$7,000 to $14,000	As Arranged	Before Beginning Operations	Third Parties
Insurance [7]	$1,000 to $2,000	As Arranged	Before Beginning Operations	Third Parties
Signage [8]	$4,000 $14,000	As Arranged	Before Beginning Operations	Third Parties/ Approved Suppliers
Initial Inventory including shipping [9]	$7,750 to $16,000	As Arranged	Before Beginning Operations	Our affiliate Jason Pharmaceuticals, Inc.
Office Equipment & Supplies [10]	$1,000 to $4,000	As Arranged	First Month Of Operation	Third Parties

Names of Expenditures	Actual or Estimated Amounts To Be Paid By You	Method of Payment	When Due	To Whom Payment Is To Be Made
Grand Opening Promotion [11]	$25,000 to $30,000	As Arranged	Sixty Day period commencing thirty days prior to opening of the Center and ending thirty days after the Center has opened	Third Parties
Training [12]	$2,000 to $3,500	As Arranged	Before Beginning Operations	Third Parties
Licenses & Permits [13]	$1,000 to $2,000	As Arranged	Before Beginning Operation	Licensing Authorities
Professional Fees	$2,000 to $3,000	As Arranged	Before Beginning Operations	Third Parties
Additional Funds [14] (3 months)	$18,000 to $29,000	As Arranged	As Necessary	You Determine
TOTAL [15]	$157,250 to $292,500			

We anticipate that you will incur the above estimated initial expenditures in establishing your first Medifast® Weight Control Center business, including its first three (3) months of active operations. Unless otherwise stated, none of the expenses described in this chart are refundable. **The estimates provided in this Item 7 are for your first Center only. You will incur additional expenses in establishing and opening each additional Center to be developed pursuant to your Development Agreement.**

NOTES

1. Franchise Fee. The Franchise Fee is described in greater detail in Item 5 of this Disclosure Document. This estimate assumes that you will purchase the rights to develop three (3) Medifast® Weight Control Centers. You may purchase the rights to develop more Centers if we approve you to do so.

2. Real Estate/Rent. You must lease or otherwise provide a suitable facility for the operation of each Center. Typically, a Medifast® Center requires a minimum of 1,350 square feet of space. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various geographic regions and locations within regions. Lease costs will vary based upon square footage, cost per square foot and required maintenance costs. This estimate is for three months' rent and a security deposit equal to one month's rent in advance. The amount you pay is typically not refundable, but in certain circumstances the security deposit may be.

3. Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits in connection with services such as electric, telephone, gas and water. The amount of each deposit will vary depending upon the policies of the local utilities.

4. Leasehold Improvements. To convert a facility into a Medifast® Weight Control Center, it must be renovated according to our standards and specifications. The cost of the leasehold improvements will vary depending upon the size and location of the Center, local wage rates, and material costs (which have fluctuated significantly in recent years). These figures are calculated without reference to any contributions made by the landlord for leasehold improvements, which contributions might decrease your costs for this line item. This estimate assumes the following: the landlord turns over the premise to you in a "Clean, vanilla shell" condition (including lighting, finished GWB walls, bare concrete floor slab, existing HVAC at 1.5cfm/nsf); the landlord constructed the premises in compliance with all applicable codes; and the space is zoned for the proposed use. It excludes unusual costs for demolition, structural changes, alteration for fire protection, exterior renovations (including entrances & storefront), and complications due to unusual building code requirements.

5. Furniture, Fixtures & Equipment. You will be required to purchase and install equipment, fixtures, furniture and items of décor necessary to outfit and operate each Center according to our specifications. This estimate does not include the cost of computer hardware and software, which is identified separately.

6. Computer Hardware and Software. You will be required to purchase and install computer hardware and software as specified in Item 11, below. The "low" estimate is for the cost to acquire one desktop workstation, one laptop computer, one license for the use of Booker Software, Inc.'s point of sale system, and anti-virus software licenses which meet our standards and specifications. The "high" estimate is for the cost to acquire two desktop workstations, four laptops, one license for the use of Booker Software, Inc.'s point of sale system, and anti-virus software licenses for all computers.

7. Insurance. Insurance requirements are described in greater detail in Section 15 of the Franchise Agreement. Factors that may affect your cost of insurance include the location of the Center, value of the leasehold improvements and equipment, number of employees, and other factors.

8. Signage. This range includes the cost of all signage used in the Center. Signage requirements and costs will vary based upon the size and location of the Center, local zoning requirements and local wage rates for installation, among other things.

9. Initial Inventory including Shipping. The initial inventory is of Medifast-branded food and other products that you will purchase from Jason Pharmaceuticals, Inc. and resell to your customers. See Item 5 of this Disclosure Document for more information on the Initial Inventory Package.

10. Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment including telephones, and printers. Factors that may affect your cost of office equipment and supplies include local market conditions, the size of the premises, suppliers and other factors.

11. Grand Opening Promotion. During the first month of operation, you will be required to spend a minimum of $25,000 on Grand Opening advertising. You may choose to spend more (and the chart includes an extra $5,000 over the minimum, but you can spend more than $30,000). Factors that may affect the actual amount you spend include the type of media used, local media cost, location of the Center and customer demographics in the surrounding area.

12. Training. You are not charged an additional fee for initial training, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost for headquarters will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. This estimate is for up to two (2) individuals' attendance at the initial training program.

13. Licenses & Permits. Local government agencies typically charge fees for construction permits, occupancy permits and operating licenses, among other things. Your actual costs may vary based on the requirements of local government agencies.

14. Additional Funds. You will need additional capital to support on-going expenses to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. The types of expenses you may experience, including those reflected in the estimates above, include cash to pay your employees and your suppliers for your initial and ongoing inventory, and to cover other operating expenses such as utilities (and utility deposits), repairs and maintenance, office supplies, etc. The estimates above are for the first three months that each Center you may own and operate is open. The estimates above do not include any salary or allowance for an owner's draw or a salary for the Center's Designated Manager; any royalty fees, advertising contributions, or any other amounts you must pay us. These figures are estimates and you may incur additional expenses starting the business, or that this estimate is sufficient; additional working capital may be required if sales are low or operating costs are high. The actual amount of additional funds you will need during the initial phase of operating will depend on factors such as: the size and location of your Center; the extent to which you follow our methods and procedures; the local market; the timing (seasonality) as to when you open your business; the prevailing wage rates; the sales level reached during your startup phase; and other factors.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history, suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period. Depending on your credit history or on other relationships with utility companies, you may have to provide security deposits.

These estimates do not constitute representations that you will have any level of sales. The estimates are of your expenses only and do not reflect any offsetting sales revenue you may earn from operations to pay those expenses. The estimate of Additional Funds for three months shown on the table above is not an estimate of working capital that you will need, but relates only to certain (but not necessarily all) expenses for the stated time period. The three-month time period is not a representation of, nor is intended to suggest, when you should expect to break even, if ever. Extensive startup costs may be involved, depending upon your circumstances.

15. Total. In compiling this chart, we relied on the industry experience, the experience of our existing franchisees, and our affiliate's experience in owning and operating Medifast Weight Control Centers® businesses between 2003 and 2015. The amounts shown are estimates only and your actual costs may vary for many reasons, including the size of your Centers, the capabilities of your management team, where you locate your Centers, and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and you may incur additional expenses in developing your Centers.

We do not offer direct financing to you for any item. All or part of your investment may be financed by a bank or other lending institution on terms we cannot estimate.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as indicated below, you are not required to purchase or lease products or services from us or from suppliers approved by us or under our specifications.

Medifast-branded Products

The only brand of food products and related items that you will be permitted to sell to your clients are

Medifast®-branded products. Currently, our affiliate, Jason Pharmaceuticals, Inc., is the exclusive supplier of such products and will sell you all of the inventory that you will be permitted to sell to Clients of the Center. The owner of the Medifast trademark, our affiliate Jason Enterprises, Inc., does not currently intend to grant a license to any unrelated company to supply you with Medifast®-branded products. Our affiliate Jason Pharmaceuticals, Inc. has agreed to sell Medifast®-branded products to our franchisees at wholesale prices that it sets based on its cost of producing or purchasing those products (with a mark-up over cost to provide a profit). A current schedule of wholesale prices may be obtained by contacting Christopher Rom at 410-504-8172 or chris.rom@choosemedifast.com. Our affiliate, Jason Pharmaceuticals, Inc. will derive revenue from the sale of Medifast-branded products to you.

Jason Pharmaceuticals, Inc. derived revenue of $17,072,000 from the sale of Medifast-branded products to franchisees during its fiscal year ending December 31, 2015, which was 6.3% of its total revenues of $272,773,000. The source of this information is from ours and Jason Pharmaceuticals, Inc.'s internal records of revenue and expenses and audited financial statements of our parent for the period ending December 31, 2015. Our affiliates also derive revenue and profits from their sales of Medifast-branded products to physicians on a wholesale level and to consumers at retail through Internet orders and through the efforts of Take Shape For Life® representatives.

Our affiliates may sell non-Medifast-branded products through other channels of distribution (e.g., Take Shape for Life health coaches), and may not sell them to you or other franchisees. We may, in the future, permit you to sell certain products that are not Medifast-branded products. These products may be manufactured by and/or sold by one or more of our affiliates, or by third-parties. If these products are sold by our affiliates they will derive revenue from those sales.

At our sole discretion, we may grant a "variance agreement" to requesting franchisees, which will allow the franchisee to offer specific non-Medifast®-branded products that we believe will complement the current Medifast-branded product offering to customers of the Centers. All products permitted under variance agreements must be purchased through pre-approved third-party distributors, and not from us or our affiliates. Variance agreements are generally considered a test, allowable for a specific amount of time only, and may be revoked at our discretion. The products permitted under variance agreements are not considered to be a part of the core franchise system.

Other Approved Suppliers/Standards and Specifications

You must furnish and equip each Center according to our standards and specifications. All equipment, fixtures, furniture, insurance, decorations, signs and other materials that you will use in your Centers must meet our specifications and quality standards and, if required by us, shall be purchased only from an Approved Supplier, which may be us, an affiliate, or another supplier we designate. However, neither us, any of our affiliates, nor any company in which any of our officers owns an interest, are currently an approved supplier of any product or service that you will purchase, except for Medifast-branded food products that you must purchase from our affiliate.

We will provide, in the Operations Manual or by other written or electronic form, a list of items and services you will need to purchase to operate your Centers and, if required, a list of Approved Suppliers for some or all of these items which we may occasionally revise, including to designate us, our parent or one of our affiliates, as an exclusive supplier of one or more products or services for your Centers. Our specifications will include the name, brand, and model number and product number for each type of equipment, furniture and other furnishings that you are required to purchase and use in your Centers, but we do not otherwise provide "standards" regarding such items. We have designated recommended vendors for payroll processing, employee handbooks and office supplies, which are disclosed in the Operations Manual or

through other channels of communication. With regard to providers for other supplies, such as signs, decorations, promotional materials and construction contractors, we will provide you with written standards regarding each item, and you may purchase them from any supplier whose item meets our standards.

We formulate and modify our specifications and standards for products and services based on the knowledge and experience of our company's officers, whose credentials are described in Item 2, above.

We may revoke our approval of any supplier, product or service that either (i) ceases to meet our specifications, or (ii) fails to meet our modified standards and specifications, effective immediately upon providing notice to you.

If you would like to purchase a different brand or model of equipment or furniture than has been specified by us, you must first send us sufficient information, specifications and/or samples for us to determine whether the item constitutes a reasonable substitute for the brand and model specified by us. We will not charge a fee for considering such a substitution. We intend to decide whether you may purchase or lease such an item within thirty (30) days after receiving the required information, although under certain circumstances we may take longer than that time period to respond to your request. We apply the following and other general criteria in approving proposed substitute brands or models: quality of product, competitiveness of the price and delivery terms, compatibility of the item with other equipment and furniture, and dependability and general reputation of the supplier. In addition, while we do not currently have agreements with any supplier of equipment, furniture or furnishings that would result in our receipt of rebates, commissions or other benefits as a result of your purchase of such items, we may enter into such agreements in the future.

We intend to periodically review and revise our specifications for equipment and furniture used in Medifast® Centers and to update the décor of the Centers. We will communicate those changes to you promptly, most likely by issuing changes to the Operations Manual, and you will be required to remove equipment and furniture that is no longer approved for use, replace such items as specified by us, and/or change the décor of your Centers to comply with our then-current design standards. You will be responsible for the costs of implementing all such changes.

Computer/Point-of-Sale System

We will require you to purchase a point of sale ("**POS**") system from a designated software provider, and have appointed a preferred vendor for credit card processing services. We may require you to purchase and use other computer hardware and software described in Item 11, as modified in our reasonable business judgment. We do not derive revenue as a result of your purchase of computer hardware or software. We will allow reasonable substitutes for the computer hardware and its operating system software stated as long as the substitutes are compatible with the hardware and software that each Center must use, as described in Item 11 below.

We require that you use one of the following two POS programs to meet minimum functional standards:

- Booker
- QuickBooks

Programs outside of this list require additional approval and must meet minimum function standards to include but not limited to: scheduling, sale and return processing, inventory management, reporting, customer management, and PCI compliancy.

Insurance

You must purchase and maintain in effect during the term of the Franchise Agreement for each Center the type and amount of insurance specified in Section 15 of the Franchise Agreement, in addition to any other insurance that may be required by applicable law or any lender or lessor of your Medifast® business. Your insurance policies must name us as an additional insured and/or loss payee. We do not derive revenue as a result of your purchase of insurance.

Marketing

If you utilize Search Engine Management ("**SEM**") services for your online advertising, we reserve the right to require you to use a SEM vendor selected by us.

Miscellaneous

Other than a bulk volume discount with an office supply vendor for our benefit and the benefit of our affiliates and franchises, we have not negotiated distribution and supply agreements or group rates for purchases of supplies or services necessary for the development or operation of Medifast® Centers, but we may do so in the future. Presently, there are no distribution cooperatives that you must join. If we choose to enter into supply agreements for equipment, furniture or furnishings for Medifast® Centers, we may designate one or more companies as the only Approved Suppliers of any such items to the Centers. In deciding whether to do so, we will consider whether such group purchasing generally would result in better terms for our franchisees, in terms of price, delivery and service terms, and the reliability and capacity of the vendor.

We estimate that approximately 15% to 30% of your expenditures for leases and purchases in establishing each of your Centers (excluding the Development Fee) will be for goods and services that must be purchased from our affiliate, from other Approved Suppliers, or in accordance with our standards and specifications. We estimate that approximately 30 to 35% of your expenditures on an ongoing basis for each Center will be for goods and services that must be purchased from our affiliate, from other Approved Suppliers, or in accordance with our standards and specifications.

We may not deny you the right to renew franchise rights or to open additional Medifast® Weight Control Centers for which you have purchased development rights based on the volume of your purchases from sources we designate or approve, but we may refuse to sell you additional franchise licenses based on the volume of your other Centers' purchases. Moreover, your purchase of inventory from any supplier other than Jason Pharmaceuticals, Inc. without our written approval will result in immediate termination of your franchise and development rights. In addition, your unapproved use of equipment or furniture that is of a brand and model not specified by us, or your use of other supplies and services not in accordance with our written standards, will constitute a breach of the Franchise Agreement which may result in termination of all of your Franchise Agreements and your Development Agreement if not promptly cured, and also (whether cured or not) may result in us refusing to renew your franchise.

ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this Disclosure Document.

Obligation		Section In The Franchise and/or Development Agreement	Item In the Disclosure Document
a.	Site selection and acquisition/lease	Section 5 of the Franchise Agreement; Sections 4 & 5 of the Development Agreement	Items 11 and 12
b.	Pre-opening purchase/leases	Sections 5, 11 and 15 of the Franchise Agreement	Items 7 and 8
c.	Site development and other pre-opening requirements	Sections 5 of the Franchise Agreement	Items 6, 7 and 11
d.	Initial and ongoing training	Section 9 of the Franchise Agreement	Items 6, 7 and 11
e.	Opening	Sections 5 and 10 of the Franchise Agreement	Items 7 and 11
f.	Fees	Sections 3, 5, 9, 10, 11, 15, 17, 18, 21 and 22 of the Franchise Agreement; Section 3 of the Development Agreement.	Items 5, 6 and 7
g.	Compliance with standards and policies/ Operating Manual	Sections 5, 6, 7, 8, 11 and 13 of the Franchise Agreement	Items 8 and 16
h.	Trademarks and proprietary information	Sections 6, 7, and 8 of the Franchise Agreement	Items 13 and 14
i.	Restrictions on products/ services offered	Sections 5, 6, 12 and 13 of the Franchise Agreement	Items 8 and 16
j.	Warranty and customer service requirements	Section 13 of the Franchise Agreement	Item 16
k.	Territorial development and sales quotas	Section 4 of the Development Agreement	Item 12
l.	Ongoing product/service purchases	Section 13 of the Franchise Agreement	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 5, 12 and 13 of the Franchise Agreement	Item 6

Obligation		Section In The Franchise and/or Development Agreement	Item In the Disclosure Document
n.	Insurance	Section 15 of the Franchise Agreement	Items 6, 7 and 8
o.	Advertising	Section 10 of the Franchise Agreement	Items 6, 7 and 11
p.	Indemnification	Section 21 of the Franchise Agreement	Item 6
q.	Owner's participation/ management/staffing	Sections 9 and 13 of the Franchise Agreement	Item 15
r.	Records and reports	Sections 3 and 11 of the Franchise Agreement	Item 11
s.	Inspections and audits	Sections 6 and 11 of the Franchise Agreement	Items 6, 11 and 13
t.	Transfer	Section 18 of the Franchise Agreement; Sections 7 and 8 of the Development Agreement	Item 17
u.	Renewal	Section 4 of the Franchise Agreement	Item 17
v.	Post-termination obligations	Sections 7 and 17 of the Franchise Agreement	Item 17
w.	Non-competition covenants	Section 7 of the Franchise Agreement; Section 11 of the Development Agreement	Item 17
x.	Dispute resolution	Sections 23, 24 and 25 of the Franchise Agreement; Sections 19, 20 and 21 of the Development Agreement.	Item 17
y.	Other – Personal Guaranty; Release of Prior Claims	Section 22.5 of the Franchise Agreement; Section 14 of the Development Agreement	Items 15 and 17

ITEM 10. FINANCING

Neither we nor any affiliate or agent of ours offers direct or indirect financing, or guarantees any of your notes, leases or obligations.

ITEM 11. FRANCHISOR'S OBLIGATIONS

EXCEPT AS LISTED BELOW, WE ARE NOT OBLIGATED TO PROVIDE ANY ASSISTANCE TO YOU UNDER THE FRANCHISE AGREEMENT OR THE DEVELOPMENT AGREEMENT.

1. Before Each Center Opens

Prior to the opening of each Medifast® Center established under your Development Agreement, we will:

i. designate the Center's Protected Territory, as described in Item 12. (Section 2.5 of the Franchise Agreement)

ii. if we have not already approved a site that you have selected before signing the Franchise Agreement, designate the area within which you will locate the Center and approve the site you have selected for the location of the Center. We do not intend to own the site where you will operate and lease it to you, and we have only rarely done so in the past. The general site selection and evaluation criteria that we consider in approving your site include the condition of the premises, demographics of the surrounding area, proximity to other Medifast® Weight Control Centers, lease requirements, vehicular and pedestrian access, ease of ingress and egress, available parking and overall suitability. We will make reasonable efforts to send to you written notice of our approval or disapproval of the proposed site within 30 days of its receipt of your complete real estate site selection package; however if we do not respond to a completed real estate package within 30 days, the site will be deemed to have been disapproved. We may terminate the relevant Franchise Agreement if you have not secured a location for a Center that is acceptable to us within four (4) months of the date of the Franchise Agreement. (Sections 2.2, 2.3 and 5.1 of the Franchise Agreement and Section 5 of the Development Agreement)

Neither we nor any of our employees have special expertise in selecting sites; we make no representations that a Center will be profitable or successful by being located at an Approved Location. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience.

iii. if we have not already approved a site before signing the Franchise Agreement, review and approve your lease or purchase agreement for the site for the Approved Location. (Section 5.1 of the Franchise Agreement)

iv. provide you with standard plans and specifications for the build-out of the Center along with a list of equipment and improvements which you are required to purchase and install. (Section 5.3 of the Franchise Agreement)

v. provide your Control person (as defined in Item 11) an initial training program in Owings Mills, Maryland for approximately five (5) business days for each owner of the franchise. This training is described in detail later in this Item 11. (Section 9.1 of the Franchise Agreement)

vi. provide to you on-site assistance and guidance for approximately three (3) to five (5) days during or close to the opening of the Center to assist you with any questions you may have in operating the Center. (Section 9.2 of the Franchise Agreement)

vii. provide you with password-protected online access to our intranet site named "Medi-Hub," where you can obtain an electronic version of the Medifast Weight Control Centers® Operations Manuals; you may view the electronic version of the Operations Manual at our headquarters before you sign the Agreement as long as you have signed our Non- Disclosure Agreement for prospective franchisees, the form of which is attached to this Disclosure Document as **Exhibit J**. (Section 8.1 of the Franchise Agreement)

viii. use commercially reasonable efforts to ensure that our affiliate, Jason Pharmaceuticals, Inc., sells to you Medifast-branded products at the wholesale price it sets based on its cost of producing or purchasing those products an initial inventory of all products that you will be required to offer for sale at your Center, subject to your compliance with Jason Pharmaceuticals' payment and delivery terms, which require that all payments are due within 30 days from invoice date and must be paid via electronic funds transfer. (Sections 3.4 and 14.2 of the Franchise Agreement) A current schedule of wholesale prices may be obtained by contacting Christopher Rom at 410-504-8172 or chris.rom@choosemedifast.com.

2. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of a Franchise Agreement and the opening of a Medifast Weight Control Centers® business is between three (3) and four (4) months. Factors that may affect your beginning operations include the time it takes you to: find an appropriate location and negotiate a lease; secure permits to comply with local building ordinances; and construct and equip the business, which time may be affected by your ability to find suitable contractors, weather conditions and delays in installation of equipment and fixtures. Each of your Centers must be open and operational within one hundred and twenty (120) days of when we approve the lease for the location, except for your first Center the deadline is the earlier of twenty (120) days of when we approve the lease or eight (8) months from the date you sign the first Franchise Agreement. (Sections 5.3 and 5.4.2 of the Franchise Agreement)

3. Other Assistance During the Operation of The Center

After the opening of your first Center, we will:

(i) offer general guidance to you by telephone, e-mail, newsletters or other methods. Our guidance is based on our affiliate's prior experience and our franchisees' experience in operating Medifast® Weight Control Centers. (Section 14.1 of the Franchise Agreement)

(ii) at our discretion, make periodic visits to your Centers for the purposes of consultation, assistance and guidance in various aspects of the operation and management of your Centers. We may prepare written reports outlining any suggested changes or improvements in the operations of your Centers and detailing any deficiencies that become evident as a result of this visit. (Section 14.3 of the Franchise Agreement)

(iii) make available to you operations assistance and ongoing training as we deem necessary. (Sections 9.2 and 9.4 of the Franchise Agreement)

(iv) make available to you changes and additions to the System as generally made available to all franchisees. (Section 14.4 of the Franchise Agreement)

(v) periodically provide templates for advertising and promotional materials for your use in promoting your Centers, such as ad-slicks, brochures, fliers and other materials that we deem necessary and appropriate. You will be responsible for paying all costs of printing, placing and distributing such advertising. (Section 14.5 of the Franchise Agreement)

(vi) review and respond to your requests for approval of forms of advertising materials you will use for Local Advertising, Grand Opening Advertising and Cooperative Advertising. (Section 10 of the Franchise Agreement)

(vii) provide you with modifications to the Operations Manuals as they are made available to all franchisees. (Section 8.2 of the Franchise Agreement)

(viii) indemnify you if a third party disputes your right to use the Marks. (Section 6.5 of the Franchise Agreement)

(ix) use commercially reasonable efforts to ensure that our affiliate, Jason Pharmaceuticals, Inc., supplies you with an adequate supply of inventory to meet your ongoing needs for Medifast® products, under that company's payment and delivery terms as periodically revised, provided that you remain in

compliance with your payment obligations to Jason Pharmaceuticals. (Sections 3.4 and 14.2 of the Franchise Agreement)

4. Advertising and Promotion

(i) The only obligation we have with regard to advertising for your Centers is to periodically provide advertising and promotional templates for you to use, such as ad-slicks, brochures, fliers and other materials that we deem appropriate in our reasonable business judgment. We develop all advertising templates in-house. (Section 14.5) Accordingly, we have no obligation to spend any amount on advertising in the areas or territories where you will operate your Centers. Despite this, our parent typically engages in enterprise marketing, which is designed to support the Medifast ® brand. During calendar year 2015, our parent focused on national advertising that included TV, internet and Radio. Neither we, our parent, nor any of our affiliates have any obligations to spend any amounts on enterprise marketing going forward.

(ii) Every six (6) months you must spend an average of at least twelve percent (12%) of your Gross Sales for each Center on advertising and promoting Medifast® weight control products and services, unless we expressly waive or vary this requirement in writing. This requirement will be effective beginning either on July 1 of the year in which your first Center opens for business, or January 1 of the following year should your first Center open for business after July 1 of the preceding year. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines, and we must review and approve all of your advertisements regardless of the medium. You must obtain our advance approval of any advertising you intend to use unless we provided you with the template or script for the advertising, and we have the right to charge you a fee of $1,000 each time you use unapproved advertising or marketing materials. You will receive an Operations Manual/Policy Manual which details the marketing compliance requirements. (Section 10.2 of the Franchise Agreement)

(iii) We do not have an advertising council composed of franchisees that advises us on advertising policies, although we may form one in the future. We intend to solicit your comments and input on advertising templates we prepare for use by our franchised and affiliate-owned stores.

(iv) Although we are not obligated to do so, we may create a Cooperative Advertising program for the benefit of all Medifast® Weight Control Centers located within a particular region. We will determine the geographic territory and market areas for each Cooperative Advertising program, and you must participate in any Cooperative Advertising program established in your region. We have sole right to establish rules and regulations regarding changing, dissolving, or merging regional advertising cooperatives.

If a Cooperative Advertising program is implemented in a particular region, we have the sole right to establish rules and regulations pertaining to the Cooperative Advertising Program. We may establish an advertising council for franchisees in that region to self-administer the program, with membership being determined on a per-store basis (*i.e.*, if you own four (4) stores, you have four (4) votes). The amount to be contributed toward any Cooperative Advertising program will be fixed in the same manner each calendar year by a majority vote of the members of the regional advertising council, and will be prorated based upon the number of Centers in the Co-Op. You will pay that amount on a monthly basis to us, and we will disburse those collected funds as directed by the regional advertising council. All amounts that you contribute to any Cooperative Advertising program will be credited toward your satisfaction of the required local advertising and promotional expenditures described above. We will prepare an accounting of the collections and disbursements of each cooperative on a periodic basis, but in any event at least once per calendar year, and we will provide you with a copy of each accounting we prepare for a cooperative in which you are a member. No funds contributed for Cooperative Advertising will be used primarily for the promotion or recruitment of additional franchisees. (Section 10.3 of the Franchise Agreement)

As of the end of our last fiscal year no cooperative advertising programs had been formed and we have not collected any funds from franchisees for cooperative advertising.

(v) We do not have the right to require you to participate in any other advertising fund, such as a national marketing or promotion fund.

(vi) You must spend at least Twenty-five Thousand Dollars ($25,000) on Grand Opening Advertising during the first two months of operation of each of your Centers, including print or news media and/or direct mail advertising, dues for business organizations, event dues or other solicitation and promotional efforts. You must obtain our advance written approval of any and all materials you intend to use in your Grand Opening Advertising. (Section 10.1 of the Franchise Agreement)

(vii) You may not establish, create or operate an Internet site or website using any domain name containing the words "MEDIFAST," or "MEDIFAST WEIGHT LOSS CENTERS," without our prior written consent. We retain the sole right to advertise on the Internet and create websites using the "MEDIFAST WEIGHT LOSS CENTERS" domain name and any other domain names we may designate in the Operations Manual. We will provide to you with a web page on our website, http://www.medifastcenters.com/, which you must use to promote your Center. We or our designated webmaster will create a template for your webpage on our website, which you may partially fill with customized content dedicated to your specific Center, in accordance with our standards and specifications. Any content which you add to your Center's webpage must be approved by us and must conform to our then-current guidelines. (Section 10.4 of the Franchise Agreement) We may require you to pay a reasonable per-page hosting fee to us or a third party vendor to cover the costs and expenses of maintaining a region-specific or Center-specific webpage to promote your Centers. We do not anticipate the per-page hosting fee will exceed $100 during the initial term of your Franchise Agreement. (Section 10.4)

(viii) You must obtain prior approval from us before you publish, broadcast, distribute, or display any type of advertising or marketing materials (including, without limitation through print, broadcast, or on-line) unless we have provided you with pre-approved advertisements or marketing materials. (Section 10.2.2 of the Franchise Agreement).

5. Computer/Point-of Sale System

We require that all franchisees purchase one or more licenses from Booker Software, Inc. to utilize a "cloud-based" point-of-sale ("**POS**") software system and utilize that software system in the operation of their Centers. The Booker POS software will be used to track product inventory and sales, the purchase of weight control counseling services, the purchase of retail products, and you also will use it to prepare gross sales reports. The cost to license this software is approximately $300 per month per Center, subject to change by Booker. You will also be required to pay an implementation fee of approximately $500 per Center. Booker will train you in use of the software upon its implementation at a cost of approximately $750 per day plus reasonable travel expenses. We also may provide online training tutorials as to the Booker software at no charge.

You may need to purchase credit card processing services from Mercury Payment Systems, LLC, which is Booker Software, Inc.'s preferred vendor. Your costs will depend on the size of your operations and the volume of credit card transactions you will process. You must comply with all applicable consumer and data privacy laws and regulations in connection with operating your Center and in connection with customer payment processing, including the Fair and Accurate Credit Transactions Act ("**FACTA**"), our guidelines and standards, and the Payment Credit Card Industry Data Security Standards ("**PCI DSS**") as they may be

revised or modified by the Payment Card Industry Security Standards Council (www.pcisecuritystandards.org), or any successor or replacement industry standards that we may designate. We will require you to obtain licenses for the software directly from the vendors and use that software to operate your Center. We will neither sell software to you or be paid any rebate or commission by the software provider as a result of your purchase of such licenses. We will identify the vendor to you through our Operations Manual and you will directly license the customized software products from that vendor.

Each Center must have at least one desk top work station that has at least a 3.3.3 GHZ processor, 4 GB Ram, CD read capabilities, a 250 GB Hard Drive or its equivalent, Windows 7 Operating System or a comparable computer operating system, Internet Explorer, Firefox or Google Chrome, a Network connection to high speed internet either wired or wireless, and a Multifunction device for printing, copying, and faxing. In addition, each Center must have at least one tablet or laptop computer with similar speed, memory and storage capacity. If you open a larger Center (i.e., 1,400 square feet or more), we may require you to purchase one (1) additional desktop computer and three (3) additional laptop computers of similar capacities.

We may periodically require you to update the computer hardware and ancillary operating software to meet our then-current specifications. There is no limitation on our right to require these updates. Based on the historical experience of our affiliate's Centers, the approximate annual cost of maintenance, update, upgrading or support contracts for the computer hardware and the computer's ancillary operating software only (not the customized software) is Two Hundred and Fifty Dollars ($250.00). As explained in Item 8, we will consider requests to use comparable computer hardware and support devices.

In addition, you must utilize the following body composition analyzer in the operation of each of your Centers:

InBody 230 – Body composition analyzer – Biospace, Inc., 8820 Wilshire Blvd, Beverly Hills, CA 90211, telephone: (310) 358-0360.

The estimated cost of the computer hardware, software and peripherals described above is $7,000 - $14,000 per Center, depending on the size of each of your Centers, as specified in Item 7 of this Disclosure Document.

You must obtain and install a high-speed Internet connection for your computer system at the Approved Location of each Center and utilize a valid e-mail address and account we provide (Section 11.3 of the Franchise Agreement). We have the right to independently access all information you collect or compile at any time without first notifying you, and you must give us access to your computer system to enable us to obtain this data, either in person or by telephone, modem or Internet, or via the Booker software, to permit us to verify your compliance with your obligations under your Franchise and Development Agreements; however, for as long as a Franchise Agreement between you and us remains in existence and is not terminated, neither we nor our affiliates will use your customer and client data for the Center operated under that Franchise Agreement for marketing or any purpose other than to enforce the Franchise Agreement (Section 11.3 of the Franchise Agreement).

We require you to comply with all applicable privacy laws in the collection, use and disclosure of certain personal information in electronic form and to notify us of any incident whereby personal information is improperly accessed or disclosed. We require you to implement safeguards to protect the storage of your electronic data, and to comply with PCI DSS standards regarding your use of credit, debit or other payment cards. (Section 13.9 and 13.14 of the Franchise Agreement)

6. Training

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	DAYS OF ON-THE-JOB TRAINING	LOCATION
Administration and Management	8 hours	0.5-1 days	Owings Mills, MD
Systems	8 hours	0.5-1 days	Owings Mills, MD
Treatment Protocols	8 hours	1 day	Owings Mills, MD
Sales and Marketing	8 hours	0.5-1 days	Owings Mills, MD
Counseling	8 hours	0.5-1 days	Owings Mills, MD
Total	40 hours (5 days)	3 to 5 days	

Todd Brace, Director of Corporate Learning of Medifast, Inc., will serve as our Training Manager. Mr. Brace has worked for Medifast, Inc. since 2011 and has provided corporate training services for 25 years.

Our initial training program consists of forty (40) hours of classroom training at our headquarters in Owings Mills, Maryland described above, although we may change the type of amount of training as business needs dictate. The person who actively directs your business affairs (the "**Control Person**") must attend and complete the initial training program by no later than fifteen (15) days before the opening of your first Center. Although the cost of initial training is included in the Development Fee, you are responsible for all costs in attending training, including travel, employees' salaries, meals and accommodations. If you choose to have a Designated Manager of your Center trained at our headquarters, we may charge you a fee for providing such additional training. Our fees are currently $100.00 for each additional trainee attending the initial training program with your owner, and $500.00 per trainee attending any subsequent training program held at our headquarters. You are responsible for training your own employees and other management personnel. This initial training is in addition to the 3-5 days of on-site opening assistance we provide to you and your Manager (Section 9 of the Franchise Agreement). We anticipate providing the training described in this document either quarterly or on an as-needed basis.

We may periodically require that previously trained and experienced franchisees, their managers, and/or employees attend refresher-training programs related to the operation of Medifast® Centers. Attendance at these programs will be at your sole expense.

Any training provided by us to any of your employees will be limited to training or guiding the employees regarding the delivery of approved services to clients in a manner that reflects the customer and client service standards of the System. You are, and will remain, the sole employer of your employees during all training programs, and you are solely responsible for all employment decisions and actions related to your employees. You must ensure that your employees receive adequate training.

ITEM 12. TERRITORY

Franchise Agreement Rights

You must operate each Center only from the Approved Location listed in Section 2.2 of the relevant Franchise Agreement. If an Approved Location for a prospective Center has not already been determined

when you sign the Franchise Agreement for that Center, we will mutually agree upon a Designated Area within which you will locate the Center. Although we may assist you in selecting a location for one or more of your Centers, you are solely responsible for selecting your Approved Locations and negotiating the terms of your leases. You may not relocate a Center without our consent. We consider the same factors when evaluating a proposed relocation as we do when considering the proposed initial locations for your Centers (see Item 11).

Except as provided for under your Development Agreement, you do not receive any right or option to buy or open additional franchises at any location.

You will not receive an exclusive territory and you will face competition from other channels of distribution of Medifast-branded weight control products and support or "coaching" services. However, we will grant you a "Protected Territory" in which we will not establish or operate, or license others to establish or operate, Medifast® Weight Control Centers or competing retail-based weight control center businesses so long as you remain in full compliance with each of your Franchise Agreements.

The Protected Territory for each of your Centers will typically be a geographic area surrounding the Center's Approved Location that includes a population of around 250,000 to 350,000 persons, as determined by the U.S. Census. Your Protected Territories generally will be designated in geographic maps that contain a circle of a specific radius surrounding the Approved Locations of your Centers, although they may be defined by city or county boundaries, United States Postal ZIP codes, or direct marketing area designations as we deem appropriate. No part of any of your Protected Territory will be a part of any other Protected Territory of any other Medifast® franchisee.

We retain the right to: (a) establish or operate, and license others to establish or operate, Medifast® Weight Control Centers outside of your Protected Territories; (b) establish or operate, and license others to establish or operate, other types of businesses using other proprietary marks at locations inside and outside of your Protected Territories; (c) sell the products and services authorized for Medifast® Weight Control Centers using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, the Internet, catalogue sales direct mail, and independent commissioned sales representatives physically located in your Protected Territories; and (d) engage in any other activities not expressly prohibited in by the Franchise and Development Agreements. Two examples of activities we engage in include (i) our affiliate, Take Shape For Life, Inc., manages a network of independent commissioned sales representatives who sell Medifast and Take Shape For Life products to the general public, and may do so within your Protected Territories, and (ii) our affiliate, Jason Pharmaceuticals, Inc. sells Medifast® products to doctors for resale to their patients, and may do so within your Protected Territories. There are no restrictions on our accepting direct marketing orders from customers in your Protected Territories, and neither we nor our affiliates are required to pay any compensation for soliciting or accepting orders from customers located inside your Protected Territories.

You are not required to achieve a sales or market penetration quota in order to maintain your territorial protections under the Franchise Agreement. We cannot change the definition of a Protected Territory during the term of the applicable Franchise Agreement without your consent.

You are restricted from soliciting or advertising for customers in another franchisee's Protected Territory unless you do so in cooperation with the other franchisee or you conspicuously communicate your street address and city in the advertisement. You may not advertise on the Internet without our prior written consent. We provide market-specific Internet landing pages (such as http://www.medifastcenters.com/medifastMinnesota.asp) that you may customize as long as we pre- approve such changes. In addition, you may not solicit orders for Medifast® products over the Internet or through catalogues or telemarketing, and

then fulfill orders through delivery of products to locations other than your Centers. However, subject to these restrictions, you may direct solicitations and advertisements for your Centers' services to people located outside of your Protected Territories.

We retain the right to establish or operate, and license others to establish or operate, other businesses under other systems using other proprietary marks at locations inside and outside of your Protected Territories, although we do not have any current plans to do so. We do not have the right to license others to establish and operate a retail location (that is, a so-called "brick and mortar" store or center) physically in your Protected Territory that (a) operates principally under the Medifast® trademark or (b) whose principal business is the sale of Medifast products.

Development Agreement Rights

We will identify the Development Area in which you will establish your Centers in Exhibit II of the Development Agreement. The size of your Development Area is negotiated and varies by population, business counts and types, general demographics, geographic boundaries, national and local industry trends, market demand for our products and services, consumer shopping patterns, sales volume, traffic flow and access, the number of Centers you agree to develop and other similar criteria. Your Development Area typically will be comprised of the media market in which you propose to locate a Medifast® Weight Control Center, as defined by county lines or ZIP codes, as relevant. Provided you are not in default of your Development Agreement(s), your Franchise Agreements, or any other agreements with us or our affiliates, we will not establish or authorize anyone else to establish any Center under the Medifast Weight Control Centers® System in your Development Area. Once you have opened a Center under the Development Agreement, it will have the protection of its Protected Territory established in the Franchise Agreement and subject to its terms even after your development rights expire.

You may lose all rights to your Development Area if you fail to comply with the Development Agreement, including the terms of the Development Schedule in Exhibit I to the Development Agreement or fail to comply with any Franchise Agreement or other agreement between you and us or any of our affiliates. In this case, we may terminate the territorial exclusivity granted to you in the Development Agreement, reduce the Development Area, terminate your rights to develop additional Centers, or we may require you to either relinquish your Development Area (but not any franchised unit's Protected Territory) or pay us One Thousand Dollars ($1,000.00) per month for each month until you open the next Center to be opened under the Development Schedule and any revenues lost attributable to your not purchasing food as a result of your failure to comply with your Franchise or Development Agreements.

Subject to your Protected Territory rights, we retain the right to: (a) establish or operate, and license others to establish or operate, Medifast Weight Control Centers outside of the Development Area; (b) establish or operate, and license others to establish or operate, other types of businesses using other proprietary marks at locations inside and outside of the Development Area; (c) sell the products and services authorized for Medifast Weight Control Centers using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, the Internet, catalogue sales direct mail, and independent commissioned sales representatives physically located in your Development Area; and (d) engage in any other activities not expressly prohibited in by the Development Agreement. We retain the right to establish or operate, and license others to establish or operate, other businesses under other systems using other proprietary marks at locations inside and outside of the Development Area, although we do not have any current plans to do so.

Other Territorial Issues

As discussed in Items 1 and 8, we have affiliates that manufacture and sell Medifast-branded products, and we have affiliates that operate channels of distribution that are different than the franchised Medifast Centers. These include sales of products under the Take Shape For Life health coaches channel, sales through the internet, and sales made by physicians. These products currently include Medifast-branded products. However, our affiliates are currently testing other products, under different marks and brand names. These products will likely not be sold to franchisees for sale at the Centers.

ITEM 13. TRADEMARKS

We grant our franchisees the right to operate Medifast Weight Control Centers® businesses under the service mark "Medifast Weight Control Centers®". You may also use any other current or future Mark to operate your Centers that we designate in writing, including the logo on the front of this Disclosure Document. By "Mark," we mean trade names, trademarks, service marks and logos used to identify Medifast Weight Control Centers® businesses.

Our affiliate, Jason Enterprises, Inc., has obtained registration of the following Marks on the Principal Register of the U.S. Patent and Trademark Office:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
MEDIFAST WEIGHT CONTROL CENTERS	3377985	February 5, 2008
MEDIFAST	1291774	August 28, 1984
MEDIFAST (stylized drawing)	1541009	May 23, 1989
MEDIFAST (and design)	2291136	November 9, 1999

Under a July 2007 license agreement between Jason Enterprises, Inc. and us, we were granted a license to use and sublicense the use of the Marks. The term of the license agreement is fifty years, with automatic renewals for up to 10 additional terms of 10 years each unless we choose not to renew, but the license may be terminated if on 30 days' notice if we or any of our franchisees engage in improper use of the Marks or the System that could adversely affect the validity or protectability of the Marks or the System, or engage in any action or conduct in their or our business or sell any product or provide any service that in any way would reflect adversely on the name and reputation of Jason Enterprises, Inc., the System or the Marks.

There are currently no effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation proceedings; or pending material litigation involving the Marks. All required affidavits have been filed.

There are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which the Center is to be located.

Other than the above, there are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Centers. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of your Franchise Agreements and an infringement of our rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign your Development Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations and we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to this proceeding. We have the right to control the defense and settlement of any proceeding of this nature. Our reimbursement does not include your expenses for removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of your Centers. You may not use any Mark or part of any Mark as part of your corporate or business entity name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the PTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own copyrights in the Operations Manual, marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights and need not

do so to protect them. You may use these items only as we specify while operating your Centers and you must stop using them if we direct you to do so.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain Confidential Information, including certain trade secrets, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Medifast Weight Control Centers® business. We will provide our Confidential Information to you during training, in the Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the Confidential Information for the purpose of operating your Center. You may only divulge Confidential Information to employees who must have access to it in order to operate your Centers. You are responsible for enforcing the confidentiality provisions as to your employees and agents.

Certain individuals with access to Confidential Information, including your owners (and members of their immediate families) officers, directors, executives, managers, and professional staff, may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement.

All ideas, concepts, techniques or materials concerning your Centers, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

We agree to indemnify you for (i) any claim that intellectual property supplied by us to you infringes upon the intellectual property rights of a third party, provided that you use the marks in accordance with our requirements; (ii) certain weight loss claims in the event we provide those weight loss claims to you or you use the weight loss claims in materials we have first approved; and (iii) claims that a Product is unsafe for use and consumption in the manner specified by its labeling. Our indemnification of you is contingent upon you notifying us within three (3) days of becoming aware of an indemnified claim.

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

Your Centers must always be under the direct full-time supervision of a Designated Manager. You must keep us informed of the identity of your current Designated Managers at all times. Your Designated Managers are not required to have an ownership interest in the franchise. However, it is our intention to offer franchise and development rights only to individuals and business entities with retail weight loss, weight control, or similar business experience.

You will have sole responsibility for all employment decisions and functions related to the Center, including hiring, firing, compensation, benefits, work hours, scheduling, work rules, record-keeping, supervision, and discipline of employees, notwithstanding any suggestions, advice, guidelines, programs or training that we may offer. You and your employees must comply with all federal, state and local laws and regulations regarding employment-related matters. All personnel decisions must be made by you, and all decisions will be made without any influence or advice from us.

As described in Item 14, certain individuals having access to Confidential Information will be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce the agreements.

If you are a business entity, anyone who owns a 20% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Development Agreement and each Franchise Agreement and agree to be personally liable for your breach of these agreements by signing the form Guaranty and Assumption of Obligations agreements attached to the Development Agreement and Franchise Agreement. The spouse of each person who owns 20% or greater interest in the franchisee entity (and your spouse if you are an individual) must also personally guarantee your obligations under the Development Agreement and each Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only use the Approved Locations for the operation of your Centers and you must not use, or permit the use of, the premises for any other purpose without our written consent. You must operate each Center in strict conformity with the methods, standards and specifications in the Operations Manual and as we may otherwise require in writing. You may not deviate from these standards, specifications and procedures without our written consent.

You must offer the products and services we specify, in strict accordance with our standards and specifications. You may not sell any products or provide any services that we have not authorized, and you must discontinue offering any services or products that we may, in our sole discretion, disapprove in writing at any time. We may periodically change required or authorized products or services at all Medifast® Weight Control Centers. There are no limits on our right to do so. If we modify the System, you may be required to add or replace equipment, signs and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications.

We may occasionally allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon factors as we determine, including test marketing, your qualifications, and regional or local differences.

Providing to customers a Medifast weight loss or weight management Program, along with the sale of Medifast products, is a hallmark of the Medifast System. Accordingly it is essential for all Centers, including your Center, to offer and provide a Medifast Program to all customers in accordance with the standards, methods, and procedures as specified by Medifast from time to time, in the Manuals, or otherwise in writing. All Medifast Products must be sold in conjunction with a Medifast-branded weight loss or weight maintenance program (the "Program"). Currently the Medifast Program includes, at a minimum, the provision of each of the following:

- An initial consultation and completion of a new customer/member intake assessment
- An InBody scan (or similar)
- A minimum of four (4) weeks of in-person, one-on-one counseling
- A monthly validation visit and all associated ongoing communications and support specific to the needs of the customer

You may only sell products to individuals who have purchased a weight loss or weight management Program from you.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following tables list certain important provisions of the Franchise Agreement and the Development Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

Franchise Agreement

Provision	Section In the Franchise Agreement	Summary
a. Term of the franchise	Section 4.1	The initial term is 10 years.
b. Renewal or extension of the term	Section 4.2	You may obtain successor franchise agreements for 3 additional successive terms of 5 years each, subject to (c) below.
c. Requirements for you to renew or extend	Section 4.2	You may obtain a successor Franchise Agreement if you: have substantially complied with the provisions of the Franchise Agreement; have the right to maintain possession of the Approved Location or an approved substitute location for the term of the new contract; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; are not in default of any provision of the Franchise Agreement or any other agreement between you and us or our affiliates; have given us timely written notice that you want a successor agreement; comply with current qualifications and training requirements; pay the renewal fee; sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement, except that the release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law; and sign the Franchise Agreement that we then are offering to new franchisees, or if we are not selling new franchises, to other renewing franchisees. You may be asked to sign a contract with materially different terms and conditions from the expiring contract.
d. Termination by you	Sections 16.1 and 17.1.11	If you are not in material breach of the Franchise Agreement, you may terminate it for any reason or no reason at all upon providing us ninety (90) days' prior written notice. You must pay us a termination fee of $30,000 per Center if you do not comply with certain requirements set forth in the Franchise Agreement.
e. Termination by us without cause	Not applicable.	Not applicable.

Provision	Section In the Franchise Agreement	Summary
f. Termination by us with cause	Sections 16.2 and 16.6	We may terminate your Franchise Agreement if: (a) you default or fail to comply with any clause of your Franchise Agreement; (b) you default or fail to comply with any other agreement between you and us; or (c) if any entity under common control or ownership with you (an "affiliate") defaults under any agreement between the affiliate and us, and fails to cure such default within the time frame prescribed in the applicable agreement.
g. "Cause" defined-defaults which can be cured	Sections 16.2.1 and 16.2.2	You can avoid termination of the Franchise Agreement if you cure the following defaults within 10 days of receiving our notice of default: failure to make payment of monies due to us or to Jason Pharmaceuticals, Inc. In most circumstances, we will permit you to avoid termination of the Franchise Agreement if you cure the following defaults within 30 days of receiving our notice of a: failure to comply with mandatory specifications in the Franchise Agreement or Operations Manual; offering unapproved programs or products; making an unauthorized representation as to weight loss results of Medifast products; failure to provide Sales reports when due; failure to pay third parties amounts due; failure to provide an adequately trained Control Person; failure to resolve disputes among principals or owners of Franchisee; one of your owners, managers or employees engaging in notorious activity which would bring us into disrepute; failure to obtain and maintain permits; operation of the center in a manner which presents a health or safety hazard; failure to allow us to inspect your Center; allowing unlawful activities to take place at the Center; failure to maintain required insurance; failure to provide an acceptable individual to assume control in certain circumstances; misuse or unauthorized use of the Marks; failing to adhere to any material provision of the Franchise Agreement, any other agreement between you and us, or any agreement between you and any of our affiliates. However, if the default is of such a nature that it cannot reasonably be cured, then subject to applicable state law we may immediately terminate the Franchise Agreement effective on the delivery of our notice of termination to you.

Provision	Section In the Franchise Agreement	Summary
h. "Cause" defined - defaults which cannot be cured	Sections 16.2.1 and 16.2.3	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: assign this agreement or an interest in franchisee without our consent; offer products not sold to you by our affiliate; fail to secure an Approved Location within four (4) months after you sign the Franchise Agreement or, to open you Center within 120 days after approval of your lease; fail to satisfactorily resolve customer complaints four times in a twelve month period; materially breach the confidentiality provisions in the Franchise Agreement; make a material representation or omission in your application to become a franchisee or otherwise; commit an act likely to tarnish Medifast's reputation; abandon your Center; become bankrupt, insolvent, have a receiver appointed over your property, or make a general assignment for the benefit of your creditors; if your property is levied; if you fail to satisfy a judgment entered against you; have a foreclosure suit filed against you; breach any agreement between you and Medifast three times in a twelve month period; fail to establish and equip the Center; fail to satisfactorily complete training; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Center.
i. Your obligations on termination/non- renewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, you must: stop operating the Center; stop using any Confidential Information, the System and the Marks; if requested, assign your interest in the Approved Location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; return the Operations Manual, Marks and all other Confidential Information; assign your telephone and facsimile numbers to us; destroy your remaining inventory of Medifast-branded products; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement. In addition, if the Franchise Agreement is terminated prior to its natural expiration you must pay us a termination fee of $30,000.
j. Assignment of contract by us	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by you - definition	Section 18.2	Transfer includes transfer of ownership in the franchise, the Franchise Agreement, the Approved Location, the Center's assets or the franchisee entity.

Provision	Section In the Franchise Agreement	Summary
l. Our approval of transfer by you	Sections 18.2, 18.3 and 18.9	You may not transfer more than 49% of control over the Center (as defined in (k) above) without our prior written consent.
m. Conditions for our approval of transfer	Section 18.3	We will consent to a transfer if: you provide us with a description of the terms and conditions of the transfer, including an explanation of the financing of the transaction as well copy of all contracts and agreements related to the transfer; we have not exercised our right of first refusal; all obligations owed to us are paid; the prospective transferee meets our business and financial standards; you transfer all your development rights to the transferee; we provide to the transferee a copy of Medifast's FDD; the transferee executes Medifast's then-current Franchise Agreement; you or the transferee pay a transfer fee of the greater of 25% of the then-current Franchise Fee or $10,000 or a smaller amount if the transfer is not a transfer of the majority interest; the transferee until the loan is paid; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a nondisclosure and non-competition agreement in a form satisfactory to us; the transferee's Control Person satisfactorily completes our initial training program; Transferee has obtained all necessary consents and approvals for the transfer; and you release us from all claims relating to the agreement being transferred. For Franchisee to pledge collateral rights in the Franchise Agreement to a bank or other commercial lender, that lender must agree to be bound by the conditions of transfer contained in the Franchise Agreement.
n. Our right of first refusal to acquire your Center	Section 19	We may match an offer for your Center or an ownership interest in you (as a business entity) of more than 20% that you propose to sell.
o. Our option to purchase your Center	Section 17.3	Except as described in (n) above, we do not have the right to purchase your Center; however, during the 60-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Center for fair market value, excluding any goodwill.
p. Your death or disability	Section 18.8	If you (or one of you owners) die or become incapacitated, your representative must transfer, subject to the terms of the Franchise Agreement, your interest in the Center within 180 days of death or incapacity or we may terminate the Franchise Agreement.

Provision	Section In the Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Section 7.3	You, your owners (and members of their families and households) and your officers, directors, executives managers or professional staff are prohibited from: attempting to divert any business or customer of the Center to a Competitive Business or causing injury or prejudice to the Marks or the System; owning or working for a Competitive Business.
r. Non-competition covenants after the franchise is terminated or expires	Section 7.3	Excepting the operation of a Medifast Weight Control Center, Franchisee, its owners and their family members may not own, operate or work for a competing business for 2 years within the Protected Territory; within a 30 mile radius of the Approved Location; or within 30 miles of any Medifast Center; solicit or influence any of our employees or business associates to compete with us or terminate their relationship with us; or divert or attempt to divert a customer of your former Medifast Center to any other weight control business or program.
s. Modification of the Agreement	Section 22.7	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	Section 22.7	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 23 and 24	Except for claims regarding the Marks and Confidential Information, and claims for injunctive relief, all disputes must be mediated in the county and date in which we then maintain our principal place of business, which currently is Baltimore County, Maryland and, if mediation does not result in a settlement, through arbitration in the county and state in which we maintain our principal place of business.
v. Choice of forum	Section 25.2	Subject to state law, any litigation must be pursued in courts located in county and state in which Franchisor maintains its principal place of business when the litigation is initiated, which as of the date of this Disclosure Document is Baltimore County, Maryland; however, all disputes shall be resolved through mediation and, if need be, arbitration unless either party is seeking temporary or preliminary injunctive or other equitable relief to enforce provisions of this Agreement.

Provision	Section In the Franchise Agreement	Summary
w. Choice of law	Section 25.1	Subject to state law, the law that applies to contract interpretation is that of the state of Maryland, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

Development Agreement

Provision	Section In the Development Agreement	Summary
a. Length of the term of the Development Agreement	Section 2	To be negotiated by the parties
b. Renewal or extension of the term	Section 2	None unless parties agree to extend.
c. Requirements for you to renew or extend	Section 2	None unless parties agree to extend.
d. Termination by you	Not applicable.	Not applicable.
e. Termination by us without cause	Not applicable.	Not applicable.
f. Termination by us with cause	Section 6	We may terminate your Development Agreement if: (a) you default or fail to comply with any clause of your Development Agreement; (b) you default or fail to comply with any other agreement between you and us; or (c) if an affiliate defaults under any agreement between the affiliate and us, and fails to cure such default within the time frame prescribed in the applicable agreement.
g. "Cause" defined – curable defaults	Section 6	Any default other than those defaults specified as incurable below.
h. "Cause" defined – defaults which cannot be cured	Section 6	Your Development Agreement will automatically terminate if you become insolvent, have engaged in non-curable defaults, been convicted of a felony, become insolvent, file (or have filed against you) a bankruptcy petition, if a receiver is appointed over your assets; if a final judgment against you remains unsatisfied for thirty days; if your entity is dissolved; if an execution is levied against your property; or if a foreclosure proceeding is executed against you
i. Your obligations on termination/non-renewal	Section 6	Forfeiture of development rights, nondisclosure of confidential information, payment of unpaid fees. (See, also "r" below).
j. Assignment of contract by us	Section 8	No restriction on our right to assign.

Provision	Section In the Development Agreement	Summary
k. "Transfer" by you – defined	N/A	N/A.
l. Our approval of transfer by development agreement	Section 7	We have the right to approve all transfers.; at a minimum, our consent will not be given unless all your franchise agreements are also transferred to the same transferee
m. Conditions for our approval of transfer	Section 7	At a minimum, our consent will not be given unless all your franchise agreements are also transferred to the same transferee
n. Our right of first refusal to acquire your business	Not in Development Agreement; see Section 17.3 of Franchise Agreement	Not in Development Agreement; see Section 17.3 of Franchise Agreement
o. Our option to purchase your development rights	Section 7	We may match any offer for your development rights.
p. Your death or disability	Section 7	Transfer to transferee approved by us must be made within 180 days.
q. Non-competition covenants during the term of the development agreement	Section 11	Excepting the operation of a Medifast Weight Control Center, Franchisee, its owners and their family members may not operate a competing business during the term and for 3 years thereafter within the Protected Territory; within a 30 mile radius of the Approved Location; or within 30 miles of any Medifast Center
r. Non-competition covenants after the development agreement is terminated or expires	Section 11	Excepting the operation of a Medifast Weight Control Center, Franchisee, its owners and their family members may not operate a competing business during the term and for 2 years thereafter within the Protected Territory; within a 30 mile radius of the Approved Location; or within 30 miles of any Medifast Center
s. Modification of the agreement	Section 12	No modifications generally but Operations Manual, Medifast Weight Loss Centers System and Proprietary Marks may be changed.
t. Integration/merger clause	Section 17	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside the Franchise Disclosure Document and Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 19, 20 and 21	Except for claims regarding the Marks and Confidential Information, and claims for injunctive relief, all disputes must be mediated in the county and date in which we then maintain our principal place of business, which currently is Baltimore County, Maryland and, if mediation does not result in a settlement, through arbitration in the county and

Provision	Section In the Development Agreement	Summary
		state in which we maintain our principal place of business.
v. Choice of forum	Section 21	Any litigation must be pursued in courts located in county and state in which Franchisor maintains its principal place of business when the litigation is commenced, which as of today is Baltimore County, Maryland; however, all disputes shall be resolved through mediation and, if need be, arbitration unless either party is seeking temporary or preliminary injunctive or other equitable relief to enforce provisions of this Agreement.
w. Choice of law	Section 21	The law that applies to contract interpretation is that of the state of Maryland, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

ITEM 18. PUBLIC FIGURES

We do not presently use any public figures to promote the 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 Center, however, we may provide you with the actual records of that Center. 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 Christopher Rom, Medifast Franchise Systems, Inc., 11445 Cronhill Drive, Owings Mills, Maryland 21117, 410-504-8172, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For years 2013 to 2015

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2013	35	41	+6
	2014	41	73	+32
	2015	73	61	-12
Company-Owned	2013	87	75	-12
	2014	75	0	-75
	2015	0	0	0
Total Outlets	**2013**	**122**	**116**	**-6**
	2014	**116**	**73**	**-43**
	2015	**73**	**61**	**-12**

Table No. 2
Transfers of Outlets From Franchisees to New Owners
(other than the Franchisor)
For years 2013 to 2015

State	Year	Number of transfers
CA*	2013	0
	2014	0
	2015	1
MD	2013	0
	2014	0
	2015	6
Total	2013	0
	2014	0
	2015	7

Table No. 3
Status of Franchised Outlets
For years 2013 to 2015*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other	Outlets at End of Year
AL	2013	2	2	0	0	0	0	4
	2014	4	1	5	0	0	0	0
	2015	0	0	0	0	0	0	0
AZ	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	1	4
CA	2013	15	1	0	0	0	0	16
	2014	16	1	0	0	0	0	17
	2015	16	0	0	0	0	1	16
FL	2013	0	0	0	0	0	0	0
	2014	0	5	0	0	0	5	0
	2015	0	0	0	0	0	0	0
LA	2013	2	3	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	0	5
MD	2013	1	0	0	0	0	0	1
	2014	1	7	0	0	0	0	8
	2015	8	0	0	0	0	1	7
MN	2013	7	0	0	0	0	0	7
	2014	7	0	0	0	0	0	7
	2015	7	0	0	0	0	0	7
PA	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	1	1
	2015	1	0	0	0	0	0	1
TN	2013	0	0	0	0	0	0	0
	2014	0	2	2	0	0	0	0
	2015	0	0	0	0	0	0	0
TX	2013	0	0	0	0	0	0	0
	2014	0	20	0	0	0	0	20
	2015	20	0	0	0	0	0	20
VA	2013	0	0	0	0	0	0	0
	2014	0	9	0	0	0	0	9
	2015	9	0	0	0	0	9	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other	Outlets at End of Year
WA	2013	0	0	0	0	0	0	0
	2014	0	5	0	0	0	5	0
	2015	0	0	0	0	0	0	0
WI	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Totals	**2013**	**35**	**5**	**0**	**0**	**0**	**0**	**41**
	2014	**41**	**50**	**7**	**0**	**0**	**11**	**73**
	2015	**73**	**0**	**0**	**0**	**0**	**12**	**61**

Table No. 4
Status of Company-Owned Outlets*
For years 2013 to 2015

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
DE	2013	1	0	0	0	0	1
	2014	1	0	0	1	0	0
	2015	0	0	0	0	0	0
FL	2013	22	0	0	4	0	18
	2014	18	0	0	13	5	0
	2015	0	0	0	0	0	0
MD	2013	10	0	0	1	0	9
	2014	9	0	0	2	7	0
	2015	0	0	0	0	0	0
NC	2013	3	0	0	0	0	3
	2014	3	0	0	3	0	0
	2015	0	0	0	0	0	0
NJ	2013	1	0	0	0	0	1
	2014	1	0	0	1	0	0
	2015	0	0	0	0	0	0
PA	2013	7	0	0	0	0	7
	2014	7	0	0	7	0	0
	2015	0	0	0	0	0	0

* All "Company-Owned Outlets" were owned and operated by our affiliate, Jason Properties, LLC.

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
TX	2013	28	0	0	4	0	24
	2014	24	0	0	4	20	0
	2015	0	0	0	0	0	0
VA	2013	15	0	0	3	0	12
	2014	12	0	0	3	9	0
	2015	0	0	0	0	0	0
Totals	**2013**	**87**		**0**	**12**	**0**	**75**
	2014	**75**	**0**	**0**	**34**	**41**	**0**
	2015	**0**	**0**	**0**	**0**	**0**	**0**

Table No. 5
Projected Openings as of December 31, 2015

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year*
Total	**0**	**0**	**0**

* All "Company-Owned Outlets" are owned and operated by our affiliate, Jason Properties, LLC.

Exhibit G lists the names, addresses, and telephone numbers of our franchisees, as of the end of our fiscal year.

Exhibit G also lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of franchisees who have had a franchise agreement terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of this disclosure document. If you buy the franchise offered in this disclosure document, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, certain of our current or former franchisees signed provisions restricting their ability to speak openly about their experience with Medifast.

There is no trademark-specific franchisee organization associated with the franchise system.

ITEM 21. FINANCIAL STATEMENTS

Our corporate parent, Medifast, Inc., has guaranteed our performance of our obligations under the Franchise Agreement. Attached as **Exhibit E** to this Disclosure Document are the consolidated audited financial statements for us and Medifast, Inc. for the periods ending December 31, 2015, 2014, and 2013. Our fiscal year end, and that of Medifast, Inc., is December 31. Our financial statements are not separately audited but are included as part of the audit of our parent.

Attached as **Exhibit F** is the Guaranty of Performance by Medifast, Inc.

ITEM 22. CONTRACTS

The MEDIFAST FRANCHISE SYSTEMS, INC. Franchise Agreement (with exhibits) is attached to this Disclosure Document as **Exhibit C**.

The MEDIFAST FRANCHISE SYSTEMS, INC. Personal Guaranty is attached to the Franchise Agreement as Exhibit 2.

The MEDIFAST FRANCHISE SYSTEMS, INC. current form of General Release is attached to the Franchise Agreement as Exhibit 4.

The MEDIFAST FRANCHISE SYSTEMS, INC. Nondisclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit 5.

The MEDIFAST FRANCHISE SYSTEMS, INC. State Specific Addenda are attached to the Franchise Agreement as Exhibit 6. You and We will need to sign one or more of the Addenda if you are either a resident of or intend to operate the Franchised Business in one of the states whose law requires us to issue an Addendum.

The MEDIFAST FRANCHISE SYSTEMS, INC. Development Agreement (with exhibits) is attached to this Disclosure Document as **Exhibit D**.

Our current form of Non-Disclosure Agreement for Prospective Franchisees who wish to view the Operations Manuals is attached to this Disclosure Document as **Exhibit J**.

We provide no other contracts or agreements for your signature.

ITEM 23. RECEIPTS

Our copy and your copy of the Franchise Disclosure Document Receipt are located on the last 2 pages of this Disclosure Document.

EXHIBIT A

List of State Administrators

LIST OF STATE ADMINISTRATORS

We may decide to register this disclosure document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of the franchises in that state:

CALIFORNIA
Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677

HAWAII
Commissioner of Securities
Department of Commerce & Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA
Indiana Securities Commissioner
Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN
Michigan Department of Attorney General
Consumer Protection Division
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 373-7117

MINNESOTA
Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-4026

NEW YORK
Office of the New York State Attorney General
Investor Protection Bureau, Franchise Section
120 Broadway, 23rd Floor
New York, New York 10271-0332
(212) 416-8236
(212) 416-6042 Fax

NORTH DAKOTA
Office of the Securities Commissioner
State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0519
(701) 328-2910

OREGON
Department of Consumer Business Services
Division of Finance and Corporate Securities
Section
21 Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140

RHODE ISLAND
Department of Business Regulation
Securities Division
233 Richmond Street, Suite 232
Providence, Rhode Island 02903-4232
(401) 222-3048

VIRGINIA
Division of Securities & Retail Franchising
State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

WISCONSIN
Commissioner of Securities
Department of Financial Institutions
Division of Securities
201 W. Washington Ave., Suite 300
Madison, Wisconsin 53703
(608) 261-9555

SOUTH DAKOTA
Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

WASHINGTON
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

EXHIBIT B

List of State Agencies/
Agents for Service of Process

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

We may decide to register this disclosure document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA
Commissioner of Business Oversight
California Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344

HAWAII
Commissioner of Securities
Dept. of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA
Indiana Secretary of State
302 West Washington Street, Room E018
Indianapolis, Indiana 46204

MARYLAND
Maryland Securities Commissioner
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

MICHIGAN
Michigan Department of Attorney General
Consumer Protection Division
G. Mennen Williams Building, 1st Floor
525 West Ottowa Street
Lansing, Michigan 48933

MINNESOTA
Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

NEW YORK
New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

NORTH DAKOTA
North Dakota Securities Department
600 East Boulevard Avenue, State Capitol
Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

OREGON
Department of Consumer and Business Services
Corporate Securities Section
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, Oregon 97310

RHODE ISLAND
Director, Department of Business Regulation,
Securities Division
John O. Pastore Complex – Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920

SOUTH DAKOTA
Director, Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA
Division of Securities and Retail Franchising
State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219-3630

WISCONSIN
Commissioner of Securities
Department of Financial Institutions
Division of Securities
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703
(608) 261-9555

WASHINGTON
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

EXHIBIT C

Franchise Agreement

EXHIBIT C

MEDIFAST FRANCHISE SYSTEMS, INC.

FRANCHISE AGREEMENT

CENTER NO. ___

Table Of Contents

1. DEFINITIONS 1
2. GRANT OF FRANCHISE 4
3. FEES 5
4. TERM AND RENEWAL 6
5. APPROVED LOCATION 7
6. MARKS 11
7. CONFIDENTIAL INFORMATION 13
8. MANUALS 15
9. TRAINING AND ASSISTANCE 15
10. MARKETING AND PROMOTION 16
11. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS 18
12. FRANCHISE SYSTEM 20
13. STANDARDS OF QUALITY AND PERFORMANCE 20
14. MEDIFAST'S ONGOING OPERATIONS ASSISTANCE 24
15. INSURANCE 25
16. DEFAULT AND TERMINATION 26
17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION 29
18. TRANSFERABILITY OF INTEREST 31
19. RIGHT OF FIRST REFUSAL 35
20. BENEFICIAL OWNERS OF FRANCHISEE 35
21. RELATIONSHIP AND INDEMNIFICATION 36
22. GENERAL CONDITIONS AND PROVISIONS 37
23. MEDIATION 40
24. ARBITRATION 40
25. GENERAL DISPUTE RESOLUTION PROVISIONS 42
26. REPRESENTATIONS AND ACKNOWLEDGMENTS 43

Medifast Franchise Systems, Inc.
Franchise Agreement

This Franchise Agreement (the "**Franchise Agreement**") is made this ___ day of _____, 20___ (the "**Effective Date**") by and between MEDIFAST FRANCHISE SYSTEMS, INC., a Delaware corporation, having its principal place of business at 11445 Cronhill Drive, Owings Mills, Maryland 21117 ("**Medifast**") and _____, whose principal address is _____ _____, an individual/partnership/corporation/limited liability company established in the State of _____("Franchisee").

WITNESSETH:

WHEREAS, Medifast has developed and is further developing a System identified by the service mark, "MEDIFAST WEIGHT CONTROL CENTERS", and relating to the establishment, development and operation of businesses promoting healthy weight loss management by providing weight loss and control products along with other authorized products and services, with such businesses referred to as "MEDIFAST WEIGHT CONTROL CENTERS"; and

WHEREAS, the distinguishing characteristics of the System include, among other things, the Marks; proprietary diet system programs and the sale of Medifast-branded products for providing weight reduction and control; uniform standards and procedures for business operations and management, including record keeping, accounting, billing, collections and account management; procedures and strategies for marketing, advertising and promotions; and distinctive interior décor and design and signage; and

WHEREAS, Medifast grants to qualified persons the right to own and operate MEDIFAST WEIGHT CONTROL CENTERS businesses; and

WHEREAS, Franchisee desires to operate a MEDIFAST WEIGHT CONTROL CENTERS business under the System and the Marks and has applied for a Franchise, and such application has been approved by Medifast in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Medifast's high and uniform standards of quality, operations and service and the necessity of operating the Center in strict conformity with Medifast's System.

NOW, THEREFORE, Medifast and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"Affiliate" means Jason Pharmaceuticals, Inc., an entity that is under common control with Medifast, unless expressly stated to the contrary;

"Agreement" means this agreement entitled "MEDIFAST FRANCHISE SYSTEMS, INC Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

"Approved Location" means the site for the operation of the Center selected by Franchisee and approved in writing by Medifast;

"Approved Supplier(s)" has the meaning given to such term in Section 13.1;

"Center" means the MEDIFAST WEIGHT CONTROL CENTERS business to be established and operated by Franchisee pursuant to this Agreement;

"Competitive Business" means any business which offers (or grants franchises or licenses to others to operate a business which offers) weight loss or weight management products, or other products or services the same as or substantially similar to those provided by MEDIFAST WEIGHT CONTROL CENTERS or in which Confidential Information is likely to be used to the competitive disadvantage of Medifast, its Affiliate(s) or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee under a Franchise Agreement with Medifast;

"Confidential Information" means any trade secret and any information or matter that is or may be used to gain a competitive advantage over Medifast or any of its Affiliates and is not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which it is stored, relating to the System (including know-how, knowledge of, and experience in, operating a MEDIFAST WEIGHT CONTROL CENTERS business, methods, techniques, formats, specifications, policies, procedures, information, systems, standards, business management and operating systems and techniques, record keeping and reporting methods, accounting systems, management and personnel training techniques, sales and promotion techniques, product, service and treatment demonstrations, specifications for signs, displays, business forms and stationery, interior and exterior décor and layout, designs, drawings and specifications for the Approved Location, the Manual, education and training program materials, ideas, research and development, customer data, lists of franchisees and suppliers, suggested pricing and cost information, proprietary products which Medifast or its Affiliate have developed or may develop and introduce as part of the System) and any other information or material identified to Franchisee by Medifast as confidential;

"**Control Person**" means the individual who has the authority to, and does in fact, actively direct the business affairs relating to a Center;

"Cooperative Advertising" means the combined advertising program of two (2) or more Centers established within a common geographic market which Medifast may require, as further described in Section 10.3;

"Development Area" means the area within which Franchisee is required to locate the Center, as defined or described in Section 2.3, and which does not confer any territorial protection or exclusivity;

"Designated Manager" means the person designated by Franchisee who has primary responsibility for managing the day-to-day affairs of the Center;

"Effective Date" means the date on which this Agreement is fully executed, thereby commencing its effectiveness and term;

"Electronic Depository Transfer Account" means an account established and maintained by Franchisee with a national banking institution approved by Medifast providing Medifast and Affiliate with access sufficient to allow Medifast to electronically withdraw any funds due Medifast or Affiliate;

"Franchise" means the right granted to Franchisee by Medifast to use the System and the Marks;

"Franchise Fee" has the meaning given to such term in Section 3.1;

"Franchisee" means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement;

"Medifast" means MEDIFAST FRANCHISE SYSTEMS, INC.;

"Incapacity" means the inability of Franchisee to operate or oversee the Center on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation as determined by a court of competent jurisdiction;

"Internet" means any one (1) or more local or global interactive communications media, that is now available, or that may become available, and includes sites and domain names on the World Wide Web;

"Local Advertising" has the meaning given to such term in Section 10.2;

"Manuals" mean the password-protected, electronic version of the Medifast Weight Control Center Franchise Owners Manuals, any other electronic or hardcopy items as may be provided, added to, changed, modified or otherwise revised by Medifast from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers' manuals; and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications, whether prepared by or on behalf of Medifast. The Manuals may consist of one (1) or more separate documents and/or other electronic documents and materials setting forth mandatory and recommended operating procedures for the Center.

"Mark(s)" means the service mark "Medifast Weight Control Centers®," "Medifast®," and such other trade names, trademarks, designs, graphics, logos, and other commercial symbols as Medifast may designate to be used in connection with the Center;

"Opening" means commencing operation of the Center, permitting persons other than employees, agents, independent contractors, governmental officials or Medifast's representatives to enter the Premises, or offering for sale any of the products or services approved by Medifast;

"Premises" means the physical location where the Center is operated, as approved by Medifast in writing and otherwise in compliance with the terms of this Agreement;

"**Products**" means Medifast-branded package food products and dietary supplements that are sold to customers of each Center as part of the Medifast weight loss and weight control program.

"Program" means the Medifast weight loss and weight control program. Currently the Medifast Program includes, at a minimum, the provision of each of the following: (1) an initial consultation and completion of a new customer/member intake assessment; (2) an InBody scan (or similar); (3) a minimum of four (4) weeks of in-person, one-on-one counseling; (4) a monthly validation visit and all associated ongoing communications and support specific to the needs of the customer.

"Protected Territory" has the meaning given to such term in Section 2.5;

"Royalty Fee" has the meaning given to such term in Section 3.2; and

"Sales" means the accrued gross sales revenues received from sales conducted from the Center for Medifast Weight Control products and services, whether from cash, check, credit, charge account, debit account, redemption of gift certificates, barter or exchange, or otherwise, shall include the amounts received for the sale of goods, wares and merchandise, including sales food, beverages, and tangible property of every kind and nature, promotional or otherwise and for services performed at or from the Center, together with the amount of all orders received at the Center, whether such orders are taken at the Center or elsewhere, less the following deductions: (1) sales of goods for which cash has been refunded to the customer, provided that such sales shall have previously included in the gross sales revenue; (2) the amount of any sales tax imposed by any government authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by Franchisee to such governmental authority; or (3) the face value of coupons or discounts redeemed by customers. In calculating the Sales no deductions shall be made for credit card processing fees, transaction or other fees relating to a cashless or other form of payment, or any other amounts. Each charge or sale upon credit shall be treated as a sale for the full price on the day during which such charge or sale shall be made, irrespective of the time when Franchisee receive payment (whether full, partial or all) therefore. Franchisee shall not enter into any barter or counter-trade sales transactions with respect to the Center without Medifast's prior written consent. If Medifast gives such written consent, Franchisee shall record all such barter and counter-trade benefits as gross sales in calculating the reported Sales. Amounts paid by gift certificate, gift card or similar program are included in the gross sales for this calculation when the gift certificate, other instrument, or applicable credit is redeemed;

"System" means the uniform standards, methods, procedures and specifications developed by Medifast and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Medifast, in its sole discretion, for the operation of Medifast Weight Control Centers.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise

Medifast hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) Medifast Weight Control Center in strict accordance with all standards and specifications of the System and this Agreement and using the Marks at the Approved Location as provided in Section 2.2 hereof.

2.2 Approved Location

The street address (or detailed description of the premises) of the Approved Location is or will be identified in Exhibit 1 to this Agreement.

2.3 Approved Location Not Determined

If the Approved Location of the Center is not determined as of the Effective Date, then the geographic area in which the Center is to be located (the "**Development Area**") is defined or described in Exhibit 1 to this Agreement. When the Approved Location is determined, its address will be inserted into Exhibit 1. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection.

2.4 Sub-franchising/Agents

Franchisee must not sublicense the use of the System or any of the Marks to any person or entity to perform any part of Franchisee's rights or obligations licensed hereunder, or to grant any person or entity the right to act as Franchisee's agent to perform any part of Franchisee's rights or obligations hereunder.

2.5 Territorial Protection - Protected Territory

So long as this Agreement is in force and effect and Franchisee is not in default under any of the terms of this Agreement or any other agreement between Medifast and Franchisee, Medifast will not license, own or operate any Medifast Weight Control Centers® or other substantially similar business in the geographic area set forth in Exhibit 1 hereto ("**Protected Territory**"). Without limitation, Franchisee agrees that the alternative channels of distribution identified in Section 2.6.2 below are not substantially similar businesses to the Center. If the Approved Location has been determined as of the Effective Date, the Protected Territory is specified and described in Exhibit 1. If the Approved Location remains to be determined as of the Effective Date, Medifast will, at the request of Franchisee, specify and describe the Protected Territory within a reasonable period of time following designation of the Approved Location and insert that description in Exhibit 1.

2.6 Medifast's Rights

Except for the territorial protections provided in Section 2.5, Medifast retains all of its rights and discretion with respect to the System and Marks, including the right to:

2.6.1 establish or operate, and license others to establish or operate, other businesses under other systems using other proprietary marks at such locations and on such terms and conditions as Medifast deems appropriate;

2.6.2 sell the products and services authorized for Medifast Weight Control Centers using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, including without limitation, Take Shape for Life® sales representatives, joint marketing with partner companies, sales to physicians for resale to their patients, the Internet, catalogue sales, and direct mail, on such terms and conditions as Medifast deems appropriate, in locations which include Franchisee's Protected Territory; provided, however, that such sales do not take place from a retail location physically in the Protected Territory that operates principally under the Medifast® trademark; and

2.6.3 engage in any activities not expressly forbidden by this Agreement.

3. FEES

3.1 Franchise Fee

The fee to be paid by Franchisee to open and operate a Medifast Weight Control Center is $25,000 (the "**Franchise Fee**").Upon execution of a development agreement between Franchisee and Medifast, Franchisee shall pay Medifast THIRTY-FIVE THOUSAND DOLLARS, ($35,000) representing a Franchise Fee of TWENTY-FIVE THOUSAND DOLLARS ($25,000) for the first Medifast Weight Control Center to be opened by Franchisee and a non-refundable Franchise Fee deposit of FIVE THOUSAND DOLLARS ($5,000) for each of two additional Medifast Weight Control Centers to be opened by Franchisee, with any balance of the Franchise Fee owed to be paid upon execution of each applicable Franchise Agreement. Thereafter, Franchisee shall pay a Franchise Fee to Medifast of TWENTY-FIVE THOUSAND DOLLARS ($25,000.00) upon execution of each applicable Franchise Agreement. The Franchise Fee will be deemed fully earned upon execution of a Development Agreement or this Agreement, as applicable, and is nonrefundable. The Franchise Fee is payment, in part, for expenses incurred by Medifast in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Medifast, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Monthly Royalty Fee

By no later than the twentieth (20^{th}) day following the date of Medifast's invoice to Franchisee of each month, Franchisee must pay to Medifast without offset, credit or deduction of any nature (including, without limitation, any deduction or offset for taxes imposed on the royalty payment) so long as this Agreement is in effect, a monthly fee ("**Royalty Fee**") of Five Percent (5%) of Sales not to exceed $1,000.00 per location. Moreover, if Franchisee breaches the Agreement and does not cure the breach within the time set forth in Medifast's Notice of Default, Franchisee must pay Medifast royalties at the rate of Ten Percent (10%) of Sales, without any cap, until such time as the default at issue is cured or Medifast, at its sole discretion, chooses to terminate this Agreement. Medifast may require Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.4.

3.3 Taxes

Franchisee must pay to Medifast an amount equal to all sales taxes, use taxes and similar taxes imposed on the fees payable to Medifast hereunder and on services or goods furnished to Franchisee by Medifast or Affiliate, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Medifast for doing business in the state where the Center is located. Franchisee shall furnish Medifast with a resale certificate for the state and locality where the Center will be located.

3.4 Payment Policy

All Royalty Fees, Cooperative Advertising contributions (if required) and other amounts due to Medifast and amounts due for product purchases by Franchisee from Affiliate must be paid by credit card, check, or wire transfer. Payments to Affiliate for Products are due within thirty (30) days of invoice date and must be paid by electronic funds transfer. Franchisee must open and maintain an Electronic Depository Transfer Account and must provide Medifast and Affiliate with continuous access to such account for the purpose of receiving any payments due to Medifast or Affiliate, as applicable. Every month, Franchisee must make deposits to the account sufficient to cover amounts owed to Medifast and Affiliate for the preceding month just ended. Franchisee must execute any documents Medifast's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee must not close the Electronic Depository Transfer Account without Medifast's consent.

3.5 Late Fees

All Royalty Fees, Cooperative Advertising contributions (if required), other payments required under this Agreement, and amounts due for purchases by Franchisee from Affiliate that are not received by Medifast (or its Affiliate) within three (3) days after the due date will incur late fees at the rate of eighteen percent (18%) per annum (or the highest

rate allowed by law, whichever is lower) from the date payment is due to the date payment is received by Medifast or Affiliate, as applicable In addition to its right to charge interest as provided herein, Medifast or its Affiliate (as applicable) may charge Franchisee a $100.00 late payment fee for all such overdue payments and a One Hundred Dollars ($100.00) insufficient funds fee for each check, automated bank draft, payment, or other payment method that is not honored by Franchisee's financial institution. This Section 3.5 does not constitute an agreement by Medifast or Affiliate to accept any payments after the due date or to extend credit to, or otherwise finance Franchisee's operation of, the Center. Franchisee must pay Medifast or Affiliate for all costs incurred in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due, including reasonable accounting and legal fees.

3.6 Re-inspection Fee

Without limiting Medifast's other rights and remedies set forth herein, if any inspection of Franchisee's Center permitted under this Agreement reveals a substantial and material deviation from Medifast's mandatory operating procedures, Medifast may re-inspect the Center and charge Franchisee a reasonable fee, not to exceed Ten Thousand Dollars ($10,000.00), to cover Medifast's employees' travel costs, time and expenses incurred in re-inspecting the Center and determining whether Franchisee's defaults have been cured.

3.7 Application of Payments

Notwithstanding any designation by Franchisee, Medifast has the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, purchases from Affiliate, regional advertising cooperative contributions, or any other amount owed to Medifast or Affiliate. Further, if Franchisee has been delinquent in the payment of any amounts owed to Medifast under this Section 3, Medifast has the right to require Franchisee to prepay estimated Royalty Fees and advertising contributions after Franchisee cures any delinquencies, and to require Franchisee to pay Affiliate for all products at the time of ordering.

3.8 Inflation Adjustment of Flat Fees

All fees set forth in this Agreement as a specific figure or a periodic rate (by way of example, only, "$400 per day"), as opposed to percentage rate fees, may be increased by Medifast, effective January 1 of each year, by the greater of three percent (3%) or the increase in the Consumer Price Index: All Items/U.S. City Average - All Urban Consumers (1982-1984 = 100), published by the Bureau of Labor Statistics, U.S. Department of Labor ("**C.P.I.**"), or the most similar replacement index should that index be replaced during the period, for the most recent December as compared to the index for the December of the immediately preceding year.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement is effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Section 16.

4.2 Successor Agreements

Subject to the conditions below, Franchisee has the right to continue this Franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with Medifast using the then-current version of the franchise agreement. Franchisee's right to enter into a new franchise agreement is limited to three (3) successive terms of five (5) years each, such that the total term of the Franchise will not exceed twenty-five (25) years. To be able to enter into a successor agreement, each of the following conditions must have been fulfilled and remain true as of the last day of the term of the expiring agreement:

4.2.1 Franchisee has, during the entire term of the expiring agreement, substantially complied with all of the provisions of the expiring agreement;

4.2.2 Franchisee has had access to and, for the duration of the term of the successor agreement, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Medifast, which is in full compliance with Medifast's then-current specifications and standards;

4.2.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Medifast-required System modifications such that the Center reflects Medifast's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Medifast (and Affiliate) and has timely met these obligations throughout the term of the expiring agreement;

4.2.5 Franchisee is not in default of any provision of the expiring agreement or any other agreement between Franchisee and Medifast, and any entity under "common control" with Franchisee is not in default of any Franchise Agreement or any other agreement between the entity and Medifast. "Common control" as used in this Section 4.2.5 and in Section 16.6 shall mean the circumstance where any owner or member of Franchisee also owns an interest in, or is a member of, any other entity;

4.2.6 Franchisee has given written notice of its desire to operate a successor franchise to Medifast not less than nine (9) months nor more than twelve (12) months prior to the end of the term of the expiring agreement;

4.2.7 Not less than six (6) months prior to the end of the term of the expiring agreement, Franchisee has executed Medifast's then-current form of the Franchise Agreement, or has executed other such documents at Medifast's election (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution; provided, however, that Franchisee will not be required to pay the then-current Franchise Fee (but instead will pay a renewal fee, described below);

4.2.8 Franchisee has complied, or agrees to comply with, Medifast's then-current qualifications for a new franchisee and any training requirements;

4.2.9 Franchisee has executed a general release, the same as or substantially similar to Medifast's standard form General Release, attached as Exhibit 4, releasing Medifast, its Affiliate(s) and their officers, directors, shareholders and employees of any and all claims under the expiring agreement, except as prohibited by the laws of any other state where the Center is located; and

4.2.10 Franchisee must have paid to Medifast a renewal fee, which shall be Ten Thousand Dollars ($10,000.00) for the first successor agreement, and for subsequent successor agreements will be increased from the prior term by the growth of the C.P.I. from the previous expiration date

5. APPROVED LOCATION

5.1 Selection of Site

5.1.1 If not already selected prior to the Effective Date, Franchisee shall promptly select a site for the Center and must request to obtain Medifast's approval of such proposed site. If Medifast approves of such site, the site will be designated as the "Approved Location." If Medifast does not approve of such site, Franchisee agrees to locate and propose a new site or sites until the site selected by Franchisee is approved by Medifast. Franchisee shall not locate the Center on a selected site without the prior written consent of Medifast. Franchisee must secure an Approved Location no later than four (4) months from the Effective Date of this Franchise Agreement. Medifast will provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Medifast has the right to approve or disapprove a proposed location based on such factors as it deems appropriate in its sole discretion, including without limitation the condition of the premises, demographics of the surrounding area, proximity to other MEDIFAST WEIGHT CONTROL CENTERS businesses, lease requirements, vehicular and pedestrian access, available parking and overall suitability, and Medifast may require Franchisee to submit a complete

real estate package containing such information as Medifast may reasonably require to evaluate any such proposed site. In addition to site selection guidelines, Medifast agrees to provide one on-site evaluation of a proposed site if Medifast deems it necessary on its own initiative or if requested by Franchisee. Thereafter, if additional on-site evaluations are deemed appropriate by Medifast, or upon Franchisee's reasonable request, Medifast will conduct additional on-site evaluations; provided, however, Medifast reserves the right to charge its standard rate, as stated in the Manuals, currently FOUR HUNDRED DOLLARS ($400.00) per day plus expenses for performing such additional on-site evaluations. MEDIFAST DOES NOT REPRESENT THAT IT OR ANY OF ITS EMPLOYEES HAVE SPECIAL EXPERTISE IN SELECTING SITES AND HEREBY DISCLAIMS ANY SUCH EXPERTISE. NEITHER MEDIFAST'S ASSISTANCE NOR APPROVAL IS INTENDED TO INDICATE OR INDICATES THAT THE FRANCHISED BUSINESS WILL BE PROFITABLE OR SUCCESSFUL AT THE APPROVED LOCATION. FRANCHISEE IS SOLELY RESPONSIBLE FOR FINDING AND SELECTING THE APPROVED LOCATION.

5.1.2 Medifast agrees to make reasonable efforts to send to Franchisee written notice of its approval or disapproval of a proposed site within 30 days of its receipt of the information described in Section 5.1.1; however if we do not respond to a completed real estate package within thirty (30) days, we shall be deemed to have not consented to that site.

5.2 Approval of Lease/Purchase Agreement

After the designation of the Approved Location, and if the site is to be leased or purchased, Franchisee agrees to make reasonable and good faith efforts to execute a lease for, or a binding agreement to purchase, the Approved Location. The terms of the lease for the Approved Location (if the Approved Location is to be leased) or the terms of the purchase agreement for the Approved Location (if the Approved Location is to be purchased) are subject to Medifast's approval, which shall not be unreasonably withheld. MEDIFAST DOES NOT REPRESENT THAT IT OR ANY OF ITS EMPLOYEES HAVE SPECIAL EXPERTISE IN REVIEWING LEASES AND HEREBY DISCLAIMS ANY SUCH EXPERTISE. MEDIFAST'S REVIEW OF THE LEASE OR PURCHASE AGREEMENT, OR ANY ADVICE OR RECOMMENDATION OFFERED BY MEDIFAST, SHALL NOT CONSTITUTE A REPRESENTATION OR GUARANTEE THAT FRANCHISEE WILL SUCCEED AT THE APPROVED LOCATION NOR CONSTITUTE AN EXPRESSION OF MEDIFAST'S OPINION REGARDING THE LEGAL OR BUSINESS TERMS OF THE LEASE OR PURCHASE AGREEMENT. Medifast reserves the right to require that nothing in the Lease or Purchase Agreement be contradictory to, or likely to interfere with, Medifast's rights or Franchisee's duties under this Franchise Agreement. Franchisee promises to take all actions necessary to maintain the lease, if any, of the Approved Location while this Franchise Agreement is in effect. Any default for which the lease may be terminated will also be deemed a default of this Franchise Agreement and the time to cure the same will expire on the earlier of lease termination by landlord or eviction (for leased locations) or foreclosure of the property if owned by Franchisee, its affiliates or owners. Medifast's approval of a lease will be conditioned upon inclusion of terms in the lease acceptable to Medifast and, at Medifast's option, the lease must contain the following provisions, unless waived by Medifast in writing:

5.2.1 The right, at Medifast's election, to receive an assignment of the leasehold interest upon termination or expiration of the Franchise Agreement;

5.2.2 Permitting the lessor of the premises to provide Medifast all sales and other information lessor may have obtained or received relating to the operation of the Center, as Medifast may request;

5.2.3 Requiring the lessor to provide Medifast with a copy of any written notice of deficiency sent by the lessor to Franchisee; and then an additional notice if Franchisee fails to timely cure the noted deficiency; and granting to Medifast, in its sole discretion and sole option, the right (but not the obligation) to cure the noted deficiency within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

5.2.4 Allowing Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law, and permitting Franchisee, upon expiration or the earlier termination of the lease, to remove at its expense all such items and other trade fixtures so long as Franchisee makes repairs to the building caused by such removal;

5.2.5 Granting Medifast the right to enter the Premises to make any modifications or alterations necessary to protect the System and the Marks and to cure, within the time periods provided by the lease, any default under the lease, all without being guilty of trespass or other tort, and to charge Franchisee for these costs;

5.2.6 Prohibiting Franchisee, its assignee or sub-tenant from using the Premises for any purpose other than the operation of the Franchised Business;

5.2.7 Stating that any default under the lease will constitute a default under this Agreement;

5.2.8 Stating that upon default under the lease, Medifast or its designee has the right, upon curing the default, to take possession of the Premises and operate the Franchised Business for the remaining term of the lease as a subtenant, without payment of any assignment fee or similar charge or increase in any rental charges;

5.2.9 Acknowledging that, unless Medifast voluntarily assumes the tenant's rights and obligations under the Lease, Franchisee is solely responsible for all obligations, debts and payments under the Lease; and

5.2.10 Prohibiting modification of the Lease in any manner that would affect any of the foregoing requirements without Medifast's prior written consent.

Franchisee must either enter into a lease for, or purchase, an Approved Location within four (4) months of the Effective Date. Time is of the essence.

5.3 Development of Approved Location

Medifast will make available to Franchisee, at no charge to Franchisee, copies of standard plans and specifications for the development of a Medifast Weight Control Center, including design and layout, fixtures, equipment, décor and signs. Such plans and specifications are subject to alteration by Medifast, as may be appropriate, in Medifast's sole discretion. Franchisee promises to cause the Approved Location to be developed, equipped and improved in accordance with such plans and specifications within one hundred and twenty (120) days after Medifast's approval of the Lease as specified in Section 5.2 herein. In connection with the development of the Approved Location, Franchisee agrees to:

5.3.1 employ a competent licensed architect or engineer to prepare, for Medifast's approval, preliminary plans and specifications for improvement of the Approved Location;

5.3.2 obtain all zoning classifications and clearances which may be required by state and local laws, ordinances or regulations for operation of a Center;

5.3.3 submit to Medifast and obtain Medifast's approval of Franchisee's final plans for construction, improvement and equipping the Center, as revised from Medifast's standard plans and specifications, which final approved plans must not be materially altered without Medifast's prior written approval;

5.3.4 obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Center and certify in writing and provide evidence to Medifast that all such permits and licenses have been obtained;

5.3.5 employ a qualified, licensed general contractor to complete construction of all required improvements to the Approval Location;

5.3.6 purchase (or license, as applicable) and install all signs, furniture, inventory, fixtures and equipment, including any point-of-sale and computer equipment required for the operation of the Center; in strict compliance with the final plans and specifications approved by Medifast;

5.3.7 obtain at least one (1) telephone number solely dedicated to the Center; and

5.3.8 provide to Medifast a copy of the fully executed lease for the Approved Location not later than thirty (30) days before opening the Center for service to the general public.

5.4 Opening

5.4.1 Before opening the Center and commencing business, Franchisee must:

a. fulfill all of the obligations pursuant to the other provisions of this Section 5 and be in full compliance with this Agreement;

b. furnish Medifast with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Medifast may request;

c. have its Control Person complete initial training to the satisfaction of Medifast;

d. hire and train the personnel necessary or required for the operation of the Center;

e. if Franchisee is a business entity, cause each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in form satisfactory to Medifast that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

f. pay in full all amounts due to Medifast;

g. obtain Medifast's express written approval of Franchisee's choice of its Control Person;

h. purchase an initial inventory of Medifast-branded products from our Affiliate, and such other required initial inventory items from the source(s) designated by Medifast; and

i. receive from Medifast notification in writing that Franchisee has satisfied its pre-opening obligations as set forth in this Section 5 and that Franchisee's proposed opening date is approved.

5.4.2 Time is of the essence in the performance of this Franchise Agreement. Franchisee must comply with these conditions and open and continuously operate the Center by the earlier of (a) one hundred and twenty (120) days after Franchisee's receipt of Medifast's written approval of the Lease for the Approved Location pursuant to Section 5.2 or (b) for Franchisee's first Center, within eight (8) months after the Effective Date,

5.4.3 If Franchisee is unable to commence the operation of the Center due to circumstances beyond Franchisee's reasonable control, then Franchisee may be entitled to such additional time as may be reasonably required and as to which Medifast may consent in its business judgment.

5.4.4 Medifast is not responsible or liable for any of franchisee's pre-opening obligations, losses or expenses that it might incur due to its failure to comply with the pre-opening obligations set forth in this Section 5, or due to any failure to open by a particular date. In accordance with Section 22.2, Medifast is entitled to obtain injunctive relief to (a) prohibit Franchisee from opening the Center prior to completion of its pre-opening obligations pursuant to this Section 5, and (b) requiring specific performance by Franchisee of its pre-opening obligations.

5.5 Exclusive Use of Approved Location

Franchisee promises not to use the Approved Location for any purpose other than for the operation of a MEDIFAST WEIGHT CONTROL CENTERS business in full compliance with this Agreement and the Manuals, unless otherwise approved in writing by Medifast.

5.6 Relocation

5.6.1 Franchisee must not relocate the Center without the prior written consent of Medifast, which may be withheld or delayed in Medifast's sole discretion. Notwithstanding the foregoing, , if the lease for the Approved Location expires or terminates without fault of Franchisee or if the premises where the Center is located is destroyed, condemned or otherwise rendered unusable, Medifast will not unreasonably withhold its consent to Franchisee's request for relocation approval. Any such relocation will be at Franchisee's sole expense, and must proceed in accordance with the requirements set forth in Sections 5.1 through 5.2 Medifast has the right to charge up to no more than Five Thousand Dollars ($5,000.00) for costs incurred by Medifast in processing a relocation request. Notwithstanding the foregoing, Medifast has no obligation to provide relocation assistance.

5.6.2 Franchisee may not relocate the Center in the event Franchisee loses the right to occupy the Premises where the Center is located because of the termination of the leased premises due to Franchisee's breach of the lease.

6. MARKS

6.1 Ownership

Franchisee's right to use the Marks is derived solely from this Franchise Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Franchise Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Medifast. Any unauthorized use of the Marks by Franchisee is a breach of this Franchise Agreement and an infringement of the rights of Medifast in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, will inure to the benefit of Medifast, its parent and affiliated corporations. Franchisee agrees that it will not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest (other than as specifically provided herein) in the Marks to Franchisee. Franchisee promises to refrain from contesting the validity or ownership of any of the Marks or assisting any other person in doing so at any time during the term of this Agreement or after its termination or expiration. Franchisee promises to refrain from registering or seeking to register as a trademark or service mark, either with the United States Patent and Trademark Office, any state or any foreign country, any of the Marks or a name or symbol confusingly similar to any Mark licensed to Franchisee.

6.2 Limitations on Use

Franchisee may not make any changes or substitutions to the Marks unless otherwise directed in writing by Medifast. Franchisee may not use any Mark or portion of any Mark as part of any business entity name or with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form, without the prior written consent of Medifast and may only use the Mark in accordance with the guidelines provided by Medifast. Franchisee shall refrain from using any Mark in connection with the sale of any unauthorized product or service or in any other manner not authorized in writing by Medifast. Franchisee agrees to give such notices of trademark and service mark registrations as Medifast specifies and obtain such fictitious or assumed name registrations as Medifast may require or as required under applicable law.

6.3 Identification of the Center

Franchisee shall use the name "MEDIFAST WEIGHT CONTROL CENTERS" as the trade name of the Center and will not use any other mark or words to identify the Center without Medifast's prior written consent. Subject to Section 10.2.2 Franchisee may use the Marks on various materials related to Center business, such as business cards, stationery and checks, provided Franchisee (i) accurately depict the Marks on the materials as prescribed by Medifast, (ii) include a statement on the materials indicating that the business is independently owned and operated by Franchisee, (iii) does not use the Marks in connection with any other trademarks, trade names or service marks unless specifically approve in writing by Medifast prior to such use, and (iv) make available to Medifast, upon request, a copy of any materials depicting the Marks. Franchisee shall post a prominent sign in the Center identifying Franchisee as a MEDIFAST WEIGHT CONTROL CENTERS franchisee in a format deemed reasonably acceptable by Medifast, including an acknowledgment that the Center is independently owned and operated by Franchisee and

that Franchisee's use of the MEDIFAST Mark is under a license granted to you by Medifast. Franchisee's internal and external signs must comply at all times with Medifast's guidelines and practices, as they are modified from time to time.

6.4 Notification of Infringement and Related Claims

Franchisee shall immediately notify Medifast of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks of which it has knowledge. Franchisee may not communicate with any person other than Medifast and Medifast's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Medifast will have sole discretion to take such action as deemed appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts and things as, in the opinion of Medifast's counsel, may be necessary or advisable to protect and maintain Medifast's interests in any such litigation or other proceeding or to otherwise protect and maintain Medifast's interest in the Marks.

6.5 Indemnification for Use of Marks

6.5.1 Medifast shall indemnify, defend, save and hold Franchisee harmless from and against all liabilities, claims, demands, losses, costs, damages, fines, penalties and expenses (including but not limited to attorneys' fees and costs) arising out of or connected to:

(a) Any allegation that Franchisee's use of the Marks, System, or other intellectual property rights licensed and provided by Medifast to Franchisee infringes upon the rights of any third party, provided that Franchisee uses the Marks or the System in accordance with the requirements set forth in the Development Agreement and the Existing Franchise Agreements.

(b) Any claim made by a private third-party or any governmental agency directly against Franchisee that the weight-loss statements or claims made by Franchisee in any print, radio or television advertising, labeling, or other written promotion of the System are false or misleading, provided that such statements or claims have been provided by Medifast or approved by Medifast in writing for use by Franchisee at the time the ad was placed or the claim was made.

(c) Any claim that any Product is unsafe for use and consumption in the manner specified by its labeling.

6.5.2 Medifast will pay those fines, penalties, costs and damages finally awarded or settled (upon settlement terms acceptable to Medifast, provided Medifast cannot enter into any settlement where Franchisee is required to admit wrongdoing or pay any portion of any settlement amount without the express written approval of Franchisee) against Franchisee based on any of the claims addressed in Section 6.5.1, provided that:

(a) Franchisee notifies Medifast in writing no later than three (3) business days after becoming aware of such Claim; and

(b) Medifast has sole control of, and Franchisee reasonably cooperates in, all respects in the defense of each such Claim and all related settlement negotiations and Franchisee does not make any admission or disclosure or otherwise take any action prejudicial to Medifast.

6.6 Discontinuance of Use

If, in Medifast's sole discretion, it becomes advisable for Franchisee and/or Medifast to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee must comply with Medifast's directions within a reasonable time after notice to Franchisee by Medifast. Medifast will not be required to reimburse Franchisee for its expenses in modifying or

discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.7 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Center, Medifast and its designees have the right to enter and inspect the Center and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Center in accordance with the quality control provisions and performance standards established by Medifast. Medifast and its agents have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other inventory items offered for retail sale or used in rendering services, to test whether such products or items meet Medifast's then-current standards. Medifast or its designee has the right to observe Franchisee and its employees during the operation of the Center and to interview customers and employees and to photograph the premises.

6.8 Medifast's Sole Right to Domain Name

Franchisee shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing the Marks or the term "MEDIFAST" or any variation thereof. Medifast has the exclusive right to advertise on the Internet and create websites using or containing the "MEDIFAST WEIGHT CONTROL CENTERS" name and any other Mark. Medifast is the sole owner of all right, title and interest in and to such domain names as Medifast designates in the Manuals.

7. CONFIDENTIAL INFORMATION

7.1 Requirement of Confidentiality

Medifast will disclose Confidential Information to Franchisee during the training program, through the Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee will not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of the Center and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Confidential Information in any other weight control-related business venture would constitute an unfair method of competition. Franchisee acknowledges that the Confidential Information is proprietary, includes Medifast's trade secrets and is disclosed to Franchisee solely on the condition that during the term hereof and for a period of five (5) years thereafter, Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) must not use the Confidential Information in any other business or capacity; (b) maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) not make any unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; (d) not otherwise use the Confidential Information outside of the terms of this Agreement; and (e) adopt and implement all reasonable procedures prescribed from time to time by Medifast to prevent unauthorized use or disclosure of the Confidential Information. Franchisee will only disclose the Confidential Information to its employees or agents on a strict need to know basis. Franchisee will enforce this Section as to its employees, agents and representatives and shall be liable to Medifast for any unauthorized disclosure or use of Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the Center, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Medifast and will be deemed the exclusive property of Medifast and works made-for-hire for Medifast. At Medifast's discretion, such items may be incorporated into the System. To the extent any item does not qualify as a "work made-for-hire" created for the benefit of Medifast, Franchisee must assign ownership of that item, and all related rights to that item, to Medifast and shall execute whatever assignment or other documents Medifast requests to show Medifast's

ownership or to assist Medifast in obtaining intellectual property rights in the item. Medifast agrees to disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Medifast may reasonably request, Franchisee will take all actions to assist Medifast's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

7.3.1 Franchisee acknowledges that the restrictive covenants contained in this Section are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

(a) to protect the trade secrets of Medifast;

(b) to induce Medifast to grant a franchise to Franchisee; and

(c) to protect Medifast against its costs in training Franchisee and its officers, directors, executives, professional staff and Control Persons.

7.3.2 Except as otherwise approved in writing by Medifast, neither Franchisee, nor any holder of an ownership interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, will, during the term of this Franchise Agreement and for a period of two (2) years after the expiration or termination of this Franchise Agreement (the "**Non-compete Period**"), regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

(a) own an interest in, manage, operate or provide services to any Competitive Business located or operating (i) at the Approved Location, (ii) within the Protected Territory; or within a thirty (30) mile radius of the Approved Location (whichever is greater), or (iii) within a thirty (30) mile radius of the location of any other Medifast Weight Control Center in existence as of the date hereof or at the time of termination or expiration of this Franchise Agreement, subject to applicable law, except this restraint does not prohibit passive ownership interest of not more than two (2%) of the shares any Competitive Business whose shares are publicly traded on the New York Stock Exchange or the NASDAQ Stock Exchange;

(b) solicit or otherwise attempt to induce or influence any employee or other business associate of Medifast or any of its affiliates to terminate or modify that business relationship or to compete against Medifast or any of its affiliates; or

(c) divert or attempt to divert any business or customer of Center to any Competitive Business, by direct inducement or otherwise.

7.3.3 In furtherance of the provisions contained in this Section, Medifast has the right to require certain individuals to execute nondisclosure or non-competition agreements the same as or substantially similar to the Nondisclosure and Non- competition Agreement attached as Exhibit 5 to this Agreement.

7.3.4 Franchisee agrees that the Non-compete Period will be tolled for any period or periods during which Franchisee or any individual specified in Section 7.3.2 herein is in breach of the covenants or any other period during which Medifast seeks to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisee will cause the individuals specified in Section 7.3.2 to execute a nondisclosure and non-competition agreement the same as, or substantially similar to, the standard form Nondisclosure and Non-competition Agreement attached as Exhibit 5, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Franchisee will provide Medifast with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Franchisee must maintain said agreements on file at the offices of Franchisee and such agreements are

subject to audit or review by Medifast. Medifast will be a third party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Medifast would not have entered into this Franchise Agreement. Each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Medifast and the System and the Marks.

8. MANUALS

8.1 Access by Franchisee; Ownership by Medifast

During the term of this Franchise Agreement, Medifast will provide Franchisee either a printed version of the Manuals or with access to a password-protected electronic version of the Manuals. Franchisee must conduct the Center in strict accordance with the provisions set forth in the Manual. The Manuals shall, at all times, remain the sole property of Medifast and all printed or electronic copies of any portion of the Manuals must be promptly be returned upon expiration or termination of this Agreement. Franchisee also acknowledges and agrees that temporary service interruption of access to electronic manuals are likely to occur and that Medifast will not be in breach unless Franchisee's access is impeded for a material time and due to defects in Medifast's computer system.

8.2 Revisions to the Manual

Medifast has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Medifast; provided, however, that no such addition or modification may alter Franchisee's fundamental status and rights under this Agreement. Medifast may make such additions or modifications without prior notice to Franchisee. Franchisee promises to adopt any such changes as soon as possible after receiving notice of same.

8.3 Confidentiality of Manual

The Manuals contain proprietary information of Medifast and must be kept confidential by Franchisee both during the term of this Franchise Agreement and subsequent to the expiration or termination of this Franchise Agreement. Franchisee must not disclose, duplicate or otherwise use any portion of the Manuals in an unauthorized manner. Franchisee may only grant authorized personnel, as defined in the Manuals, access to the Manuals, and will only disclose the password or other confidential information necessary to access the Manuals to Franchisee's authorized personnel who have a business need to access the Manuals. If a dispute as to the contents of the Manuals arises, the terms of the master copy of the Manual maintained by Medifast at Medifast's headquarters shall control.

9. TRAINING AND ASSISTANCE

9.1 Initial Training

Approximately four (4) weeks prior to the opening of the Center, the Control Person must attend and complete an initial training and familiarization course of approximately one (1) week in duration to be conducted at Medifast's headquarters. Said training program will cover all material aspects of the operation of a Medifast Weight Control Center, including administrative, operational and sales/marketing matters, and will include on-the-job training. All expenses incurred by Franchisee in attending such training program including, without limitation, travel costs, room and board expenses and employees' salaries will be the sole responsibility of Franchisee. Should the Franchisee request training for individuals other than its Control Person, the Franchisee will be solely responsible for any expenses that it or its employees incur, including travel, meals and accommodations and employees' salaries and Franchisee must pay Medifast its then-current rate for such training as published in the Manual. As of the date of this Agreement, those daily rates are ONE HUNDRED DOLLARS ($100) per person if the person attends training with the Control Person and FIVE HUNDRED DOLLARS ($500) if the person subsequently attends training.

9.2 Opening Assistance

During commencement of operation of the Center, Medifast promises to make available to Franchisee, at Medifast's expense, for approximately three (3) to five (5) days, one (1) of Medifast's representatives for the purpose of providing general assistance and guidance in opening and operating the Center. Should Franchisee request additional assistance from Medifast to facilitate the opening or continued operation of the Center, and should Medifast deem it necessary and appropriate to comply with the request, Medifast will provide such additional assistance at Medifast's then-current daily rates, as published in the Manuals, which is currently FOUR HUNDRED DOLLARS ($400.00) per day, plus travel, lodging and meal expenses.

9.3 Failure to Complete Initial Training Program

A Control Person's inability complete the training program described above, shall constitute a curable default pursuant to Section 16.2.2 of this Franchise Agreement. If Franchisee is a business entity and a Control Person fails to complete the initial training program to Medifast's reasonable satisfaction, in Medifast's sole discretion, Franchisee will be permitted to select a substitute Control Person and such substitute Control Person must complete the initial training to Medifast's reasonable satisfaction. Franchisee will be required to pay Medifast's then-current rates for additional training, as explained in Section 9.1, for providing the substitute Control Person an initial training program.

9.4 Ongoing Training

Medifast may require that the Control Person attend and successfully complete refresher training programs or seminars to be conducted at such location as may be designated by Medifast. Attendance at such refresher training programs or seminars will be at Franchisee's sole expense; provided, however, that unless refresher training is mandated by Medifast due to Franchisee's failure to comply with operational standards, attendance will be required at no more than one (1) such program in any calendar year which may not exceed three (3) days in duration. In the event that Franchisee is given a Notice of Default as set forth in Section 16.2 that relates, in whole or in part, to Franchisee's failure to meet any standards for operating the Center, Medifast may require, as a condition of curing the default, that the Control Person, the day to day manager or assistant managers of the Center comply with the additional training standards prescribed by Medifast. Franchisee will be responsible for all travel costs, living expenses and employees' salaries incurred in connection with attendance at on-going training, , and Franchisee will be required to pay Medifast's then-current rates for additional training as set forth in Section 9.1.

10. MARKETING AND PROMOTION

10.1 Grand Opening Advertising

10.1.1 Franchisee must spend no less than Twenty-Five Thousand Dollars ($25,000.00) during the sixty (60) day period commencing thirty (30) days immediately preceding the opening of the Center for business and ending thirty days after the Center has opened for business on Local Advertising and promotion of the initial opening ("**Grand Opening Advertising**"). Prior to their use, all materials to be used in Grand Opening Advertising must be approved by Medifast pursuant to the process set forth in Section 10.2.2. Grand Opening Advertising expenditures are in addition to any required Local Advertising expenditures and/or Regional Cooperative Advertising contributions.

10.1.2 Franchisee must implement a Grand Opening advertising campaign as mandated by this section every time that Franchisee (i) relocates the Center or (ii) reopens the Center after it has been closed for 30 days or more.

10.1.3 Upon Medifast's request, Franchisee must provide proof of Grand Opening Advertising expenditures.

10.2 Local Advertising

10.2.1 Franchisee must continuously promote the Center from this standard, During each six (6) month period as defined below, Franchisee must spend an average of at least twelve percent (12%) of Sales on advertising within the immediate locality surrounding the Center ("**Local Advertising**"). The first date by which the required the Local Advertising expenditure must be made shall either June 30 of the year in which this Agreement is executed or, if the

Effective Date of this Agreement is July 1 through December 31, then the first date by which the required Local Advertising expenditure must be made shall be December 31 of the year in which the Agreement is executed. Thereafter, the Local Advertising expenditure must be made by each subsequent June 30 and December 31. All Local Advertising shall be placed directly by Franchisee and all Local Advertising materials are subject to the approval and direction of Medifast as set forth in Section 10.2.2, below. Medifast will provide general guidelines for conducting Local Advertising so as to assist Franchisee in developing its Local Advertising program. Within thirty (30) days after the end of each calendar quarter, Franchisee must furnish to Medifast an accurate accounting of the expenditures on Local Advertising for the preceding quarter.

10.2.2 **Franchisee must submit to Medifast in writing, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, ad copy, coupons, flyers, scripts and direct mail copy**. Medifast will use reasonable efforts to provide notice of approval or disapproval within ten (10) days from the date the proposed material is received by Medifast. If Medifast does not approve submitted materials within ten (10) days of its receipt, such materials shall be deemed to have not received the required approval. Franchisee may not use any marketing or promotional material prior to approval by Medifast.

10.2.3 Franchisee must obtain Medifast's prior approval before displaying any in-Center promotional materials and all such promotional materials must contain up- to-date information and be in good condition while used in the Center. The approval process for point-of-sale posters and other promotional material is the same as set forth in Section 10.2.2 hereof for advertising materials.

10.2.4 Medifast reserves the right to impose reasonable time, place and manner restrictions on advertising (including print, broadcast and other advertising) in order prevent or minimize any negative impact on the Marks, the Medifast brand, or the Products.

10.2.5 In each instance where Franchisee fails to comply with the requirements of this Section 10.2, upon demand Franchisee shall pay to Medifast the sum of One Thousand Dollars ($1,000).

10.2.6 From time to time Medifast may provide to Franchisee, at Franchisee's request, customizable marketing materials. In such a case, Franchisee shall pay to Medifast a pro rata share of Medifast's costs of the customizable marketing materials as determined by Medifast.

10.2.7 If Franchisee utilizes Search Engine Management ("**SEM**") services for Franchisee's online advertising, we reserve the right to require you to use a SEM vendor selected by us.

10.3 Regional Cooperative Advertising

10.3.1 Medifast has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of Medifast Weight Control Centers located within a particular region. Medifast has the right to collect and designate all or a portion of Local Advertising expenditures required under Section 10.2 for use in a regional cooperative advertising program ("**Cooperative Advertising**"). Medifast has the right to determine the geographic areas which comprise a region (each, a "**Region**") for the implementation of Cooperative Advertising programs and to require that Franchisee participate in a Cooperative Advertising program when established for a Region comprising the geographic area the Center is located. Medifast may, upon 30 days' written notice to Franchisee, suspend or terminate a Cooperative Advertising program, and Medifast also may change the composition of Cooperative Advertising Region, or merge two or more Cooperative Advertising Regions, as it deems appropriate in its sole discretion.

10.3.2 If a Cooperative Advertising program is implemented in a particular Region, it will be self-administered by a Cooperative Advertising council in which each Center within the Region (whether franchised or owned by Medifast or its affiliates) will have one vote. Franchisee shall participate in the applicable Cooperative Advertising council and abide by the council's rules, procedures, and decisions on all matters, including the amount of contributions required by Franchisee and the use of contributed funds. No funds contributed for Cooperative Advertising shall be used for the promotion or recruitment of additional franchisees.

10.3.3 The amount to be contributed toward any Cooperative Advertising program may range from five percent (5%) to ten percent (10%) of Franchisee's average monthly Sales for the prior calendar year (or if the Center has not been operating for a full year, the average Sales for all Centers in the Region for the prior calendar year). Each Medifast Weight Control Center within a Region will be required to make Cooperative Advertising contributions at the same percentage of Sales as Franchisee. Franchisee shall pay all Cooperative Advertising contributions to Medifast, and Medifast shall disburse such funds as directed by the regional advertising council. All amounts contributed by Franchisee to a Cooperative Advertising program will be credited towards its satisfaction of the Local Advertising expenditures required under Section 10.2. Medifast will prepare an accounting of the collections for and disbursements made on behalf of each cooperative on a periodic basis, but in any event not less than once per calendar year, and will provide Franchisee with a copy of each accounting for the Cooperative Advertising Program for the Region in which Franchisee is located.

10.4 Internet Advertising

Medifast has established and maintains an Internet website at the uniform resource locator ("**URL**") http://www.medifastcenters.com (the "**Website**") that provides information about the System, and the services that Medifast and its franchisees provide. Medifast has the right (but not the obligation) to include on the Website an interior page containing information about the Center. If Medifast includes such information on the Website, Medifast has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Medifast provides, and to pay reasonable, per page web hosting fees to Medifast (or a third party web hosting firm) on a monthly basis. All information to be posted by Franchisee on the Website must be approved by Medifast prior to posting. As between Medifast and Franchisee, Medifast retains the sole right to advertise on the Internet, including the use of websites, domain names, URL's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be required to provide content for Medifast's Internet marketing and must follow Medifast's Intranet, Internet and social media usage rules, policies and requirements. Medifast retains the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, in social media, and in connection with linking, marketing, co-branding and other arrangements. Medifast retains the sole right to approve any linking or other use of the Website. Franchisee may not establish a presence on, or market using, the Internet in connection with the Center without Medifast's prior written consent.

11. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

11.1 Records

During the term of this Agreement, Franchisee must maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Medifast in the Manuals or otherwise in writing. Franchisee must retain during the term of this Agreement, and for seven (7) years thereafter, all books and records related to the Center including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, cash receipts and disbursement journals, general ledgers, and any other financial or personnel records designated by Medifast or required by law. Each transaction related to the Center, which include, but are not limited to enrollments, registrations, and product sales, must be processed on a computer system as prescribed by Medifast. Medifast may modify such systems and/or require Franchisee to obtain management information and related services from one or more suppliers designated by Medifast, which Franchisee promises to promptly and fully implement at Franchisee's expense.

11.2 Financial Statements

Upon Medifast's request, Franchisee will supply to Medifast in a form approved by Medifast, a balance sheet as of the end of the preceding month and an income statement for the preceding month and the year to date. Franchisee will, at its expense, submit to Medifast within ninety (90) days after the end of each fiscal year, an income statement for the fiscal year just ended and a balance sheet as of the last day of the fiscal year, each of which must be prepared in accordance with generally accepted accounting principles applied on a consistent basis. If required by Medifast, such financial statements must be reviewed or audited by a certified public accountant. Further, Franchisee must prepare and submit to Medifast such other periodic reports in the manner and at the time specified in the Manuals or otherwise requested by Medifast in writing. Medifast has the right to release financial and operational information

relating to the Center to Medifast's lenders or prospective lenders. Franchisee must certify as true and correct all reports to be submitted pursuant to this Franchise Agreement.

11.3 Computer/Point-of-Sale System

If required by Medifast in its reasonable business discretion, Franchisee must purchase (or license, as applicable) and utilize computer systems consisting of hardware, software and related support services in accordance with Medifast's specifications and from such vendors designated by Medifast; however, neither Medifast nor its affiliates will receive any profit, direct or indirect rebates, commissions or discounts from the sale or provision of computer hardware, software or support services it requires Franchisee to purchase. The specific computer components may include, without limitation, a point of sale accounting and data management program and an electronic medical records program. In addition, Franchisee agrees to purchase, install and maintain high-speed Internet connection to and from its computer system. Franchisee must utilize a valid e-mail address and account provided by Medifast. Medifast may require Franchisee to update the computer and/or point-of-sale system from time to time at Franchisee's sole expense. Medifast will have full access to all of Franchisee's computer and point-of-sale data and systems, all customer data (including member weight loss information), and all related information by means of direct access, either in person or by telephone, modem or Internet. However, for so long as the Franchise Agreement remains in effect and is not terminated, neither Medifast nor its affiliates will use Franchisee's customer and client data for any purpose other than to enforce the Franchise Agreement or to engage in data analysis for product and service substantiation, research and development purposes. Neither Medifast nor its affiliates will use personal identifying information of customers patronizing Center to promote the purchase of Medifast® products through other channels of distribution.

11.4 Right to Inspect

Medifast or its designee has the right, during normal business hours, to examine, copy, and audit Franchisee's books, records, computer systems, and tax returns the Center or, at any other place where such books, records or computer systems, or tax returns are located, to assess Franchisee's fulfillment of its obligations under this Agreement, and during such visits Medifast's representatives also may inspect and observe Franchisee's operations to assess compliance with the Franchise Agreement and Medifast's operating standards. If the audit or any other inspection should reveal that Franchisee has underpaid Medifast any amounts owed, then Franchisee must immediately pay to Medifast the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less. If the inspection discloses an underpayment of two percent (2%) or more of the amount due for any period covered by the audit, Franchisee must, in addition, reimburse Medifast for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees, costs, and expenses (including any interest)). The foregoing remedies are in addition to any other remedies Medifast may have.

Notwithstanding the foregoing, if Medifast's audit or other inspection results in a determination that Franchisee owes the sum of Five Thousand Dollars ($5,000.00) or more to Medifast and/or its affiliates, exclusive of accrued interest, late fees or collection costs (the "Threshold Amount"), Medifast must provide Franchisee with a written statement made by a certified public account ("**CPA**") that states the basis for the determination (the "**Audit Report**"). Franchisee must, within fourteen (14) days of transmission of the Audit Report, either pay Medifast the deficiency claimed, or contest the determination in a responsive report made by a CPA hired at Franchisee's expense. If Franchisee the parties are unable to resolve the claim within fourteen (14) days of transmission of Franchisee's response report, the parties' respective CPAs will confer and, by no later than forty two (42) days from Medifast's transmission of the Audit Report, jointly select a third independent accountant who is a Certified Fraud Examiner ("**CFE**") to resolve the dispute. The parties will equally advance the CFE's fees, and the CFE will audit the franchisee's records and provide a written report regarding franchisee's compliance with the Agreement's financial terms and Franchisee's underpayment, if any, and that report will be binding on both parties. If the CFE determines that Franchisee owes Medifast the Threshold Amount or more, Franchisee must reimburse Medifast for its share of the CFE's fees; otherwise, Medifast must reimburse Franchisee for its share of the CFE's fees.

11.5 Release of Records

At Medifast's request, Franchisee will authorize and direct any third parties, including accounting professionals, to release to Medifast all accounting and financial records arising from or relating to the operation of the Center

including, but not limited to, records evidencing Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Medifast on a monthly basis for the length of the unexpired term of this Agreement or until such time as Medifast withdraws its request. Franchisee will execute all documents necessary to facilitate such release of records to Medifast.

12. FRANCHISE SYSTEM

12.1 Uniformity

Franchisee will strictly comply, and will cause the Center to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Manuals or other communications supplied to Franchisee by Medifast.

12.2 Modification of the System

12.2.1 Medifast has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, computer hardware, software, equipment, inventory, signage, supplies or sales and marketing techniques. Franchisee must accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. When the modification of the System is made necessary solely as a result Medifast's infringement of a third party's trademark, Medifast's own negligence, or a radical change in direction of the franchise System unilaterally caused by or mandated by Medifast, then Medifast will be responsible for all costs specifically and directly incurred by Franchisee to implement such modifications. In all other circumstances, the Franchisee will be responsible for and shall make such changes, additions or modifications in the System as may reasonably be required by Medifast at Franchisee's expense. Required expenditure for changes or upgrades to the System to be made by Franchisee will be in addition to expenditures for repairs and maintenance as required in Section 13.2 hereof.

12.2.2 Franchisee acknowledges and agrees that the requirements of this Section 12.2 are both reasonable and necessary to ensure continued public acceptance and patronage of MEDIFAST WEIGHT CONTROL CENTERS and to avoid deterioration or obsolescence in connection with the operation of the Center. If Franchisee fails to make any improvement as required by this Section or perform the maintenance described in Section 13.2, Medifast may, in addition to its other rights set forth in this Franchise Agreement, effect such improvement or maintenance and Franchisee must reimburse Medifast for any costs we incurred by in effecting such improvements or maintenance.

12.2.3 Medifast has the right, at its sole discretion and as it may deem appropriate in the best interests Medifast and other franchisees in any specific instance, to vary System standards or specifications for any franchisee based upon that particular franchisee's individual situation, location, circumstances, , business potential, existing business practices or any other condition which Medifast deems to be of importance to the successful operation of any particular MEDIFAST WEIGHT CONTROL CENTERS business. Medifast shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

13. STANDARDS OF QUALITY AND PERFORMANCE

13.1 Authorized Products, Services and Suppliers; Pricing

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee must provide or offer for sale or use at the Center only those supplies, signs, equipment and other items and services that Medifast from time to time approves (and which are not thereafter disapproved) and that comply with Medifast's specifications and quality standards. If required by Medifast, any such items or services must be purchased only from individuals or entities ("**Approved Suppliers**") that Medifast designates or approves. **Franchisee specifically agrees that it will purchase all of its saleable inventory of diet products from Affiliate** (unless otherwise instructed in the future by Medifast). Franchisee must offer for sale, and sell, the authorized products only to customers and clients who have purchased a Medifast diet system Program, and only through the operations of the Center and at and from the Approved Location. Franchisee must not offer for sale, sell or provide through the Center or from the Approved Location any products or

services that Medifast has not approved in writing. Franchisee must not offer or sell any authorized products without also providing a Medifast Program in connection with such products. Franchisee must offer such products and services and utilize such equipment as may be designated as "Mandatory" in the Manuals from time to time, in such quantities as Medifast may require. Moreover, Franchisee may not solicit orders for Medifast products over the Internet, through catalogues or telemarketing, and then fulfill orders through delivery of products to any location outside of the Center.

13.1.2 Medifast will provide Franchisee, in the Manuals or in other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, which lists Medifast may revise from time to time. Medifast may include itself, its parent, or one or more of its affiliates as an Approved Supplier or as an exclusive supplier of one or more products or services to be offered or to be used at the Center. If Franchisee desires to utilize any services or products that Medifast has not approved for services and products that require supplier approval, Franchisee must first send Medifast sufficient information, specifications and/or samples to enable Medifast to determine whether the service or product complies with its standards and specifications, or whether the supplier meets its Approved Supplier criteria. Medifast will decide within six months after receiving the required information whether Franchisee may obtain such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; willingness to agree to terms to protect Medifast's intellectual property rights; dependability and general reputation; and the proposed supplier's willingness to pay Medifast rebates, commissions or other consideration. Nothing in this Section may be construed to require Medifast to approve any particular supplier, or to require Medifast to make available to prospective suppliers, standards and specifications that Medifast, in its discretion, deems confidential.

13.1.3 DISCLAIMER OF WARRANTIES: ALTHOUGH APPROVED OR DESIGNATED BY MEDIFAST, MEDIFAST AND ITS AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO SERVICES, PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS MEDIFAST APPROVES, ALLOWS OR RECOMMENDS IN CONNECTION WITH THE OPERATION OF A CENTER. IN ADDITION, MEDIFAST DISCLAIMS ANY LIABILITY ARISING OUT, OF OR IN CONNECTION WITH, THE SERVICES RENDERED OR PRODUCTS FURNISHED BY ANY SUPPLIER APPROVED, CONSENTED TO, OR DESIGNATED BY MEDIFAST

13.1.4 Notwithstanding anything to the contrary contained in this Agreement, Medifast may review from time to time its approval of any items or suppliers. Medifast may revoke its approval of any item, service or supplier at any time, and in its sole discretion, by notifying Franchisee and/or the supplier. Franchisee must, at its own expense, promptly cease using, selling or providing any items or services disapproved by Medifast and agrees to promptly cease purchasing from suppliers disapproved by Medifast.

13.1.5 Medifast may designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based on factors that Medifast determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Medifast has the right, in its sole discretion from time to time, to give its consent to one (1) or more franchisees to provide products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Sections 12.2.3 and 13.1.2 and shall not create any rights in Franchisee to provide the same products or services.

13.1.6 Franchisee agrees to offer and sell all products and services at the prices Medifast may specify from time to time in its reasonable business judgment.

13.2 Appearance and Condition of the Center

Franchisee must maintain the Center in "like new" condition, and must repair or replace equipment, fixtures and signage as necessary to comply with the health and safety standards and specifications of Medifast, Franchisee's lessor, and applicable laws or regulations. The expense of such maintenance will be borne by Franchisee and will be in addition to any System modifications, as described in Section 12.2.

13.3 Ownership and Management

The Center must, at all times, be under the direct full-time supervision of a Designated Manager. "Full-time" means the expenditure of at least thirty-five (35) hours per week, excluding vacation, sick leave and similar absences. Franchisee promises to keep Medifast informed, in writing, at all times of the identity of its Designated Manager. The Designated Manager must not engage in any other business or activities that are competitive to the Center, Medifast or any of its affiliates. In addition to the foregoing, the Control Person is primarily responsible for ensuring that the Center is operated in compliance with all of Medifast's operational standards.

13.4 Days of Operation

Franchisee must keep the Center open during business hours as specified and recommended in the Manuals, unless otherwise authorized in writing by Medifast.

13.5 Licenses and Permits; Compliance with All Laws

Franchisee must secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Center, and Franchisee must develop and operate the Center in full compliance with all applicable laws, ordinances and regulations. Medifast makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Center. Franchisee is solely responsible for investigating and complying with all laws, ordinances and regulations applicable to the development and operation of the Center, including (but not limited to) tax and revenue laws, and all federal, state, and local employment and labor laws and regulations.

13.6 Notification of Proceedings

Franchisee must notify Medifast in writing of the commencement of any action, suit or proceeding involving Franchisee or the Center, or of the issuance of any order, writ, injunction, award or decree which may affect the operation or financial condition of the Center, not more than five (5) days after Franchisee receives notice thereof. Franchisee must deliver to Medifast not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.7 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Franchise Agreement and the relationship created hereby. Therefore, Franchisee must use best efforts to maintain high standards of quality and service in the operation of the Center. Franchisee must at all times provide prompt, courteous and efficient service to customers of the Center. In all dealings with customers, vendors and the general public, Franchisee and Center employees must adhere to the highest standards of honesty, fair dealing and ethical conduct. Franchisee must cooperate with any customer satisfaction feedback mechanisms implemented by Medifast. If Medifast determines that Franchisee did not properly handle a customer complaint, Medifast may to intervene in the dispute between Franchisee and the customer and resolve the dispute in a proper manner, in its discretion. Franchisee shall reimburse Medifast One Thousand Five Hundred Dollars ($1,500.00) per customer incident, if Medifast must resolve a dispute between Franchisee and a Center customer.

13.8 Dress Code/Uniforms

Franchisee must, and must cause its employees to, abide by any dress code requirements stated in the Manuals. If Medifast Weight Control Center uniforms are required, such uniforms must be purchased from an Approved Supplier, or if no Approved Supplier is designated, from a supplier who meets Medifast's specifications and quality standards for clothing.

13.9 Credit Cards

Medifast reserves the right to designate the methods of payment processing which the Center must make available to its customers, including credit and debit card, check, and other methods of payment processing. Medifast reserves the right to require Franchisee to make arrangements with financial institutions, credit- and debit-card issuers or sponsors, check or credit verification service providers, financial-center service providers, and related service providers, to enable Center to accept the methods of payment processing Medifast may specify from time to time. Franchisee agrees to purchase or lease, at Franchisee's expense, the equipment and/or software necessary to process payments in the manner Medifast designates. Medifast has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee must fully comply with: (a) all guidelines Medifast may now or in the future establish relating to customer payment processing; (b) the Payment Card Industry Data Security Standards ("**PCI DSS**") issued by Payment Card Industry Security Standards Council (see www.pcisecuritystandards.org), as they may be revised and modified, or such successor or replacement standards as Medifast may specify; and (c) the Fair and Accurate Credit Transactions Act ("**FACTA**"). Franchisee shall also upgrade periodically its POS System and related computer hardware and software to ensure Franchisees' compliance with such laws and regulations.

13.10 Best Efforts

Franchisee must use its best efforts to promote and increase the sales and recognition of products offered through the Center. Franchisee must require all of Franchisee's employees, managers, officers, agents and representatives to use best efforts to enhance and improve the System and the sales of all services and products provided as part of the System.

13.11 Staffing

To promote a consistent brand image and experience, Franchisee will employ enough competent and trained employees to ensure efficient service at the Center. Franchisee shall be solely responsible for all employment decisions and functions of the Center including, without limitation, those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, scheduling, supervision, and discipline of employees, regardless of whether Franchisee receives advice from Medifast on these subjects. Franchisee acknowledges and agrees that all personnel decisions shall be made by Franchisee, without any influence or advice from Medifast, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Medifast. Franchisee agrees to comply with all applicable laws relating to the employment relationship between it and its employees including, but not limited to, labor and employment laws. Further, as it is the intention of the parties to this Agreement that Medifast shall not be deemed a joint employer with Franchisee for any reason, if Medifast incurs any cost, loss, or damage as a result of any actions or omissions of Franchisee or Franchisee's employees, including any that relate to any party making a finding of any joint employer status, Franchisee will fully indemnify Medifast for such loss.

13.12 Payment of Debts

Franchisee agrees to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to Medifast and its affiliates, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with Franchisee's business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with Franchisee's Center; and (iii) all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Center. In the event Franchisee defaults in making any such payment, Medifast is authorized, but not required, to pay the same on Franchisee's behalf and Franchisee agrees promptly to reimburse Medifast on demand for any such payment.

13.13 Transfer of Customer Accounts

Franchisee will utilize Medifast's designated system for serving and transferring records and accounts (including advance payments for services) Center customers who relocate and desire to patronize Medifast Weight Control Centers owned by Medifast, its affiliates or other franchisees, as established in the Manuals and revised from time to time in Medifast's discretion.

13.14 Information Technology Matters

13.14.1 Franchisee acknowledges that, in the performance of its obligations pursuant to this Agreement, Franchisee may use or have access to records in electronic form and information relating to its customers, including information such as name, address (including email address), phone number, credit card number, account activity, and other nonpublic personal information (collectively, "**Personal Information**") which is subject to United States federal and state laws and regulations applicable to the initial collection, management, use, disposal and safekeeping of Personal Information (collectively, "**Privacy Laws**"). Franchisee agrees to comply with, and shall require that all its Personnel that receive Personal Information comply with, all applicable Privacy Laws relating to Personal Information. Franchisee shall promptly deliver to Medifast notice of any situation of which it becomes aware involving any actual or possible incident that could result in any Personal Information being improperly accessed, disclosed, modified, destroyed, used, stored or maintained pursuant to applicable Privacy Laws, and shall fully cooperate with Medifast, as well as any official authorities, in any related investigation of such incident, including providing copies of any related records.

13.14.2 Franchisee shall implement administrative, physical and technical safeguards to protect data stored in its computer system(s) that is no less rigorous then accepted industry practices.

13.14.3 In collecting, accessing, using, storing, processing, disposing of, or disclosing credit, debit, or other payment cardholder information, Franchisee shall at all times remain in compliance with the PayPCI DSS requirements, including remaining aware at all times of changes to the PCI DSS requirements, and promptly implement all procedures and practices as may be necessary to remain in compliance with the PCI DSS. Franchisee shall provide to Medifast no later than the end of the first quarter of each year evidence of its compliance with the PCI DSS for the previous year. In the event that Franchisee has not been in compliance with the PCI DSS during any year, no later than the first quarter of the following year Franchisee shall submit a plan acceptable to Medifast outlining steps it will take to achieve compliance. Franchisee agrees to revise such plan until acceptable to Medifast, in Medifast's reasonable judgment.

13.14.4 Should any breach of paragraph 13.14 occur, or should any material security incident, including without limitation, unauthorized system access or theft of credit card data occur, Franchisee will use best efforts to provide notification in writing to Medifast one day of the receipt of knowledge of the breach or material security incident. Notification shall be made in writing and shall specify the nature of the breach, an estimate of the Personal Information compromised, and the immediate steps to ensure that further loss or compromise of Personal Information does not occur.

14. MEDIFAST'S ONGOING OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

Medifast will provide general operations advice and guidance to Franchisee by telephone, e-mail, facsimile, newsletters and other methods as may be mutually convenient. There is no charge to Franchisee for this service, provided, however, Medifast retains the right to limit this service should Franchisee utilize it in an unreasonably frequent, time consuming, or unintended manner.

14.2 Products Inventory

Subject to Franchisee's compliance with the payment obligations set forth in Section 3.4 of this Franchise Agreement, Medifast will use commercially reasonable efforts to ensure that Affiliate will provide to Franchisee at wholesale prices, no greater than the wholesale prices charged to physicians who resell the products to their patients, an adequate supply of Products that Franchisee will be required to offer for sale at the Center.

14.3 Periodic Visits

Medifast or Medifast's representative will make periodic visits to the Center for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Center. Medifast and

Medifast's representatives who visit the Center may prepare, for the benefit of both Medifast and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Center. A copy of any such written report will be provided to Franchisee and Franchisee must implement any required changes or improvements noted therein in a timely manner.

14.4 System Improvements

Medifast will, using its reasonable business judgment, make efforts to further develop and improve the System, and Medifast will communicate changes or additions in the System to Franchisee as such changes or additions are developed or acquired by Medifast and implemented, at Medifast's sole discretion, as part of the System. However, Medifast may test System improvements and developments in Medifast Weight Control Centers owned and operated by Medifast's affiliates for a reasonable period of time prior to communicating such changes to Franchisee.

14.5 Local Advertising Templates

Medifast will periodically provide Franchisee with templates for advertising and promotional materials to use for promoting the Center. Such materials may include such as ad-slicks, brochures, fliers and other materials that Medifast deems necessary and appropriate in its discretion. Franchisee is responsible for printing, placing and distributing such advertising and promotional materials.

15. INSURANCE

15.1 Types and Amounts of Coverage

At its sole expense, Franchisee must procure by the earlier of (a) the opening of the Center for business or (b) ninety (90) days from the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) must expressly name Medifast and its parent, Medifast, Inc., as additional named insureds or loss payees, must contain a waiver of all subrogation rights against Medifast and its successors and assigns, and must contain a provision that Medifast and its parent company, although named as insureds, shall nevertheless be entitled to recover under said policies on any loss occasioned to Medifast, its parent or any of their servants, agents, or employees by reason of the negligence of Franchisee or its servants, agents, or employees. Medifast also maintains the right to periodically review the magnitude of risk occasioned by Franchisee's operation of the Center to ensure that Franchisee has adequate limits of coverage and may, if deemed reasonable, require Franchisee to purchase additional insurance (either through a base policy or an umbrella policy) to provide additional coverage for catastrophic risk. In addition to any other insurance that may be required by applicable law, or by Franchisee's lender or lesser, Franchisee must procure:

15.1.1 "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Center. Franchisee's property insurance policy must include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

15.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Center is located and employer liability coverage if required by state law; and

15.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Center, or Franchisee's conduct of business pursuant to this Agreement, including all products provided or offered as weight loss management supplements with a customary liability coverage of at least one million dollars per incident and three million dollars in the aggregate ($1,000,000/$3,000,000) or, if higher, the statutory minimum limit required by state law.

15.2 Future Increases

Medifast has the right to reasonably increase the minimum liability protection requirements set forth herein and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, or other relevant changes in circumstances.

15.3 Carrier Standards

All insurance required pursuant to this Agreement must be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Financial Strength Rating as issued by A.M. Best Company, Inc. (or another rating that Company reasonably designates if A.M. Best Company no longer publishes financial strength ratings).

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies are not limited in any way by reason of any insurance which may be maintained by Medifast, nor shall Franchisee's purchase of any insurance as required herein relieve it of liability under the indemnity provisions set forth in Section 21.2 of this Franchise Agreement. Franchisee must provide certificates of insurance, endorsements, insurance declarations, and/or other documents requested by Medifast from time to time (collectively "**Certificates**") evidencing the insurance coverages required pursuant to this Franchise Agreements. All Certificates must state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Medifast and must reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

Should Franchisee fail to procure and maintain insurance coverage as required by this Franchise Agreement, Medifast has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Medifast in connection with such procurement, will be payable to Medifast by Franchisee immediately upon notice.

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

Provided that Franchisee is in material compliance with the terms and conditions of this Franchise Agreement, Franchisee may terminate this Agreement for any reason or no reason at all upon providing ninety (90) days' prior written notice to Medifast. Franchisee acknowledges that, after Medifast receives Franchisee's notice of termination, Medifast may exercise its rights of inspection and audit to determine whether Franchisee is in material compliance with all terms of the Agreement. If Franchisee validly terminates this Agreement pursuant to this Section 16.1, Franchisee will not be required to pay the termination fee required by Section 17.1.10 of the Agreement; provided, however, Franchisee shall comply with all of its obligations set forth herein until the effective date of termination, and thereafter comply with all post-termination obligations set forth in Section 17 of this Franchise Agreement, including (but not limited to) the covenants not to compete.

16.2 Termination by Medifast

16.2.1 If Franchisee is in breach of any material provision of this Franchise Agreement, including but not limited to 16.2.2 (curable defaults), Medifast may give a Notice of Default and Opportunity to Cure, which shall be not less than ten (10) days with respect to curable monetary defaults and thirty (30) days with respect to curable non-monetary defaults, after the date of the Notice. In no event, however, shall the number of days of notice be less than that required by any applicable statue or regulation of the state in which the Territory lies. If Franchisee is determined by Medifast to have cured the breach before the date stated in the Notice, such Notice shall be of no further effect. If the breach has not been cured before the cure date stated in the Notice, then Medifast may provide a Notice of Termination to Franchisee stating its intention to terminate on a certain date. With respect to breaches stated in Section 16.2.3 or otherwise determined to be incurable, Medifast need not provide a period for cure.

16.2.2 The following types of activity are acknowledged by Franchisee to jeopardize the goodwill associated with the System and the Marks, and shall, unless cured as provided herein, be cause for termination. Notwithstanding the foregoing, while Medifast generally intends to allow Franchisee to cure the defaults listed hereunder, if in Medifast's good faith judgment, reasonably exercised, such default cannot reasonably be cured, then such breaches shall be

deemed incurable under Section 16.2.3 hereof, and shall be grounds for termination, effective on the earlier of delivery or three days after mailing by Medifast of a written declaration of termination to Franchisee:

(a) An express or implied representation, warranty or guaranty as to the results of products supplied by Affiliate, except as authorized by Medifast.

(b) The failure to provide any Sales report when due, or the failure to pay when due any invoice of, or amount owing to, Medifast or Affiliate. In the event that Franchisee fails two times within any twelve-month (12) period to any one or more such sums, or to provide any Sales report within ten days of the due date, and each time has been notified by Medifast of said failure, Franchisee may be deemed by Medifast to have committed an incurable breach of this Franchise Agreement.

(c) The failure to pay any amount due and owing to a third party for goods or services rendered by the third party to Franchisee, or any sales or other taxes when due and before delinquent, except when being contested in good faith by appropriate proceedings.

(d) The failure to provide an adequately trained Control Person and other employees at the Center, as required by this Franchise Agreement.

(e) The failure to resolve disputes among the principals or shareholders of Franchise respecting conduct of the business of the Center.

(f) The engagement in notorious activity by a principal, director, officer, agent or employee of Franchisee which would tend to bring the Center, or Medifast, Inc.'s programs or products into disrepute.

(g) The failure to comply with mandatory or required standards and policies set forth in the Operations Manuals, and any changes additions or modifications thereto, or to fail to implement a required or mandatory program, module, or materials.

(h) The operation of the Center without obtaining and maintaining all necessary permits and licenses, or failing to comply with applicable laws.

(i) The operation of the Center in a manner that presents a health or safety hazard to its customers, employees or the public.

(j) The failure to permit Medifast to inspect the Center's premises, or observe the operation, or conduct an audit of Center.

(k) The allowance of unlawful activities to occur, or to sell, utilize or exchange any unauthorized or illegal material at Center.

(l) The failure to maintain insurance as required by this Franchise Agreement.

(m) The failure to provide an individual acceptable to Medifast to assume control of Center in the event of (i) the death or Incapacity of Franchisee (if Franchisee is an individual) or (ii) the death or absence from active participation in Center business of any individual upon whose ability or expertise Medifast relied in granting this franchise.

(n) The misuse or the making of an unauthorized use of any of the Marks or the commission any other act which can reasonably be expected to impair the goodwill associated with any of the Marks by Franchisee.

(o) Unless specified as a non-curable breach of this Agreement as set forth in Section 16.2.3, failing to adhere to any other material provision of this Franchise Agreement, or any other agreements between Franchisee and Medifast (including, but not limited to any other Franchise Agreement or Development Agreement between

Franchisee and Medifast) or Franchisee and Affiliate, or to any specification, standard, policy or operating procedure prescribed by Medifast as mandatory or required.

16.2.3 Medifast may terminate this Franchise Agreement, effective upon the sooner of delivery or three days after mailing a written declaration of termination to the Franchisee if any one or more of the following, material non-curable breaches of this Franchise Agreement occur:

(a) The offering of products at the Center not purchased from Affiliate or the offering of programs at the Center that are not approved by Medifast or are not a part of the System.

(b) An assignment or this Franchise Agreement (or a partial interest in this Franchise Agreement), or an assignment or sale of all or a portion of the ownership interest of Franchisee (if Franchisee is an entity), without Medifast's prior written consent.

(c) Publication or broadcast of any advertising, in whatever form or by whatever media, without the express written consent of Medifast.

(d) Failure by Franchisee to resolve customer complaints such that Medifast is required to resolve those complaints pursuant to Section 13.7 on four or more occasions during any twelve month period.

(e) A material breach by Franchisee's or by Franchisee's shareholders, members, or partners, as applicable, of the confidentiality provisions of this Franchise Agreement.

(f) The making of any material misrepresentation or omission by Franchise in its application to become a Medifast franchisee or otherwise to Medifast in the course of entering into this Franchise Agreement.

(g) Any act causing or likely to cause an incurable tarnishment of Medifast's reputation including, but not limited to, any act of fraud.

(h) The abandonment of the Center, including any closing of the Center for a period of five (5) or more consecutive days, without the written approval of Medifast. Medifast's approval may be given in those instances when the Center has been closed as the result of an act of God, fire, or weather-related catastrophe, condemnation, or illness of Franchisee, but only on the condition that Franchisee shall submit to Medifast a plan for re-opening the Center, such plan to provide that the Center be reopened within sixty (60) days of its closing. Medifast's consent shall not be given in the event Franchisee's closing of the Center is related, or pursuant, to the events described in Sections 16.2.3 (f) and (g), below, or due to any adverse financial or economic condition suffered by Franchisee.

(i) The Failure of Franchisee to secure an Approved Location with four (4) months of the Effective Date or to open a Center within one hundred and twenty (120) days after Medifast's approval of a Lease for the Center.

(j) The adjudication of Franchisee as bankrupt, the insolvency of Franchisee, or the appointment of a receiver over Franchisee's property or any part thereof.

(k) The making by Franchisee of a general assignment for the benefit of its creditors.

(l) The entry of a final judgment of more than one thousand dollars ($1,000.00) against Franchisee if such judgment remains unsatisfied of record for thirty (30) days or longer.

(m) The execution of a levy against Franchisee's business or property.

(n) The filing of a suit to foreclose any lien or mortgage against the Center or equipment contained in the Center, which suit is not dismissed or is not in the process of being dismissed within thirty (30) days of filing.

(o) The failure to properly establish and equip the Center in accordance with the requirements of this Agreement or any Development Agreement between the parties.

(p) Any act by Franchisee or anyone holding an ownership interest in Franchisee that (i) results in a charge of, conviction of, or a pleading of nolo contendere or not to contest a misdemeanor relevant to the operation of the Center or a misdemeanor that involves moral turpitude; (ii) results in any charge of, conviction of, or a pleading of nolo contendere of a felony; or (iii) in Medifast's reasonable judgment impairs the goodwill of the Marks.

(q) The breach of any of the terms of this Franchise Agreement or any other agreement between Franchisee and Medifast three (3) or more times during any twelve (12) month period, whether or not such breach was cured, each breach having been the subject of a separate notice by Medifast.

(r) The intentional making or submitting of false records or reports by Franchisee or anyone acting on Franchisee's behalf.

16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or nonrenewal other than in accordance with applicable law, Medifast may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Medifast's rights under this Agreement.

16.4 Right of Medifast to Operate Center

If Medifast delivers to Franchisee a notice of default pursuant to Section 16, and if Franchisee fails to timely cure the default by the cure deadline provided by Medifast, in addition to Medifast's other remedies, Medifast may enter upon the premises of the Approved Location and exercise complete authority with respect to the operation of the Center. Franchisee shall indemnify and hold harmless Medifast and any representative of Medifast who may act hereunder, respecting any acts and omissions which Medifast may perform, or fail to perform as regards to the interests of Franchisee or third parties. If Medifast exercises its right to temporarily assume management of the Center under this Section 16.4, Medifast may operate the Center for not more than ninety (90) days, renewable as necessary for up to one year.

16.5 Alternative Remedies

In addition to, and without limiting Medifast's right to terminate this Franchise Agreement in accordance with the terms of this Section 16, in the event of Franchisee's default, Medifast will have the right to pursue and enforce all alternative remedies available under this Franchise Agreement and provided by law. Such alternative remedies include, without limitation, Medifast's rights under Sections 3.6 and 16.4 hereof, and Medifast's right to seek injunctive relief and/or specific performance to enforce Franchisee's obligations hereunder.

16.6 Cross Defaults

Any (a) uncured or uncurable default by Franchisee under any other agreement between Franchisee and Medifast and/or (b) uncured or uncurable default by any entity under common control with Franchisee under any agreement between the entity and Medifast shall constitute an uncurable default under this Agreement.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration of this Franchise Agreement, this Franchise Agreement and all rights granted hereunder to Franchisee will terminate and Franchisee must:

17.1.1 immediately cease to operate the Center and must not thereafter, directly or indirectly, represent to the public or hold itself out as a present franchisee of Medifast;

17.1.2 cease to use the Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks and furnish Medifast with evidence satisfactory to Medifast of compliance with this obligation within thirty (30) days after termination or expiration of this Franchise Agreement;

17.1.3 Upon request by Medifast, immediately assign or sublease (at Medifast's option)to Medifast or its designated affiliate Franchisee's interest in the lease then in effect for the Center without requiring Medifast to pay any consideration for such leasehold interest other than assumption of Franchisee's lease liabilities.

17.1.4 take such action as may be necessary to either cancel or assign to Medifast, at Medifast's option, any assumed name or equivalent registration filed with state, city or county authorities containing the name "Medifast Weight Control Centers" or any of the Marks. Franchisee must furnish to Medifast evidence satisfactory to Medifast of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

17.1.5 pay all sums owing to Medifast, Affiliate, and any other affiliates, which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, costs and expenses), unpaid Royalty Fees, and any other amounts due to Medifast or an Affiliate(s), including any interest;

17.1.6 make such specific additional changes to the Center as Medifast may reasonably request including, without limitation, removal of all distinctive physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Medifast has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee must pay upon demand.

17.1.7 immediately return to Medifast the Manuals, all materials containing the Marks, and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Medifast to Franchisee relating to the operation of the Center (all of which are acknowledged to be Medifast's property);

17.1.8 within fifteen (15) days of the effective date of termination or expiration, notify Center's telephone company all telephone directory publishers which publish Center's telephone number, and all Internet search engines with whom Franchisee has registered of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and, if Medifast so directs Franchisee in writing, authorize transfer thereof to Medifast or its designated affiliate. Franchisee acknowledges that, as between Medifast and it, Medifast has the sole rights to and interest in all telephone numbers and directory listings associated with any Mark. Franchisee authorizes Medifast, and hereby appoints Medifast and any of its officers as Franchisee's attorneys in fact, to direct Center's telephone company and all telephone directory publishers which publish Center's telephone number to transfer any telephone numbers and directory listings to Medifast at its direction, should Franchisee fail or refuse to do so following termination of this Agreement, and the Center's telephone company and all telephone directory publishers which publish Center's telephone number may accept such direction or this Agreement as conclusive proof of Medifast's exclusive rights in such telephone numbers and directory listings and Medifast's authority to direct their transfer;

17.1.9 unless otherwise instructed by Medifast, immediately dispose of or destroy all Medifast-branded products and other saleable inventory items;

17.1.10 provide Medifast with all of the Center's customer-related data and files without payment of any compensation whatsoever to Franchisee, and Franchisee shall cease use of all such data.

17.1.11 unless Franchisee terminates the Agreement in compliance with Section 16.1 of this Franchise Agreement, pay to Medifast a termination fee in the amount of Thirty Thousand Dollars ($30,000.00); and

17.1.12 comply with all other applicable provisions of this Agreement

17.2 Unfair Competition

Franchisee promises not to use any reproduction, counterfeit, copy or colorable imitation of the Marks in any other business or otherwise, that is likely to cause confusion, mistake or deception, or that is likely to dilute Medifast's rights in the Marks. Franchisee will not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Medifast. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict any of the other provisions in Sections 7 or 17 of this Franchise Agreement.

17.3 Medifast's Option to Purchase Tangible Business Assets

Medifast has the right (but not the duty), for a period of sixty (60) days after termination or expiration of this Franchise Agreement, to purchase any or all physical assets of the Center, leasehold improvements, equipment, supplies and other inventory. The purchase price will be equal to the physical assets' fair market value, except that Medifast food products that remain usable will be valued at the wholesale price paid by Franchisee to Affiliate. Franchisee acknowledges that, if Medifast purchases the physical assets and assumes the lease of relating to the Center, Medifast shall not be required to pay Franchisee any amount for "customer goodwill," "local goodwill," or the value of the customer list and data maintained at the Center, all of which shall inure solely to the benefit of Medifast following termination of this Franchise Agreement. If Medifast elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price to be paid by Medifast to Franchisee pursuant to this Section. If Medifast and Franchisee cannot agree on a fair market value, an independent appraiser selected by Medifast will determine the fair market value; however, if Franchisee has acquired an SBA loan in connection with the purchase of this franchise, if the Center or its contents are to be sold pursuant to this Section 17.3 and the parties are unable to agree as to a purchase price and terms, the fair market value of such premises and property will be determined by three Appraisers chosen in the following manner: Franchisee will select and pay for one appraiser, Medifast will select one and pay for one appraiser, and the two appraisers so chosen will select a third appraiser. The decision of the majority of the appraisers so chosen will be conclusive. The cost of the third appraiser will be shared equally by the parties.

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Medifast

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Medifast and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Medifast, the assignee will assume the obligations of Medifast hereunder and Medifast will thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2 Franchisee's Obligations are Personal

Franchisee understands and acknowledges that the rights and duties created by this Franchise Agreement are personal to Franchisee, and that Medifast has entered into this Franchise Agreement in reliance on many factors, including, without limitation, the individual or collective character, skill, aptitude and business and financial capabilities of Franchisee and Franchisee's principals. Accordingly, neither Franchisee nor any owners of any interest in Franchisee shall, without Medifast's written consent, which Medifast may condition on such procedures as Medifast may require in its discretion, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in the franchise if the result of such transaction(s) or course of conduct results in the reduction of the cumulative ownership interest of all owners of Franchisee as of the Effective Date to less than fifty-one percent (51%) of the Franchisee, the Center's assets, and/or of this Franchise Agreement (any of which is a "**Franchisee Transfer**"). Any purported Franchisee Transfer occurring by operation of law or otherwise, including any assignment by a trustee in bankruptcy, without Medifast's prior written consent, shall constitute an incurable default of this Franchise Agreement. Medifast may expand upon, and provide more details related to, the conditions

for transfer and Medifast's consent as described in this Section 18, and may do so in the Manuals or otherwise in writing. Medifast may, but is not obligated to, provide additional details regarding the transfer conditions required for Medifast's consent.

18.3 Approval for Transfer of Majority Interest

Prior to effecting any Franchisee Transfer, Franchisee and its principals must first have (i) complied with all applicable provisions of this Section 18, and (ii) obtained Medifast's conditional approval of the proposed transfer subject to this Section 18. Provided that Franchisee and the proposed transferee comply with the provisions of this Section 18, Medifast shall not unreasonably withhold its consent to a Franchisee Transfer.

18.3.1 The proposed transferee shall complete Medifast's application to become a transferee and to travel to Medifast's headquarters at the transferee's expense to meet with Medifast's personnel. The transferee shall demonstrate to Medifast's sole satisfaction that it meets all of Medifast's requirements for becoming a franchisee, including without limitation, that it meets Medifast's managerial, financial and business standards then in effect, meets the financial requirements Medifast shall deem appropriate in light of the terms and conditions for the proposed transfer; possesses a good moral character, business reputation and satisfactory credit rating; will comply with all instruction and training requirements of Medifast and has the aptitude and ability to operate the franchised business (as may be evidenced by prior business experience or otherwise.)

18.3.2 As of the effective date of the proposed transfer, all obligations of Franchisee under this Franchise Agreement, any Development Agreements between Franchisee and Medifast, all obligations to Affiliate, all obligations to any advertising cooperative, and any other agreements between Franchisee and Medifast are fully satisfied.

18.3.3 If Medifast has not already done so, Franchisee must cause the prospective transferee to receive Medifast's then-current form of disclosure document required by the Federal Trade Commission's Trade Regulation Rule on Franchising and/or other applicable state franchise registration/disclosure laws, and receipt of same shall be delivered to Medifast, provided, however, Medifast shall not be liable of any representations other than those contained in such disclosure document. Medifast shall provide a copy of said disclosure document to Franchisee upon request.

18.3.4 Franchisee has submitted to Medifast written notice describing all the terms and conditions of the proposed transfer, including, without limitation, an explanation of how the proposed transferee will finance the purchase, and tender of the right of first refusal provided for in Section 19, all of which must be accompanied by a complete copy of all contracts and agreements and related documentation by and among Franchisee, the transferor(s) and the prospective transferee(s) relating to the intended sale or transfer.

18.3.5 The transferee and the transferee's owners must execute such documents as are then required by Medifast, including without limitation Medifast's then-current form of Franchisee Agreement which may contain terms and conditions different from those in this Franchise Agreement, Medifast's then current form of personal guarantee, and Medifast's then-current non-compete and non-disclosure agreements. Notwithstanding the foregoing, transferee's new agreement shall contain the same royalty obligations set forth in this Franchise Agreement.

18.3.6 There shall have been paid to Medifast a transfer fee of that is the greater of twenty five percent (25%) of Medifast's Franchise Fee in effect at the time of transfer, or Ten Thousand Dollars ($10,000), except that if the transferee or its Control Person already owns another Medifast Weight Control Center, the transfer fee will be Six Thousand Dollars ($6,000).

18.3.7 .Franchisee further agrees to transfer to transferee any development agreements in effect between Franchisee and Medifast;

18.3.8 Transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Premises) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.3.9 Transferee's employee or agent who will become Transferee's Control Person has satisfactorily completed the training described in Section 9.1. The costs for training the individual who will become Transferee's Control Person will be borne by Transferee.

18.3.10 Franchisee executes a general release of any and all claims against Medifast, its subsidiaries, affiliates and their officers and directors, including without limitation claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the performance of this Franchise Agreement.

18.4 Transfer of Less Than a Majority Transfer

No later than five (5) days after the completion of any transfer which is not a Franchisee Transfer under Section 18.2 hereunder nor a transfer under Sections 18.5, 18.8, 18.9 or 18.10, the transferee must (a) provide notice to Medifast of the transfer, including the name, address, telephone number, email address of the transferee(s), and if the transferee is an entity, the name, address, telephone number, email address for all owners, partners, members or shareholders (as applicable) of the transferee and (b) payment of the minority transfer fee of Three Thousand Dollars ($3,000).

18.5 Transfer to a Controlled Entity

If Franchisee is an individual or a partnership and wishes to transfer this Agreement or any interest herein to a corporation, limited liability company, or limited liability partnership (a "**Controlled Entity**"), being formed for the financial planning, tax or other convenience of Franchisee, Medifast's consent to such transfer will be conditioned upon the satisfaction of the following requirements:

18.5.1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Center;

18.5.2 Franchisee or all of its partners or owners own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.5.3 all obligations of Franchisee to Medifast or any Affiliate are fully paid and satisfied.

18.5.4 the Controlled Entity has entered into a written agreement with Medifast expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Center. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Medifast prior to consent by Medifast;

18.5.5 all holders of a legal or beneficial interest of equal to or greater than five percent (5%) in the Controlled Entity have issued a Guaranty and Assumption of Obligations in our favor that is substantively identical to Exhibit 2 of this Agreement;

18.5.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof of a statement in a form satisfactory to Medifast that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.5.7 copies of the Controlled Entity's articles of incorporation, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Medifast. Any amendment to any such documents must also be furnished to Medifast immediately upon adoption.

18.5.8 The term of the transferred franchise will be the unexpired term of this Agreement, including all rights to successor franchises, subject to any and all conditions applicable to Franchisee's right to operate successor franchises.

18.5.9 Medifast's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Center, will not constitute a waiver of any claims Medifast may have against the transferor or the transferee, nor shall it be deemed a waiver of Medifast's right to demand compliance with the terms of this Agreement.

18.6 Medifast's Disclosure to Transferee

Medifast has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Medifast's records relating to this Agreement, the Center or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Medifast and agrees to hold Medifast harmless from and against any claim, loss or injury resulting from an inspection of Medifast's records relating to the Franchise by an intended transferee identified by Franchisee.

18.7 "For-Sale" Advertising

Franchisee may not, without prior written consent of Medifast, place in, on or upon the location of the Center, or in any communication media, any form of advertising relating to the sale of the Center or the rights granted hereunder.

18.8 Transfer by Death or Incapacity

This Franchise Agreement shall inure to and bind the respective heirs, executors, administrators or successors of Franchisee. Upon the death or Incapacity of any individual franchisee or any holder of a legal or beneficial interest in Franchisee, the appropriate representative of such person (whether administrator, personal representative or trustee) must, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Center or in Franchisee to a third party in accordance with the conditions for assignments and transfers contained in this Section 18. During such one hundred eighty (180) day period, the Center must remain at all times under the primary management of a Control Person who otherwise meets Medifast's management qualifications. Failure to comply with the provisions of this Section 18.7 shall be an incurable breach of this Franchise Agreement

18.9 Transfer Due to Bankruptcy or Insolvency

In the event of Franchisee's insolvency or the filing of any petition by or against Franchisee under any provisions of any bankruptcy or insolvency law, if Franchisee's legal representative, successor, receiver or trustee desires to succeed to Franchisee's interest in this Franchise Agreement or the business conducted hereunder, such person first must notify Medifast, tender the right of first refusal provided for in Section 19, and if Medifast does not exercise such right, must apply for and obtain Medifast's consent to the transfer, pay the transfer fee provided for in Section 18.3.6, and satisfy the transfer conditions described in Section 18.2. In addition, Franchisee or the assignee must pay the attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) that Medifast incurs in any bankruptcy or insolvency proceeding pertaining to Franchisee.

18.10 Pledge of License Agreement

Notwithstanding the provisions of Section 18.2, Franchisee may, from time to time, pledge its rights under this Franchise Agreement as collateral for the benefit of a bank or other commercial lender, but only with the prior written consent of Medifast, which consent may be conditioned upon the requirement that the security agreement or other document evidencing the pledge or granting of a security interest in the Franchise Agreement shall contain the following language:

> "The sale, transfer or assignment of the security interest created hereunder in and to Medifast Franchise Agreement No. dated __ (the "**franchise**") together with the rights created hereunder or by law authorizing the Secured Party to repossess or foreclose, and subsequently retain or sell or dispose of said franchise, shall be subject to the restrictions contained in Section 18 of said Franchise Agreement.
>
> The referenced provisions of the Franchise Agreement are incorporated herein by reference to the same extent as if fully set forth herein at length, such that any sale, transfer or assignment of the security interest

created hereunder, or any sale of the franchise, the franchised rights, or interest of Franchisee under said Franchise Agreement pursuant to or following foreclosure or repossession under this security agreement , shall be void if made without the express written consent of the Franchisor under the franchise, pursuant to said Franchise Agreement provisions.

Any purported assignment of the interest of the secured party, or foreclosure of the security interest, by operation of law, or otherwise, without Medifast's written consent shall not be binding upon Medifast, and shall be a non-curable default of this Franchise Agreement. Unless otherwise agreed to in writing, Medifast shall not be obligated to provide any notice required to be provided to Franchisee under this Agreement to any secured party or pledgee claiming any interest in this Agreement, under this Section or otherwise.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell the Center (or any of its assets outside of the normal course of business), ownership interest of more than twenty percent (20%) of Franchisee or any ownership interest in the Franchise granted hereunder (inclusive of stock options, warrants or call rights), Franchisee must obtain from the proposed purchaser, and deliver to Medifast, a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Medifast. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 Medifast's Right to Purchase

Before any transfer is made subject to Section 18, above (other than a transfer of a minority interest in Franchisee), Franchisee must advise Medifast in writing of the proposed transfer and provide Medifast with a copy of the proposed asset agreement. Medifast shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions pursuant to which Franchisee would have made the transfer to the proposed transferee. Medifast has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Medifast's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Medifast's intent to exercise this right of first refusal, Medifast will have up to sixty (60) days to close the purchase. Medifast will be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Medifast's election, such representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

If Medifast does not exercise this right of first refusal within thirty (30) days after receipt of notice of the proposed transfer from Franchisee, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Medifast's prior written approval as required by Section 18. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Medifast, Medifast's right of first refusal shall renew and Franchisee must once again comply with all provisions of this Section.

20. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Medifast enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 3 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee. Franchisee must promptly provide Medifast with notice of any transfers of a minority interest in Franchisee, as well as the identifying information for any new holders of a legal or beneficial interest other than those stated in Exhibit 3.

21. RELATIONSHIP AND INDEMNIFICATION

21.1 Relationship

This Agreement does not appoint or make Franchisee an agent, legal representative, joint venture, partner, employee, servant or independent contractor of Medifast for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Medifast, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Medifast, or to create any obligation, express or implied, on Medifast's behalf. Franchisee acknowledges and agrees that Medifast is not, and nothing in this Agreement or the Manuals is intended to make, Medifast the employer or joint employer of Franchisee's employees. During the term of this Agreement, and any extension or renewal hereof, Franchisee must hold itself out to the public only as a franchisee and an owner of the Center operating the Center pursuant to a franchise from Medifast. Franchisee must take such affirmative steps as may be necessary to place the public on notice of its status as a franchisee of Medifast including, without limitation, exhibiting conspicuous in the Approved Location and placing a legend thereto on all forms, stationery or other written materials, the content of which Medifast has the right to specify. Under no circumstances shall Medifast be liable for any act, omission, contract, debt nor any other obligation of Franchisee. Medifast shall in no way be responsible for any injuries to persons or property resulting from the operation of the Center. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

21.2 Indemnification

Franchisee hereby agrees to defend, indemnify, save and hold harmless Medifast, any affiliate of Medifast, each of those companies' respective, affiliates, subsidiaries, successors, assigns and designees, and the officers, directors, managers, employees, agents, attorneys, shareholders, owners, designees and representatives of all of each of the foregoing companies (collectively, the "**Indemnitees**") from any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever incurred in connection with any action, suit, proceeding, claim, demand, investigation or formal or informal inquiry (regardless of whether an of the foregoing is reduced to judgment) or any settlement of the foregoing (any of which is a "**Claim**"), which actually or allegedly, directly or indirectly, arises out of, is based upon, is a result of or is related in any way to any element of this Agreement, the actions or inaction of Franchisee or Franchisee's employees, Franchisee's establishment, opening or operation of the Center, including (without limitation) any Claims relating to the following (a) personal injury, death or property damages suffered by any customer, operator, employee, visitor or guest of the Center; (b) crimes committed on or near the Center; (c) the use of any of the Vehicles for the Center's business; (d) the intentional and negligent acts or omissions of the Franchisee and/or its owners, officers, directors, management, employees, agents, servants, contractors, partners, affiliates or representatives, whether incurred in connection with the Center's operations or otherwise; (e) Franchisee's offer, sale and/or delivery of products and/or services Agreement; (f) Franchisee's employment and termination of its employees and (g) actions taken by any customer of the Center. Specifically excluded from the indemnity given hereby is any Claim solely caused by Medifast's or the other Indemnitee's gross negligence, willful misconduct or criminal acts, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to Franchisee. Franchisee agrees and acknowledges that its obligations under this Section shall survive the expiration or sooner termination of this Agreement.

21.3 Defense Against Claims

Franchisee promises to provide Medifast written notice of any Claim that could be the basis for indemnification of any Indemnitee pursuant to Section 21.2 promptly following Franchisee's knowledge of the Claim. At Franchisee's expense and risk, Medifast may elect to assume (but under no circumstance shall be obligated to undertake) the defense and/or settlement of the Claim, and if Medifast elects to assume defense of the Claim, Medifast will keep Franchisee informed with regard to the defense or contemplated settlement of the indemnified Claim. Medifast's undertaking of defense and/or settlement of the indemnified Claim will in no way diminish Franchisee's obligation to indemnify Medifast and the other Indemnitees and to hold them harmless. Medifast has the right, at any time it considers appropriate, to offer, order, consent or agree to settlement or to take any other remedial or corrective action with respect to any Claim in which Medifast is a defendant or respondent or in which the claiming party has put Medifast on notice as to its alleged liability. Medifast Under no circumstances will any Indemnitee be required to

seek recovery from third parties or to otherwise mitigate losses to maintain a claim against Franchisee, and an Indemnitee's failure to pursue recovery from third parties or mitigate loss will in no way reduce amounts recoverable by the Indemnitee from Franchisee.

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure of Medifast to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, will constitute a waiver of Medifast's right to demand exact compliance with the terms of this Agreement. Waiver by Medifast of any particular default by Franchisee will not be binding unless in writing and executed by Medifast and will not affect nor impair Medifast's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Medifast of any payment(s) due will not be deemed to be a waiver by Medifast of any other breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Medifast, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Medifast is entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated.

22.3 Notices

All notices required or permitted under this Agreement must be in writing and sent via Certified United States mail, return receipt requested or via nationally-recognized overnight courier and shall be deemed received upon actual receipt. All notices Medifast shall be sent to the following addresses, or such other addresses as a party may designate from time to time:

If to Medifast: Medifast Franchise Systems, Inc.
11445 Cronhill Drive
Owings Mills, MD 21117
Attention: Chris Rom, Vice President

With a copy to: Medifast Franchise Systems, Inc.
11445 Cronhill Drive
Owings Mills, MD 21117
Attention: Corporate Counsel

If to Franchisee: _____
_____
_____
Attention: _____

With a copy to: _____
_____
_____
Attention: _____

22.4 Cost of Enforcement or Defense

If Medifast or Franchisee is required to enforce this Agreement in a mediation, arbitration or judicial proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, costs, and expenses (including any interest), incurred.

22.5 Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater and their spouses, or Franchisee's spouse if Franchisee is an individual, will be required to execute, effective as of the date of this Franchise Agreement, a personal guaranty in the form attached as Exhibit 2.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Medifast, Franchisee must make a timely written request to Medifast therefor and, except as otherwise provided herein, any approval or consent granted will be effective only if in writing. Medifast makes no warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

22.7 Entire Agreement

This Franchise Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Medifast and Franchisee concerning the subject matter hereof, and supersedes all prior agreements (other than any Development Agreement relating to the location where the Center is located or is to be located) provided, however, that nothing in this Agreement is intended to disclaim the representations made in the Franchise Disclosure Document provided by Medifast to Franchisee in connection with this franchise. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Medifast's Franchise Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. Notwithstanding the foregoing, this Agreement may also be amended by Medifast at any time that Medifast reasonably determines, in Medifast's discretion, that an amendment is necessary or advisable for any one or more of the following purposes: (a) to carry out, implement and/or effectuate the terms and/or provisions of this Agreement; (b) to make amendments that Medifast reasonably determines (in its sole discretion) to be reasonably necessary and advisable in light of any addition or change in the Internal Revenue Code, as amended, or in the regulations issued thereunder or any securities laws or regulations; and/or (c) to make any amendment Medifast deems reasonably necessary to clarify any vagueness within this Agreement, if such amendment does not materially change the Franchisee's rights, interests, duties and/or obligations in or under this Agreement.

22.8 Severability and Modification

22.8.1 Except as noted below, each Section, part, term and provision of this Agreement shall be considered severable, and if any Section, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, Sections, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid Sections, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Medifast determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Medifast has the right to, at its option, terminate this Agreement.

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held

to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

22.10 Force Majeure

Whenever a period of time is provided in this Franchise Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Franchise Agreement.

22.11 Timing

Time is of the essence in the performance of this Franchise Agreement; failure to perform any act within the time required or permitted by this Agreement is a material breach.

22.12 Withholding Payments

Franchisee may not, for any reason, withhold payment of any Royalty Fees or other amounts due to Medifast, Affiliate, or to any other affiliates of Medifast. Franchisee may not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Medifast. No endorsement or statement on any payment for less than the full amount due to Medifast will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Medifast has the right to accept and cash any such payment without prejudice to Medifast's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Medifast has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Medifast deems appropriate.

22.13 Rights of Parties Are Cumulative

The rights of the parties in this Agreement are cumulative, and no exercise or enforcement by a party of any right or remedy under this Agreement will preclude the exercise or enforcement by that party of any other right or remedy contained in this Agreement or to which it may be entitled by law.

22.14 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be reasonably necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.15 Consent Obligations

A party whose consent is required hereunder will not unreasonably delay, condition or withhold consent, unless such consent is expressly subject to such party's sole discretion pursuant to the terms of this Agreement.

22.16 Third-Party Beneficiaries

Except with regard to Affiliate's right to payment for Medifast products supplied to Franchisee, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or benefits upon any person or legal entity other than Medifast or Franchisee, and their respective successors and assigns.

22.17 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

22.18 Survival

The following provisions shall survive termination of this Agreement: 6.5, 7, 11.4, 17, 21.2, 23, 24, and 25

23. MEDIATION

The parties agree to attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement by mediation, which shall be conducted by Franchise Arbitration and Mediation Services ("FAM"), or if FAM ceases to exist, by an arbitrator or arbitration company chosen by Medifast and agreed to by Franchisee. In any case, the mediator must be agreed upon by the parties. The mediation will be conducted exclusively in the state and county in which Medifast maintains its principal place of business, and the costs of the mediation (including the mediation service, and the mediator's fees) will be split equally by the parties; but the parties shall bear their own costs and expenses, including attorneys' fees, costs, and expenses in preparing for an participating in the mediation. The parties further agree that their respective good faith participation in mediation is a condition precedent to pursuing any other remedy, including arbitration, litigation for equitable relief, or any other type of dispute resolution.

24. ARBITRATION

24.1 Except to the extent that either party seeks temporary or preliminary injunctive or other equitable relief to enforce provisions of this Franchise Agreement, all controversies, claims or disputes between Medifast and Franchisee, including any owners of Franchisee and guarantors of this Agreement, which have not been resolved in mediation or another forum or proceeding, relating to (i) this Franchise, this Franchise Agreement, or any other agreement between Medifast and Franchisee, (ii) the relationship between Franchisee and Medifast, (iii) the operation of the Center, or (iv) the validity of this Franchise Agreement or any other agreement between Medifast and Franchisee, will be submitted for arbitration to FAM, or, if FAM ceases to exist, the American Arbitration Association ("AAA"). In connection therewith, the parties further agree as follows:

24.2 The arbitration shall be conducted in the state and county or municipality where Medifast's principal executive office is located on the date of such demand, before a single arbitrator selected pursuant to FAM's Arbitration Guidelines, or in accordance with the then-current Commercial Arbitration Rules of the AAA should FAM cease to exist. Should both FAM and the AAA cease to exist during the term of this Franchise Agreement, Medifast may designate a comparable third-party entity which is in the business of administering arbitration proceedings.

24.3 In any arbitration proceeding, each party must combine all claims which the party has against the other party at the time of filing of the arbitration proceeding, and the other party must pursue all claims against the first party which would constitute compulsory counterclaims under the Federal Rules of Civil Procedure. Any claim not submitted or filed as required is forever barred.

24.4 WAIVER OF JURY TRIAL. FOR ALL CLAIMS SUBJECT TO ARBITRATION HEREUNDER, EACH PARTY AND THEIR SUBSIDIARIES AND AFFILIATES, AND IN THE CASE OF FRANCHISEE, FRANCHISEE'S GUARANTORS, HEREBY WAIVE THEIR RIGHTS TO A TRIAL BY JURY AND WILL NOT SEEK TO CONSOLIDATE ANY LEGAL ACTION WITH ANOTHER ACTION IN WHICH A JURY TRIAL CANNOT BE WAIVED. This waiver is a material inducement for Medifast to enter into this Agreement.

24.5 This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Franchise Agreement. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding the party's failure to appear.

24.6 The arbitration will be conducted on an individual basis, and no claims may be submitted as class or group action. The arbitration proceeding between Medifast and Franchisee may not be consolidated with any other arbitration or other proceeding between Medifast and any other person or entity.

24.7 The arbitrators may not award punitive or exemplary damages to any party involved, except as permitted by the U.S. Trademark Act of 1946 as amended.

24.8 Any disputes concerning the enforceability or scope of the arbitration clause shall be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. § 1 et seq. (FAA), and Franchisee acknowledges that, notwithstanding any contrary language in this Franchise Agreement, the FAA preempts any state law restrictions on the enforcement of the arbitration clause in this Agreement according to its terms, including any restrictions on the site of the arbitration.

24.9 The Federal Rules of Civil Procedure, as they relate to pretrial discovery, will apply to the arbitration, except that the arbitrator may establish deadlines and restrictions on discovery as the arbitrator deems reasonable under the circumstances. A reviewable transcript or recording of the arbitration will be maintained and the cost therefor shall be shared equally by the parties. In all other respects, the rules of FAM or the AAA, as applicable, shall control the manner in which the arbitration is administered and conducted.

24.10 The sole entity against which the Franchisee may seek damages or any remedy under law or equity for any arbitrable claim is Medifast, its guarantor (if applicable), or their respective successors or assigns. Franchisee agrees that it shall not name Medifast's, or its guarantor's shareholders, directors, officers, employees, agents and representatives as a party in any litigation, arbitration or other proceedings commenced by the Franchisee, arising out of or relating to this Agreement or the relationship between Medifast and Franchisee.

24.11 Within thirty (30) days of the close of the arbitration hearing record, the arbitrator shall issue a reasoned decision containing findings of fact and conclusions of law and made in accordance with the legal principles applicable to the claims made. If neither party chooses to appeal the award pursuant to Section 24.12, judgment upon that award may be entered in any court having competent jurisdiction thereof.

24.12 Neither party may appeal any interim finding or judgment. A final award by the arbitrator may be appealed within thirty (30) days of receipt of notice of such final award. Appeals will be conducted before a three (3) arbitrator panel appointed by FAM, or AAA (as applicable) and each member of the panel must be a licensed attorney with expertise in the law relating to franchising. The arbitration panel may not conduct any trial de novo or other fact-finding function, but instead must base its decision on the record already created. The appellate panel's decision must be in writing and provide an explanation of the reason for the decision, in a manner similar to an appellate court opinion (rather than findings of fact and conclusion of law). The appellant panel's decision will be binding, final and non- appealable and may be entered in any court having jurisdiction thereof.

24.13 The provisions in this Section 24 are intended to benefit and bind certain third-party non- signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Franchise Agreement. Furthermore, this Section 24 will be construed as independent of any other covenant or provision of this Franchise Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with applicable law. Any ruling invalidating any other portion of the Franchise Agreement shall not affect the validity of this arbitration clause.

24.14 In the event that any provision of this arbitration agreement is unenforceable, that provision is severable from the remainder of this arbitration clause, and the balance of the arbitration agreement shall remain in full force and effect.

25. GENERAL DISPUTE RESOLUTION PROVISIONS

25.1 Choice of Law

Except to the extent this Franchise Agreement, any particular portion hereof, or any particular dispute is governed by the U.S. Trademark Act of 1946 or any other federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the state of Maryland, excluding any law regulating the sale of franchises or governing the relationship between Medifast and franchisee. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

25.2 Consent to Jurisdiction

Any action brought by either party must be brought exclusively in the appropriate state or federal court located in or serving the county and state in which Medifast maintains its principal place of business at the time any dispute resolution proceeding is commenced by either party. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered and return receipt requested, or by any other manner provided by law. Claims for injunctive relief against Franchisee may be brought by Medifast where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.

25.3 Class Actions Prohibited

Medifast and Franchisee agree that all legal proceedings between the parties and/or any of their owners, officers, directors and affiliates ("Related Parties") will be conducted on an individual, not a class-wide, basis and that any legal proceedings between Medifast and Franchisee and/or any of their Related Parties will not be consolidated with any other proceeding involving Medifast and any other party.

25.4 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Medifast or Franchisee by this Franchise Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Medifast's right to obtain injunctive relief against threatened or actual conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

25.5 Limitations of Claims

Any claim concerning the Center or this Franchise Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Medifast knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

25.6 Limitation of Damages and Disclaimer

Except as permitted by the U.S. Trademark Act of 1946 as amended, Franchisee and Medifast each waive, to the fullest extent permitted by law, under any theory of liability, any right or claim for any punitive, multiple, or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it. Franchisee waives and disclaims any right to consequential damages in any action or claim against Medifast concerning this Franchise Agreement or any related agreement. In any action or claim brought by Franchisee against Medifast under this Franchise Agreement, Franchisee's contractual damages shall not exceed and shall be limited to Franchisee's Franchise Fee and/or Royalty Fee payments made during the term of this Agreement.

25.7 Waiver of Jury Trial

EACH PARTY HEREBY WAIVES ANY RIGHT TO A JURY TRIAL WITH RESPECT TO THIS AGREEMENT AND/OR ANY MATTERS ARISING HEREUNDER.

25.8 Service of Process

The parties agree that service of process in any proceeding arising out of or relating to this Franchise Agreement or the performance thereof may be made as to Franchisee and/or the Principals by serving a person of suitable age and discretion (such as the person in charge of the office) at the notice address of Franchisee specified in Section 23 to this Agreement and as to Medifast, by serving the President or a Vice President of Medifast at the notice address specified in Section 22.3 or by serving Medifast's registered agent.

25.9 Costs of Litigation

Franchisee shall pay to Medifast all costs and expenses, including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), incurred by Medifast in obtaining injunctive or other relief or for the enforcement of any provision of this Franchise Agreement.

26. REPRESENTATIONS AND ACKNOWLEDGMENTS

26.1 FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND UNDERSTANDS AND ACKNOWLEDGES THAT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON THE BUSINESS ABILITIES AND PARTICIPATION OF FRANCHISEE AND ITS EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR. MEDIFAST EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT, OR AS TO THE SUITABILITY OF THE APPROVED LOCATION AS A SUCCESSFUL LOCATION FOR THE CENTER.

26.2 FRANCHISEE HAS NO KNOWLEDGE OF ANY REPRESENTATIONS BY MEDIFAST OR ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, AGENTS OR SERVANTS, ABOUT THE BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS FRANCHISE AGREEMENT, THE DOCUMENTS INCORPORATED HEREIN OR MEDIFAST'S FRANCHISE DISCLOSURE DOCUMENT. FRANCHISEE REPRESENTS, AS AN INDUCEMENT TO MEDIFAST'S ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THIS AGREEMENT.

26.3 FRANCHISEE ACKNOWLEDGES THAT MEDIFAST'S APPROVAL OF FRANCHISEE'S APPROVED LOCATION DOES NOT CONSTITUTE AN ASSURANCE BY MEDIFAST THAT THE OPERATION OF A MEDIFAST WEIGHT CONTROL CENTER AT THE APPROVED LOCATION WILL BE SUCCESSFUL OR PROFITABLE.

26.4 FRANCHISEE REPRESENTS AND ACKNOWLEDGES THAT IT HAS RECEIVED, READ AND UNDERSTANDS THIS FRANCHISE AGREEMENT AND MEDIFAST'S FRANCHISE DISCLOSURE DOCUMENT; AND THAT MEDIFAST HAS ACCORDED FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF ITS OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT. FRANCHISEE REPRESENTS AND ACKNOWLEDGES THAT IT HAS RECEIVED AN EXACT COPY OF THIS FRANCHISE AGREEMENT WITH EXHIBITS AT LEAST SEVEN (7) BUSINESS DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED. FRANCHISEE FURTHER ACKNOWLEDGES THAT IT HAS RECEIVED, AT LEAST FOURTEEN (14) DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED, THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE

OF THE FEDERAL TRADE COMMISSION ENTITLED DISCLOSURE REQUIREMENTS AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITIES. FRANCHISEE FURTHER ACKNOWLEDGES THAT IT HAS READ AND UNDERSTANDS SUCH FRANCHISE DISCLOSURE DOCUMENT.

26.5 FRANCHISEE ACKNOWLEDGES THAT IT HAS BEEN URGED TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO THE LEGAL, FINANCIAL AND OTHER ASPECTS OF THIS FRANCHISE AGREEMENT, THE BUSINESS FRANCHISED HEREUNDER AND THE PROSPECTS FOR THAT BUSINESS. FRANCHISEE ACKNOWLEDGES THAT IT, AND ITS ADVISORS, HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THIS FRANCHISE AGREEMENT. FRANCHISEE FURTHER ACKNOWLEDGES THAT IT HAS HAD AMPLE OPPORTUNITY TO CONSULT WITH ITS OWN ATTORNEYS, ACCOUNTANTS AND OTHER ADVISORS WITH RESPECT TO THIS AGREEMENT AND THE RELATIONSHIP CREATED THEREBY. FRANCHISEE REPRESENTS THAT IT HAS EITHER CONSULTED WITH SUCH ADVISORS OR HAS DELIBERATELY DECLINED TO DO SO.

26.6 FRANCHISEE REPRESENTS AND ACKNOWLEDGES THAT ALL INFORMATION SET FORTH IN ANY AND ALL APPLICATIONS, FINANCIAL STATEMENTS AND SUBMISSIONS TO MEDIFAST IS TRUE, COMPLETE AND ACCURATE IN ALL RESPECTS, AND FRANCHISEE ACKNOWLEDGES THAT MEDIFAST IS RELYING UPON THE TRUTHFULNESS, COMPLETENESS AND ACCURACY OF SUCH INFORMATION IN ENTERING INTO THIS FRANCHISE AGREEMENT.

26.7 FRANCHISEE ACKNOWLEDGES THAT THIS INSTRUMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES. THIS FRANCHISE AGREEMENT TERMINATES AND SUPERSEDES ANY PRIOR AGREEMENT BETWEEN THE PARTIES CONCERNING THE SAME SUBJECT MATTER EXCEPT FOR ANY DEVELOPMENT AGREEMENT PERTAINING TO THE LOCATION WHERE THE CENTER IS LOCATED. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS FRANCHISE AGREEMENT IS INTENDED TO DISCLAIM ANY REPRESENTATIONS MADE BY MEDIFAST IN THE FRANCHISE DISCLOSURE DOCUMENT FURNISHED TO FRANCHISEE BY MEDIFAST.

26.8 FRANCHISEE ACKNOWLEDGES THAT THE COVENANTS NOT TO COMPETE SET FORTH IN THIS FRANCHISE AGREEMENT ARE FAIR AND REASONABLE, AND WILL NOT IMPOSE ANY UNDUE HARDSHIP ON FRANCHISEE, SINCE FRANCHISEE HAS OTHER CONSIDERABLE SKILLS, EXPERIENCE AND EDUCATION WHICH AFFORD FRANCHISEE THE OPPORTUNITY TO DERIVE INCOME FROM OTHER ENDEAVORS.

26.9 FRANCHISEE ACKNOWLEDGES AND UNDERSTANDS THAT NOTHING IN THIS FRANCHISE AGREEMENT GRANTS TO FRANCHISEE THE RIGHT TO SELL AFFILIATE'S PRODUCTS WITHOUT COMPETITION IN THE PROTECTED TERRITORY. FRANCHISEE FURTHER ACKNOWLEDGES THAT MEDIFAST, INC. AND SUBSIDIARIES OF MEDIFAST, INC. WILL SELL MEDIFAST® BRANDED PRODUCTS IN COMPETITION WITH FRANCHISEE IN FRANCHISEE'S PROTECTED TERRITORY, AND MEDIFAST'S SOLE OBLIGATION IN CONNECTION WITH FRANCHISEE'S PROTECTED TERRITORY IS NOT TO OPEN, AND NOT TO ALLOW ANY THIRD PARTY TO OPEN, A MEDIFAST WEIGHT CONTROL CENTER OR SIMILAR RETAIL OPERATION IN FRANCHISEE'S PROTECTED TERRITORY.

26.10 FRANCHISEE REPRESENTS THAT ITS EXECUTION OF THIS AGREEMENT WILL NOT VIOLATE ANY OTHER AGREEMENT OR COMMITMENT TO WHICH FRANCHISEE OR ANY HOLDER OF A LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE IS A PARTY.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement as of the Effective Date.

MEDIFAST FRANCHISE SYSTEMS, INC.

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

_____

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

EXHIBIT 1 TO FRANCHISE AGREEMENT

APPROVED LOCATION, DEVELOPMENT AREA AND PROTECTED TERRITORY

Approved Location (Section 2.2): _____
_____.

Development Area (Section 2.3): _____
_____
_____
_____.

Protected Territory (Section 2.5): The geographic area within a _____-mile radius of the Approved Location, or the area specifically described as follows: _____
_____
_____
_____
_____(see attached map, if included).

MEDIFAST FRANCHISE SYSTEMS, INC.	By:_____
By:_____	Name:_____
Name:_____	Title: _____
Title: _____	Date: _____
Date: _____	By:_____

EXHIBIT 2 TO FRANCHISE AGREEMENT

GUARANTY

This Guaranty is given as of _____, 20_____ (date) by _____ ("**Guarantor**"), in favor of Medifast Franchise Systems, Inc. (Medifast), with respect to the following.

WHEREAS, Guarantor is the principal, owner, shareholder, member or partner (or the spouse of such individual) of _____ ("**Franchisee**"). Guarantor desires that Medifast enter into that certain Franchise Agreement dated _____ (the "**Franchise Agreement**") with Franchisee with respect to the operation of a Medifast Weight Control Centers by Franchisee. Guarantor has given this Guaranty in order to induce Medifast to do so.

NOW THEREFORE, in consideration of Medifast's agreement to enter into the Franchise Agreement with Franchisee, and for other valuable consideration, Guarantor hereby guarantees performance and payment by Franchisee of all Obligations that Franchisee now or in the future owes or may owe to Medifast or any affiliate of Medifast, including those contained in the Franchise Agreement "Obligations" shall include all liabilities of any nature, including without limitation development fees; license fees; royalties; loans; fees, fees payable to third parties pursuant to the terms and conditions of any Franchise Agreement by and between Medifast and Franchisee; value of services or property rendered or provided; accounts receivable; confidentiality; covenants restricting the use of Medifast trademarks, property, and information; and damages arising from the breach of any such Obligations.

The undersigned agrees to comply with and abide by the restrictive covenants and non-disclosure provisions contained in any Franchise Agreement by and between Medifast and Franchisee to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions. These obligations of the undersigned shall survive any expiration or termination of the Franchise Agreement or this Guaranty.

This is an irrevocable, unconditional, and continuing Guaranty, and Guarantor agrees to perform and to pay the Obligations just as if Guarantor and not Franchisee had incurred them in the first instance. Medifast may proceed against Guarantor without first attempting to collect the Obligations from Franchisee or any other guarantor or person whatsoever, and without first attempting to pursue any rights in any collateral.

Medifast need not notify Guarantor of its acceptance of this Guaranty or of any presentment; demand for performance; nonperformance; extension, renewal, or alteration of the terms of any Obligations; the condition or change of condition of the business or finances of Franchisee; or the incurring of any new Obligations. Medifast may release Franchisee or anyone else from the Obligations in whole or in part without affecting Guarantor's obligations hereunder. Upon any default hereunder, Guarantor hereby agrees that any indebtedness of Franchisee to Guarantor shall be subordinated hereto, and Guarantor shall not claim any offset or reduction of Guarantor's obligations hereunder because of any such indebtedness.

This Guaranty shall remain in effect so long as the Obligations are not performed and paid in full.

This Guaranty shall be governed by the laws of the State of Maryland. Should Guarantor bring or initiate any lawsuit against Medifast relating to this Guaranty, all such actions or proceedings shall be pursued in the United States District Court sitting in the district and state where Medifast then maintains its principal place of business, or in the applicable court of general jurisdiction in the county or state where Medifast maintains its principal place of business if there is no federal jurisdiction over the dispute, and the parties do hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

_____

[Name of Guarantor]

Date:_____

EXHIBIT 3 TO FRANCHISE AGREEMENT

HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS AND DIRECTORS; CONTROL PERSON AND DESIGNATED MANAGER

Holders of Legal and Beneficial Interest	Percentage of Ownership	Position/Title
_____	_____%	_____
_____	_____%	_____
_____	_____%	_____
_____	_____%	_____
_____	_____%	_____

Officers and Directors	Position/Title
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Control Person

Name: _____
Address: _____
_____
Telephone: _____
E-mail: _____

Designated Manager

Name: _____
Address: _____
_____
Telephone: _____
E-mail: _____

EXHIBIT 4 TO FRANCHISE AGREEMENT

GENERAL RELEASE

THIS GENERAL RELEASE (the "**RELEASE**") is made and given on this _____ day of _____, 20____ by _____ ("**RELEASOR**"), an individual/corporation/limited liability company/ partnership with a principal address of _____ in consideration of:

The execution by MEDIFAST FRANCHISE SYSTEMS, INC. ("**RELEASEE**") of a successor Franchise Agreement or other renewal documents renewing the rights granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement dated _____ (the "**Franchise Agreement**") by and between RELEASOR and RELEASEE; or [State other consideration] _____

_____

_____

_____ and other good and valuable consideration receipt of which is hereby acknowledged, RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, shareholders and employees (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise Agreement or the relationship between RELEASEE and RELEASOR, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided however, that all liabilities arising under any franchise registration and disclosure statute that applies to the relationship between RELEASOR AND RELEASEE are excluded from this release.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

[IF RELEASOR IS AN ENTITY]

[Name of Releasor]
By:_____
Name:_____
Title:_____
Date:_____

[IF RELEASOR IS AN INDIVIDUAL]

_____
[Name of Releasor]
Date:_____

(Acknowledgement appears on following page)

ACKNOWLEDGMENT

State of _____)
ss:)
County of_____)

On this _____day of _____, 20__

before me personally came _____, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the _____(title) of _____ (company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

_____

Notary Public
My Commission expires:

(NOTARIAL SEAL)

EXHIBIT 5 TO FRANCHISE AGREEMENT

NON-DISCLOSURE AND NON-COMPETE AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETE AGREEMENT (the "**Agreement**") is entered into this __ day of _____, 20__ (the "**Effective Date**") by and between _____, a _____ corporation/limited liability company/partnership which owns and operates one or more Medifast Weight Control Centers pursuant to a franchise agreement with Medifast Franchise Systems, Inc. ("**Franchisee**") and _____, an individual ("**Individual**").

WHEREAS, Franchisee is a party to that certain Franchise Agreement with Medifast Franchise Systems, Inc. ("**Company**") dated _____, 20__ (the "**Franchise Agreement**"); and

WHEREAS, Franchisee desires Individual to have access to and/or to review certain Trade Secrets, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets; and

WHEREAS, Individual agrees not to disclose any such Trade Secrets to any other party and/or use such Trade Secrets to compete against Company, Franchisee or any other franchisee of Company in the same and/or a similar business, ("Competitive Business") now or in the future.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets

Individual understands Franchisee possesses, and will possess, Trade Secrets, which are important to its business. For purposes of this Agreement, "Trade Secrets" is information, without regard to form including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, pro-formas, strategic plans, product plans, lists of actual or potential customers or suppliers which are not commonly known by or available to the public and which information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Individual understands Franchisee's providing access to the Trade Secrets to Individual creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets.

2. Confidentiality/Non-Disclosure

a) Individual agrees not to communicate or divulge to, (or use for the benefit of himself or herself), any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets possessed, owned, or used by Franchisee, the discovery, development or knowledge of which is known to or acquired by Individual by reason of his or her meeting with, and/or participation in the business and affairs of, or as a result of his or her association with, or which may be revealed to him or her by Franchisee.

b) Individual agrees that his or her obligations under paragraph 2(a) of this Agreement will continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee and Company are entitled to communicate Individual's obligations under this Agreement to any future customer or employer of Individual to the extent deemed necessary by Franchisee or Company for protection of their rights hereunder and regardless of whether Individual or any of his or her immediate family members or heirs becomes an investor, partner, joint venturer, broker, distributor or the like in the Medifast Weight Control Centers® System. Individual will, upon termination of his or her relationship with Franchisee or upon the request of Franchisee and/or Company, either: (i) return to

Franchisee and/or Company all originals and copies of Trade Secrets (including backups, analyses, reports and other information derived from such Trade Secrets), in paper, electronic or other form, then in Individual's possession or control; or, (ii) if so directed by the Franchisee and/or Company, destroy all such originals and copies.

3. Non-Competition

a) Individual agrees that during the time period commencing on the date hereof and continuing for a three (3) year period following the earlier of (i) termination of the Franchise Agreement, or (ii) termination of Individual's relationship with Franchisee by which Individual obtained access to Trade Secrets, Individual (1) will not, directly or indirectly, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within: (a) within Franchisee's Development Area; (b) within a radius of thirty (30) miles of any location where Franchisee (or its affiliates) operated a Center during Individual's relationship with Franchisee; or (c) within a radius of thirty (30) miles of the location of any Medifast Weight Control Center, except for passive ownership interest of not more than two percent (2%) of the shares any Competitive Business whose shares are publicly traded on the New York Stock Exchange or the NASDAQ Stock Exchange, or (2) divert or attempt to divert any business or customer of the Center to any Competitive Business, by direct inducement or otherwise.

b) "Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business which offers) weight control products and services, or other products or services the same as or substantially similar to those provided by Medifast Weight Control Centers or in which Trade Secrets are likely to be used to the competitive disadvantage of Company or its other franchisees; provided, however, that the term "Competitive Business" will not apply to any business operated under a Franchise Agreement with Company.

4. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee relating to the subject matter hereof. This Agreement cannot be altered or amended except by an agreement in writing signed by the parties.

b) Individual will reimburse Franchisee for any and all costs and attorney fees incurred by Franchisee in the enforcement of the terms of this Agreement.

c) This Agreement will be effective as of the date this Agreement is executed and will be binding upon the successors and assigns of Individual and will inure to the benefit of Franchisee, its subsidiaries, successors and assigns. *Medifast Franchise Systems, Inc. is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.*

d) The failure of either party to insist in any one (1) or more instances upon performance of any terms and conditions of this Agreement will not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto will continue in full force and effect.

e) The paragraph headings in this Agreement are included solely for convenience and will not affect, or be used in connection with, the interpretation of this Agreement.

f) In the event that any part of this Agreement is held to be unenforceable or invalid, the remaining parts hereof will nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS BEEN ADVISED TO REVIEW THIS AGREEMENT WITH HIS OR HER PERSONAL ATTORNEY, HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

[Franchisee]

By:_____

Name:_____

Title:_____

Date:_____

_____

[Individual]

Date:_____

EXHIBIT 6 TO FRANCHISE AGREEMENT

STATE SPECIFIC ADDENDA

1. California
2. Maryland
3. Minnesota
4. New York
5. North Dakota
6. Virginia
7. Wisconsin

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT FOR THE STATE OF CALIFORNIA

To the extent the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement requires application of the laws of Maryland. This provision may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the state and county or municipality where Medifast's principal executive office is located on the date the arbitration is demanded with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____
	If Franchisee is an individual:
	_____
	Print Name:_____
	Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT FOR THE STATE OF MARYLAND

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____
	If Franchisee is an individual:
	_____
	Print Name:_____
	Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT FOR THE STATE OF MINNESOTA

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.

By:_____

Name:_____

Title:_____

Date:_____

FRANCHISEE

By:_____

Name:_____

Title:_____

Date:_____

If Franchisee is an individual:

_____

Print
Name:_____

Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT FOR THE STATE OF NEW YORK

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE:_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE:_____
By:_____	By:_____
Name:_____	Name: _____
Title: _____	Title: _____
Date: _____	Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT FOR THE STATE OF VIRGINIA

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> "According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE:_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT FOR THE STATE OF WISCONSIN

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE:_____
By:_____	By:_____
Name:_____	Name: _____
Title: _____	Title: _____
Date: _____	Date:_____

EXHIBIT D

Development Agreement

EXHIBIT D

MEDIFAST FRANCHISE SYSTEMS, INC.
DEVELOPMENT AGREEMENT

MEDIFAST FRANCHISE SYSTEMS, INC.
DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

1. GRANT 1
2. TERM 2
3. FRANCHISE FEE 2
4. DEVELOPMENT SCHEDULE 2
5. CENTER OPENINGS 3
6. DEFAULT AND TERMINATION 3
7. TRANSFER OR ASSIGNMENT BY FRANCHISEE 4
8. TRANSFER OR ASSIGNMENT BY MEDIFAST 5
9. ADDITIONAL REQUIREMENTS – CORPORATE FRANCHISEES 5
10. CONFIDENTIAL INFORMATION 6
11. COVENANTS 6
12. CHANGES AND MODIFICATIONS 8
13. INDEPENDENT CONTRACTOR AND INDEMNIFICATION 8
14. APPROVAL AND WAIVERS 9
15. NOTICE 9
16. DISCLOSURE STATEMENT AND DISCLAIMER 10
17. ENTIRE AGREEMENT 11
18. SEVERABILITY AND CONSTRUCTION 11
19. MEDIATION 12
20. ARBITRATION 12
21. GENERAL DISPUTE RESOLUTION PROVISIONS 14
22. ACKNOWLEDGEMENTS 15

EXHIBITS

EXHIBIT I – DEVELOPMENT SCHEDULE

EXHIBIT II – DESCRIPTION OF DEVELOPMENT AREA AND PROTECTED TERRITORY

EXHIBIT III – GUARANTY

EXHIBIT IV – STATE SPECIFIC ADDENDA

MEDIFAST FRANCHISE SYSTEMS, INC.
DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Development Agreement") is made and entered into this __ day of _____, 20__ (the "Effective Date") by and between Medifast Franchise Systems, Inc., a Delaware corporation having its executive offices at 11445 Cronhill Drive, Owings Mills, Maryland 21117 (hereinafter referred to as "Medifast"), and _____, a _____ corporation/limited liability company/partnership with a principal place of business at _____ (hereinafter referred to as "Franchisee").

WITNESSETH:

WHEREAS, Medifast has developed and is further developing a method of business operations identified by the service mark "MEDIFAST WEIGHT CONTROL CENTERS", and relating to the establishment, development and operation of businesses promoting healthy weight loss management by providing weight loss and control products along with other authorized products and services (the "System"), with such businesses referred to as "MEDIFAST WEIGHT CONTROL CENTERS"; and

WHEREAS, the distinguishing characteristics of the System include, among other things, the trademarks "MEDIFAST" and "MEDIFAST WEIGHT CONTROL CENTERS" (the "Marks"); proprietary diet system programs; Medifast-branded package food products and dietary supplements that are sold to customers of each Center as part of the Medifast weight loss and weight control program (the "Products"); uniform standards and procedures for business operations and management, including record keeping, accounting, billing, collections and account management; procedures and strategies for marketing, advertising and promotions; and distinctive interior décor and design and signage; and

WHEREAS, Franchisee wishes to obtain the right to develop and operate Medifast Weight Control Centers (each, a "Center") in the area described in this Development Agreement and to use the System in connection with the operation of those Centers; and

WHEREAS, Medifast agrees to provide to Franchisee the right to develop and operate Medifast Weight Control Centers, all in accordance with the terms of this Development Agreement.

NOW, THEREFORE, the parties in consideration of the foregoing premises and the undertakings and the commitments of each party to the other party as set forth herein, hereby mutually agree as follows:

1. GRANT

A. Medifast hereby grants to Franchisee, subject to the terms and conditions of this Development Agreement and any applicable franchise agreement between Medifast and Franchisee, and so long as Franchisee shall not be in default of this Development Agreement or any other development or franchise or any other agreement between Franchisee and Medifast and/or Medifast's affiliates, development rights to obtain franchises and to establish and operate the number of Medifast Weight Control Centers set forth in the schedule attached as Exhibit I to this Development Agreement ("Development Schedule") Each Center developed pursuant hereto shall be located in the territory described in Exhibit II hereto ("Development Area").

B. Subject to the terms and conditions herein, and for so long as Franchisee is not in default of this Agreement, any Franchise Agreement between Medifast and Franchisee, or any other agreement between Medifast and Franchisee, Medifast shall neither establish nor license anyone other than Franchisee to establish a Center in the Development Area for the entire term of the associated franchise agreement, including any renewal periods set forth in the applicable franchisee agreement However, Medifast (on behalf of itself, its parent, and any other subsidiaries of its parent) expressly reserves and maintains the right to sell the products and services authorized for Medifast Weight Control Centers using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, such as through Take Shape for Life® sales representatives, joint marketing with partner companies, the Internet,

catalogue sales, and direct mail, on such terms and conditions as Medifast deems appropriate, provided that such sales do not take place from a retail location physically in the Development Area that operates principally under the Medifast trademark.

C. Each Center for which a development right is granted hereunder shall be established and operated pursuant to a separate franchise agreement ("Franchise Agreement") to be entered into between Franchisee and Medifast.

D. This Development Agreement is not a franchise agreement, and does not grant the Franchisee any right to sell Medifast's Products or to use its Proprietary Marks or System, but merely sets forth the terms and conditions under which Franchisee will be entitled to obtain a franchise agreement.

E. Franchisee may open and operate Centers only at sites within the Development Area.

F. Franchisee shall have no right under this Development Agreement to license others to use the Proprietary Marks and/or the System.

2. TERM

The term of this Development Agreement shall commence on _____, 20___ and continue through _____ Franchisee does not have the right to extend the term of this Development Agreement although Franchisee and Medifast may mutually agree, in writing, to so extend the term.

3. FRANCHISE FEE

The fee to be paid by Franchisee to open and operate a Medifast Weight Control Center is $25,000 (the "Franchise Fee") Upon execution of a development agreement between Franchisee and Medifast, Franchisee shall pay Medifast THIRTY-FIVE THOUSAND DOLLARS, ($35,000) representing a Franchise Fee of TWENTY-FIVE THOUSAND DOLLARS ($25,000) for the first Medifast Weight Control Center to be opened by Franchisee and a non-refundable Franchise Fee deposit of FIVE THOUSAND DOLLARS ($5,000) for each of two additional Medifast Weight Control Center to be opened by Franchisee, with any balance of the Franchise Fee owed to be paid upon execution of each applicable Franchise Agreement. Thereafter, Franchisee shall pay a Franchise Fee to Medifast of TWENTY-FIVE THOUSAND DOLLARS ($25,000.00) upon execution of each applicable Franchise Agreement. The Franchise Fee will be deemed fully earned upon execution of this Development Agreement or a Franchise Agreement, as applicable, and is nonrefundable. The Franchise Fee is payment, in part, for expenses incurred by Medifast in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Medifast, including general sales and marketing expenses, training, legal, accounting and other professional fees.

4. DEVELOPMENT SCHEDULE

A. Franchisee shall exercise each development right granted herein only by executing a Franchise Agreement for each Center for a site approved by Medifast in the Development Area as hereinafter provided and as provided in the Franchise Agreement governing the Center. Franchisee's right to execute such a Franchise Agreement shall be contingent upon Franchisee's continuous performance of all of the terms and conditions of this Development Agreement and any other development, franchise or other agreements between Franchisee and Medifast. The Franchise Agreement for each Center developed pursuant to this Development Agreement shall be in the form of the then-current Medifast Franchise Systems, Inc. franchise agreement. Franchisee will be required to open the minimum number of Centers by December 31st of each calendar year (the "Development Schedule") as set forth in the Development Schedule (Exhibit I) (should Franchisee open new Centers in excess of the minimum required under the

Development Schedule for a specific calendar year, any excess number of Centers shall be counted toward the minimum requirement for the following year)

B. Recognizing that time is of the essence in the performance of this Development Agreement, Franchisee agrees to exercise the development rights granted hereunder in the manner specified in Section 5 hereof and to satisfy the Development Schedule. Failure by Franchisee to adhere to the Development Schedule shall constitute a default under this Development Agreement, subjecting Franchisee to termination of this Agreement or the other remedies provided for in Section 6(C) hereof.

5. CENTER OPENINGS

Franchisee shall submit a proposed site for each Center for approval by Medifast subject to the provisions of the applicable Franchise Agreement and Medifast shall review Franchisee's proposal subject to the provisions of the applicable Franchise Agreement.

6. DEFAULT AND TERMINATION

A. The rights granted to Franchisee in this Development Agreement have been granted based upon Franchisee's representations and assurances, among other, that the conditions set forth in Sections 4 and 5 of the Development Agreement will be met by Franchisee in a timely manner.

B. Franchisee shall be deemed to be in default under this Development Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee or any of its owners or guarantors (collectively, the "Franchisee Parties") shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by any of the Franchisee Parties or such a petition is filed against any of the Franchisee Parties and not opposed by the affected Franchisee Party; or if any Franchisee Party is adjudicated bankrupt or insolvent; or if a receiver or other Custodian (permanent or temporary) of any of the Franchisee Parties' assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under the applicable law of any jurisdiction should be instituted by or against any Franchisee Party; or if a final judgment remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's property or business; or if suit to foreclose any lien mortgage against the premises or equipment of any Center developed hereunder is instituted against the Franchisee and not dismissed within 30 days; or if the real or personal property of any Center developed hereunder shall be sold after levy thereupon by any sheriff, marshal, or constable.

C. Any (a) uncured or uncurable default by Franchisee under any other agreement between Franchisee and Medifast and/or (b) uncured or uncurable default by any entity under common control with Franchisee under any agreement between the entity and Medifast shall constitute an uncurable default under this Agreement. Common control" shall mean the circumstance where any owner or member of Franchisee also owns an interest in, or is a member of, any other entity

D. If Franchisee fails to comply with the Development Schedule or any other terms of this Development Agreement, or if any of the Franchisee Parties fails to comply with any terms or conditions of any Franchise Agreement covering a Center established hereunder (and, except for a default under Section 6 B, above, does not cure such default to Medifast's satisfaction within thirty (30) days after receipt of notice of the default), Medifast, in its discretion, may do any one or more of the following:

1. Terminate this Development Agreement and all rights granted hereunder without affording the Franchisee any additional opportunity to cure the default;

2. If Franchisee fails to comply with the Development Schedule, require Franchisee to pay a fee of One Thousand Dollars ($1,000.00) per month, payable on the fifth (5^{th}) day of each month, for each month until Franchisee cures the default under the Development Schedule;

3. Reduce the number of Centers that Franchisee may establish pursuant to Section 1.A. of this Development Agreement;

4. Withhold evaluation or approval of site proposal packages and refuse to permit the opening of any Center then under construction or otherwise not ready to commence operations; or

5. Accelerate the Development Schedule set forth in Exhibit I hereto.

In addition to the foregoing, Medifast shall be entitled to pursue any other remedies available hereunder or at law or in equity.

E. Upon termination of this Development Agreement, Franchisee shall have no right to establish or operate any Center for which a Franchise Agreement has not been fully executed as of the effective date of termination.

7. TRANSFER OR ASSIGNMENT BY FRANCHISEE

A. The rights and duties of Franchisee as set forth in this Development Agreement are personal to Franchisee, its owners and guarantors, and Medifast has entered into this Development Agreement in reliance upon the personal or collective skill and financial ability of Franchisee, its owners and guarantors. Therefore, this Agreement may not be transferred or assigned by Franchisee without the written consent of Medifast, which shall not be given unless, at a minimum, all Existing Franchise Agreements and Franchise Agreements are assigned, and consent will only be given to an approved assignee of Existing Franchise Agreements or Franchise Agreements.

B. Franchisee shall not pledge or grant any security interest in this Development Agreement.

C. Anything contained herein to the contrary notwithstanding, if Franchisee desires to transfer its rights hereunder, Franchisee shall submit a bona fide written letter of intent, agreement or offer signed by the potential transferee or purchaser to Medifast. Medifast shall have the option, exercisable within 30 days after receipt of such bona fide written agreement, letter of intent or offer, to purchase, or cause a third party designated by Medifast, to purchase the Franchisee's business and/or Franchisee interest, upon the same terms and conditions as contained in the bona fide letter of intent, agreement or offer furnished Medifast.

D. Upon the death or permanent incapacity (as determined by a physician acceptable to Medifast) of any person with an interest in Franchisee, this Development Agreement, or all or a substantial portion of the assets of the franchised Center(s), and upon the dissolution of a Franchisee that is a partnership or corporation, the executor, administrator, personal representative, or trustee of such person or entity shall transfer his or its interest to a third party approved by Medifast within one hundred and eight (180) days of such death or permanent incapacity, or within ninety (90) days of such dissolution. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any transfer pursuant to Paragraph 7. B. hereof. Upon the death or permanent incapacity of the Franchisee, Medifast may terminate this Development Agreement upon thirty (30) days written notice to Franchisee's last known business address unless the above procedures for transfer are met.

E. Medifast's consent to a transfer of any interest in Franchisee, this Development Agreement, or all or a substantial portion of the assets of the development agreement shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Medifast's right to demand exact compliance with any of the terms of this Development Agreement by the transferee.

F. Unless expressly permitted by Medifast in writing, no assignment or any other transfer by Franchisee, with or without Medifast's consent, during the term of this Development Agreement or any

renewal period shall release Franchisee from any liability under the terms of this Development Agreement nor shall Franchisee be relieved of the obligations of performing any of the terms, covenants and conditions of this Development Agreement.

8. TRANSFER OR ASSIGNMENT BY MEDIFAST

Medifast shall have the right to assign this Development Agreement, and all of its rights and privileges hereunder, to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Medifast: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing the obligations of Medifast hereunder, and (ii) the assignee shall expressly assume and agree to perform such obligations. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Medifast may sell its assets, the formulas to its Products, its Proprietary Marks, or its System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Products, Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "MEDIFAST" and shall, if requested, execute a written, general release of Medifast and/or its affiliates.

9. ADDITIONAL REQUIREMENTS – CORPORATE FRANCHISEES

In addition to any requirements set forth in an applicable Franchise Agreement, the following requirements shall apply to Franchisee if Franchisee is a corporation:

1. Franchisee's Articles of Incorporation or similar organizational document shall provide that Franchisee's activities are confined exclusively to operating a Medifast Weight Control Center.

2. To the extent not previously done so, Franchisee shall furnish to Medifast copies of Franchisee's Articles of Incorporation, Bylaws, Operating Agreements and other governing documents, and any amendments thereto, including resolutions of the Board of Directors of Franchisee authorizing execution of this Development Agreement.

3. Each stock certificate issued to shareholders of Franchisee shall have conspicuously endorsed upon its face a statement in a form satisfactory to Medifast, such as:

THE TRANSFER, PLEDGE OR ALIENATION OF THIS STOCK IS SUBJECT TO THE TERMS AND RESTRICTIONS CONTAINED WITHIN THE DEVELOPMENT AGREEMENT BETWEEN MEDIFAST FRANCHISE SYSTEMS, INC. AND _____

4. Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and shall furnish the list to Medifast upon request.

5. All shareholders, members or partners of Franchisee holding five percent (5%) or greater interest in Franchisee and their spouses (and Franchisee's spouse if Franchisee is an individual) shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Development Agreement by executing Medifast's standard form of Guaranty Agreement, a copy of which is attached hereto as Exhibit III; provided, however, that the requirements of this Section 9 shall not apply to a publicly held corporation.

10. CONFIDENTIAL INFORMATION

A. Non-Disclosure. Franchisee shall not, during the term of this Development Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation any confidential information, knowledge, or know-how concerning the methods of development and/or operation of the Center(s) to be developed hereunder which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's activities under the terms of this Development Agreement. Franchisee shall divulge such confidential information only to such of its employees and agents as must have access to it in order for Franchisee to develop the Centers(s). Any and all information, knowledge, and know-how, including, without limitation, drawings, materials, equipment, specifications, techniques, and other data, which Medifast designates as confidential shall be deemed confidential for purposes of this Development Agreement, except information which (i) Franchisee can demonstrate was in its possession prior to disclosure thereof by Medifast, or (ii) at the time of disclosure by Medifast to Franchisee, had become a part of the public domain, through publication or communication by third parties, or (iii) after disclosure to Franchisee by Medifast, becomes a part of the public domain, through publication or communication by third parties.

B. Confidentiality Agreement. Franchisee shall require all employees to execute an employment agreement in the form and substance prescribed by Medifast which prohibits the employees during the term of their employment with Franchisee or for two (2) years thereafter from communicating, divulging, or using for the benefit of another party any confidential information or knowledge relating to the methods of development of the Center which may be acquired during the term of their employment with Franchisee. This agreement shall also preclude an employee's participation in a competing business during the term of their employment with Franchisee and for a period of one (1) year thereafter.

C. Franchisee Developments. Medifast shall have the exclusive right to use and incorporate any modifications, changes, and improvements in the Products, Proprietary Marks and/or System for the benefit of its developers, in whole or in part, developed or discovered by Franchisee or Franchisee's employees or agents in connection with the Products, Proprietary Marks and/or System or development of the Center(s), without any liability or obligation to the developer thereof. This may include, but is not limited to, discoveries or development of products, systems, or techniques, management practices or procedures, architectural designs and philosophies and names or groups of words relating to the Products, Proprietary Marks and/or System.

11. COVENANTS

A. Full-Time and Best Efforts. Franchisee (and, if Franchisee is a corporation or partnership, Franchisee's principals or partners) shall devote full time, energy, and best efforts to the development of the Center(s).

B. Non-Solicitation and Non-Competition. Franchisee covenants that Franchisee (and, if Franchisee is a corporation or partnership, Franchisee's principals or partners) shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

1. Divert or attempt to divert any business or customer of Medifast or any other Medifast Weight Control Centers Franchisee to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Medifast's Products, Proprietary Marks and the System;

2. Employ or seek to employ any person who is at that time employed by Medifast or by any other Medifast Weight Control Centers Franchisee or otherwise directly or indirectly induce such person to leave his or her employment; or

3. Own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the franchised Center.

Franchisee covenants that, except pursuant to a Franchise Agreement between it (or its affiliate) and Medifast, Franchisee shall not, during the term hereof, and for a continuous uninterrupted period commencing upon the expiration or termination of this Development Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business which is the same as or substantially similar to the franchised Center and which is located: (i) within the Development Area; (ii) within a radius of thirty (30) miles of any location where Franchisee (or its affiliates) operated a Center as of the date of expiration or termination; or (iii) within a radius of thirty (30) miles of the location of any franchised Center under the System which is in existence on the date of the expiration or termination of this Development Agreement, as permitted by applicable law.

C. **Fairness and Reasonableness**. Franchisee acknowledges and agrees that the covenants not to compete set forth above are fair and reasonable and will not impose any undue hardship on Franchisee, or Franchisee's shareholders or partners, if Franchisee is a corporation or partnership, since Franchisee, its shareholders or partners have other considerable skills, experience and education which afford Franchisee, its shareholders or partners the opportunity to derive income from other endeavors.

D. **Exclusion from Covenants**. Sections 10.B. and 10.C. above shall not apply to ownership by Franchisee of five percent (5%) or less beneficial interest in the outstanding equity securities of any publicly-held corporation.

Franchisee acknowledges that violation of the covenants not to compete contained in this Development Agreement would result in immediate and irreparable injury to Medifast for which no adequate remedy at law will be available. Accordingly, the Franchisee hereby consents to the entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of those covenants not to compete set forth in this Development Agreement. Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through Franchisee's unlawful utilization of Medifast's confidential information, know-how, methods and procedures. Further, Franchisee expressly agrees that the existence of any claims it may have against Medifast, whether or not arising from this Development Agreement, shall not constitute a defense to the enforcement by Medifast of the covenants not to compete set forth in this Development Agreement. Franchisee further agrees to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Medifast in connection with the enforcement of those covenants set forth in this Development Agreement.

E. **Independence of Covenants**. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Development Agreement. If any or all portions of the covenants in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Medifast is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

F. **Modification of Covenants**. Franchisee understands and acknowledges that Medifast may modify the Development Agreement only upon the execution of a written agreement by Medifast and the Franchisee.

G. **No Defense**. Franchisee expressly agrees that the existence of any claims it may have against Medifast, whether or not arising from this Development Agreement, shall not constitute a defense to the enforcement by Medifast of the covenants in this Section.

H. **Additional Covenants**. At Medifast's request, Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons: (1) who have received training from Medifast; (2) all officers, directors and holders of a beneficial interest of greater than five percent (5%) or more of the securities of Franchisee and of any corporation directly or indirectly controlling Franchisee if Franchisee is a corporation; and (3) the general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of greater than five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner) if Franchisee is a partnership. All covenants required by this Section shall be in forms satisfactory to Medifast, including, without limitation, specific identification of Medifast as a third party beneficiary of such covenants with the independent right to enforce them. Failure by Franchisee to obtain execution of a covenant required by this Section shall constitute a default under this Development Agreement.

12. CHANGES AND MODIFICATIONS

Medifast reserves and shall have the sole right to make changes in the Confidential Operations Manual, the Products, the Proprietary Marks and/or System at any time and without prior notice to Franchisee. Franchisee understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, Medifast's Products, Proprietary Marks and System must not remain stagnant, in order that it best serve the interests of Medifast, franchisees and the System. Accordingly, Franchisee expressly understands and agrees that Medifast may from time to time change the components of the Products, Proprietary Marks and System, including but not limited to: altering the recipes, sauces and seasonings, menus and menu items, programs, services, methods, standards, forms, policies and procedures, adding to, deleting from or modifying the same including the products and services which the franchised Center is authorized to offer; and changing, improving or modifying the Products and Proprietary Marks. Subject to the other provisions of this Development Agreement, Franchisee expressly agrees to abide by any such modifications, changes, additions, deletions and alterations.

13. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. **No Agency Relationship Created**. It is understood and agreed by the parties hereto that this Development Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Development Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Medifast shall not have the power to hire or fire Franchisee's employees, and except as herein expressly provided, Medifast may not control or have access to Franchisee's funds or the expenditures thereof, or in any other way exercise dominion or control over the franchised Center.

B. **Notice to Public**. Franchisee shall conspicuously identify itself and, ultimately the franchised Center in all dealings with its lenders, contractors, suppliers, public officials and others, as an independent Franchisee of Medifast, and shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials and in such fashion as Medifast may, in its sole and exclusive discretion, specify and require from time to time in its Confidential Operations Manual (as same may be amended from time to time) or otherwise.

C. **No Representations or Warranties**. Except as otherwise expressly authorized by this Development Agreement, neither party hereto will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between Medifast and Franchisee is other than that of Medifast and Franchisee. Medifast does not assume any liability, and will not be deemed liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Development Agreement,

nor will Medifast be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Centers franchised hereby.

14. APPROVAL AND WAIVERS

A. **Written Consent**. Whenever this Development Agreement requires the prior approval or consent of Medifast, Franchisee shall make a timely written request to Medifast thereof and such approval or consent shall be obtained in writing.

B. **No Waiver**. No failure of Medifast to exercise any power reserved to it by this Development Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Medifast's right to demand exact compliance with any of the terms herein. Waiver by Medifast of any particular default by Franchisee shall not affect or impair Medifast's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of Medifast to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions or covenants hereof affect or impair Medifast's right to exercise the same, nor shall such constitute a waiver by Medifast of any right hereunder or the right to declare any subsequent breach or default and to terminate this Development Agreement prior to the expiration of its term. Subsequent acceptance by Medifast of any payments due to it hereunder shall not be deemed to be a waiver by Medifast of any preceding breach by Franchisee of any terms, covenants or conditions of this Development Agreement.

15. NOTICE

A. All notices or communications required or permitted hereunder shall be deemed duly given if delivered, in writing, personally, by hand, sent by registered or certified mail, return receipt requested, first class postage prepaid, or by recognized carrier (such as United Parcel Service or Federal Express), facsimile or electronic mail to the address set out below.

B. **If to Medifast:**

Medifast Franchise Systems, Inc.
Attention: Dominic Vietri, Executive Vice President
Medifast Weight Control Centers
11445 Cronhill Drive
Owings Mills, Maryland 21117
Telephone: 410-504-8290
Facsimile: 410-581-8070
Electronic Mail: Dominic.Vietri@choosemedifast.com

With Copy to:
Medifast Franchise Systems, Inc..
Attention: Corporate Counsel
11445 Cronhill Drive
Owings Mills, MD 21117
Telephone: 443-379-5125
Facsimile: 443-471-3323

C. **If to Franchisee:**

_____
_____
_____
_____
Telephone: _____
Facsimile: _____
Electronic Mail: _____

With Copy to:

_____
_____
_____
_____
Telephone: _____
Facsimile: _____
Electronic Mail: _____

D. Notices shall be deemed delivered when deposited in the United States mail and/or as above provided, effective upon the date of receipt or refusal of delivery. Change of address by either party must be by notice given to the other in the same, manner as above specified.

16. DISCLOSURE STATEMENT AND DISCLAIMER

A. **Compliance with Applicable Laws**. Franchisee acknowledges that it received from Medifast a Uniform Franchise Disclosure Document for the State in which the franchised Center will be located, or Franchisee's place of residence, as appropriate, at least 14 days prior to the execution of this Development Agreement. Franchisee acknowledges that it received from Medifast this Development Agreement with all blanks filled in at least seven (7) days prior to the execution of this Development Agreement.

B. **Acknowledgement**. Franchisee acknowledges and accepts the following:

(i) **THE SUCCESS OF FRANCHISEE IN DEVELOPING, OWNING AND OPERATING A FRANCHISED MEDIFAST WEIGHT CONTROL CENTER IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, FRANCHISEE'S INDEPENDENT BUSINESS ABILITY.**

(ii) **THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED CENTER RESTS SOLELY WITH FRANCHISEE.**

(iii) **FRANCHISEE HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY.**

(iv) **NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE FRANCHISEE TO ENTER INTO THIS DEVELOPMENT AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN. FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO FRANCHISEE AND CANNOT, EXCEPT UNDER THE TERMS OF THIS DEVELOPMENT AGREEMENT AND ANY APPLICABLE FRANCHISE AGREEMENT,**

EXERCISE CONTROL OVER THE DEVELOPMENT AND ULTIMATE OPERATION OF FRANCHISEE'S BUSINESS.

(v) **FRANCHISEE ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN.**

(vi) **FRANCHISEE ACKNOWLEDGES AND UNDERSTANDS THAT NOTHING IN THIS FRANCHISE AGREEMENT GRANTS TO FRANCHISEE THE RIGHT TO SELL MEDIFAST® BRANDED PRODUCTS WITHOUT COMPETITION IN THE PROTECTED TERRITORY. FRANCHISEE FURTHER ACKNOWLEDGES THAT MEDIFAST, INC. AND SUBSIDIARIES OF MEDIFAST, INC. WILL SELL MEDIFAST® BRANDED PRODUCTS IN COMPETITION WITH FRANCHISEE IN FRANCHISEE'S PROTECTED TERRITORY, AND MEDIFAST'S SOLE OBLIGATION IN CONNECTION WITH FRANCHISEE'S PROTECTED TERRITORY IS NOT TO OPEN, AND NOT TO ALLOW ANY THIRD PARTY TO OPEN, A MEDIFAST WEIGHT CONTROL CENTER OR SIMILAR RETAIL OPERATION IN FRANCHISEE'S PROTECTED TERRITORY**

17. ENTIRE AGREEMENT

This Development Agreement, the documents referred to herein, and the Exhibits or Addenda hereto, if any, constitute the entire, full, and complete agreement between Medifast and Franchisee concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Franchisee to execute this Development Agreement. No representations, inducements, promises, or agreements, oral or otherwise, not embodied herein, attached hereto or contained in Medifast's Uniform Franchise Disclosure Document provided to Franchisee (unless of subsequent date) were made by either party, and none shall be of any force or effect with reference to this Development Agreement or otherwise. No amendment, change, or variance from this Development Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

18. SEVERABILITY AND CONSTRUCTION

A. **Severability**. Except as expressly provided to the contrary herein, each section, part, term, and/or provision of this Development Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Development Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms, and/or provisions shall he deemed not to be a part of this Development Agreement; provided, however, that if Medifast determines that such finding of invalidity or illegality adversely affects the basic consideration of this Development Agreement, Medifast, at its option, may terminate this Development Agreement.

B. **No Third Party Rights**. Anything to the contrary herein notwithstanding, nothing in this Development Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Medifast or Franchisee and such of their respective successors and assigns as may be contemplated hereinabove, any rights or remedies under or by reason of this Development Agreement.

C. **Captions**. All captions in the agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provisions hereof.

D. **References**. All references herein to the masculine, feminine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable, and all acknowledgements, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all the parties hereto on behalf of Franchisee.

E. **Counterparts**. This Development Agreement may be executed in counterparts, and each copy so executed shall be deemed an original.

19. MEDIATION

The parties agree to attempt to resolve any dispute, claim or controversy arising out of or relating to this Development Agreement by mediation, which shall be conducted by Franchise Arbitration and Mediation Services ("FAM"), or if FAM ceases to exist, by an arbitrator or arbitration company chosen by Medifast and agreed to by Franchisee. In any case, the arbitrator must be agreed upon by the parties. The arbitration will be conducted in the state and county in which Medifast maintains its principal place of business, and the costs of arbitration will be split upon by the parties. The parties further agree that their respective good faith participation in mediation is a condition precedent to pursuing any other remedy, including arbitration, litigation for equitable relief, or any other type of dispute resolution.

20. ARBITRATION

Except to the extent that either party seeks temporary or preliminary injunctive or other equitable relief to enforce provisions of this Development Agreement, all controversies, claims or disputes between Medifast and Franchisee not resolved through mediation arising out of or relating to (i) this Development Agreement or any other agreement between Medifast and Franchisee, (ii) the relationship between Franchisee and Medifast, or (iii) the validity of this Development Agreement or any other agreement between Medifast and Franchisee will be submitted for arbitration to FAM, or, if FAM ceases to exist, the American Arbitration Association ("AAA"). In connection therewith, the parties further agree as follows:

A. The arbitration shall be conducted in the state and county or municipality where Medifast's principal executive office is located on the date of such demand, before a single arbitrator selected pursuant to FAM's Arbitration Guidelines, or in accordance with the then-current Commercial Arbitration Rules of the AAA should FAM cease to exist. Should both FAM and the AAA cease to exist during the term of this Agreement, Medifast may designate a comparable third-party entity which is in the business of administering arbitration proceedings.

B. In any arbitration proceeding, each party must combine all claims which the party has against the other party at the time of filing of the arbitration proceeding, and the other party must pursue all claims against the first party which would constitute compulsory counterclaims under the Federal Rules of Civil Procedure. Any claim not submitted or filed as required is forever barred.

C. **FOR ALL CLAIMS SUBJECT TO ARBITRATION HEREUNDER, EACH PARTY AND THEIR SUBSIDIARIES AND AFFILIATES, AND IN THE CASE OF FRANCHISEE, FRANCHISEE'S GUARANTORS, HEREBY WAIVE THEIR RIGHTS TO A TRIAL BY JURY AND WILL NOT SEEK TO CONSOLIDATE ANY LEGAL ACTION WITH ANOTHER ACTION IN WHICH A JURY TRIAL CANNOT BE WAIVED. This waiver is a material inducement for Medifast to enter into this Agreement.**

D. This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Development Agreement. If either party fails to appear at

any properly-noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding the party's failure to appear.

E. The arbitration will be conducted on an individual basis, and no claims may be submitted as class or group action. The arbitration proceeding between Medifast and Franchisee may not be consolidated with any other arbitration or other proceeding between Medifast and any other person or entity.

F. The arbitrators may not award punitive or exemplary damages to any party involved, except as permitted by the U.S. Trademark Act of 1946 as amended.

G. Any disputes concerning the enforceability or scope of the arbitration clause shall be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. § 1 et seq. (FAA), and Franchisee acknowledges that, notwithstanding any contrary language in this Development Agreement, the FAA preempts any state law restrictions on the enforcement of the arbitration clause in this Development Agreement according to its terms, including any restrictions on the site of the arbitration.

H. The Federal Rules of Civil Procedure, as they relate to pretrial discovery, will apply to the arbitration, except that the arbitrator may establish deadlines and restrictions on discovery as the arbitrator deems reasonable under the circumstances. A reviewable transcript or recording of the arbitration will be maintained and the cost therefor shall be shared equally by the parties. In all other respects, the rules of FAM or the AAA, as applicable, shall control the manner in which the arbitration is administered and conducted.

I. The sole entity against which the Franchisee may seek damages or any remedy under law or equity for any arbitrable claim is Medifast, its guarantor (if applicable), or their respective successors or assigns. Franchisee agrees that it shall not name Medifast's, or its guarantor's shareholders, directors, officers, employees, agents and representatives as a party in any litigation, arbitration or other proceedings commenced by the Franchisee, arising out of or relating to this Agreement or the relationship between Medifast and Franchisee.

J. Within thirty (30) days of the close of the arbitration hearing record, The arbitrator shall issue a reasoned decision containing findings of fact and conclusions of law and made in accordance with the legal principles applicable to the claims made. If neither party chooses to appeal the award pursuant to Section 20.K., judgment upon that award may be entered in any court having competent jurisdiction thereof.

K. Neither party may appeal any interim finding or judgment. A final award by the arbitrator may be appealed within thirty (30) days of receipt of notice of such final award. Appeals will be conducted before a three (3) arbitrator panel appointed by FAM, or AAA (as applicable) and each member of the panel must be a licensed attorney with expertise in the law relating to franchising. The arbitration panel may not conduct any trial de novo or other fact-finding function, but instead must base its decision on the record already created. The appellate panel's decision must be in writing and provide an explanation of the reason for the decision, in a manner similar to an appellate court opinion (rather than findings of fact and conclusion of law). The appellant panel's decision will be binding, final and non- appealable and may be entered in any court having jurisdiction thereof.

L. The provisions in this Section 20 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Development Agreement. Furthermore, this Section 20 will be construed as independent of any other covenant or provision of this Development Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such

provisions to the minimum extent necessary to comply with applicable law. Any ruling invalidating any other portion of the Development Agreement shall not affect the validity of this arbitration clause.

M. In the event that any provision of this arbitration agreement is unenforceable, that provision is severable from the remainder of this arbitration clause, and the balance of the arbitration agreement shall remain in full force and effect.

21. GENERAL DISPUTE RESOLUTION PROVISIONS

A. Choice of Law

Except to the extent this Development Agreement, any particular portion hereof, or any particular dispute is governed by the U.S. Trademark Act of 1946 or any other federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the state of Maryland, excluding any law regulating the sale of franchises or governing the relationship between Medifast and Franchisee. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

B. Consent to Jurisdiction

Any action brought by either party must be brought in the appropriate state or federal court located in or serving the county and state in which Medifast maintains its principal place of business at the time any dispute resolution proceeding is commenced by either party. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered and return receipt requested, or by any other manner provided by law. Claims for injunctive relief against Franchisee may be brought by Medifast where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.

C. Class Actions Prohibited

Medifast and Franchisee agree that all legal proceedings between the parties and/or any of their owners, officers, directors and affiliates ("Related Parties") will be conducted on an individual, not a class-wide, basis and that any legal proceedings between Medifast and Franchisee and/or any of their Related Parties will not be consolidated with any other proceeding involving Medifast and any other party.

D. Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Medifast or Franchisee by this Development Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Medifast's right to obtain injunctive relief against threatened or actual conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

E. Limitations of Claims

Any claim concerning the Center or this Development Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date

on which Franchisee or Medifast knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

F. Limitation of Damages and Disclaimer

Except as permitted by the U.S. Trademark Act of 1946 as amended, Franchisee and Medifast each waive, to the fullest extent permitted by law, under any theory of liability, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it. Franchisee waives and disclaims any right to consequential damages in any action or claim against Medifast concerning this Development Agreement or any related agreement. In any action or claim brought by Franchisee against Medifast under this Development Agreement, Franchisee's contractual damages shall not exceed and shall be limited to Franchisee's Franchise Fee and/or Royalty Fee payments made during the term of this Agreement.

G. Waiver of Jury Trial

EACH PARTY HEREBY WAIVES ANY RIGHT TO A JURY TRIAL WITH RESPECT TO THIS AGREEMENT AND/OR ANY MATTERS ARISING HEREUNDER.

H. Service of Process

The parties agree that service of process in any proceeding arising out of or relating to this Development Agreement or the performance thereof may be made as to Franchisee and/or the Principals by serving a person of suitable age and discretion (such as the person in charge of the office) at the notice address of Franchisee specified in Section 14 to this Development Agreement and as to Medifast, by serving the President or a Vice President of Medifast at the notice address specified in Section 14 or by serving Medifast's registered agent.

I. Costs of Litigation

Franchisee shall pay to Medifast all costs and expenses, including reasonable attorneys' fees, incurred by Medifast in obtaining injunctive or other relief or for the enforcement of any provision of this Development Agreement.

22. ACKNOWLEDGEMENTS

A. **Independent Investigation**. Franchisee acknowledges that it has conducted an independent investigation of the Center franchised hereunder, and recognizes that the business venture contemplated by this Development Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee as an independent businessman. Medifast expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guaranty, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Development Agreement.

B. **Understanding of Agreement**. Franchisee acknowledges that it has received, read, and understood this Development Agreement and the Exhibits or Addendum hereto, if any, and that Medifast has fully and adequately explained the provisions of each to Franchisee's satisfaction, and that Medifast has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Development Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Development Agreement on the day and year first above written.

Medifast Franchise Systems, Inc.	[FRANCHISEE]
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

EXHIBIT I

Development Schedule Franchisee

Development Schedule

Number of Franchised Centers to be Developed	Date
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	
16.	
17.	
18.	
19.	
20.	

TO BE INITIALED BY BOTH PARTIES:

_____
Franchisee

_____
Medifast

EXHIBIT II

Description of Development Area and Protected Property

TO BE INITIALED BY BOTH PARTIES:

_____
Franchisee

_____
Medifast

EXHIBIT III

Guaranty

This Guaranty is given as of _____, 20____ (date) by _____ ("Guarantor"), in favor of Medifast Franchise Systems, Inc. (Medifast), with respect to the following.

WHEREAS, Guarantor is a principal, owner, shareholder, member or partner (or the spouse of such individual) of _____ ("Franchisee"). Guarantor desires that Medifast enter into this Development Agreement with Franchisee with respect to the development and operation of one or more Medifast Weight Control Centers by Franchisee. Guarantor has given this Guaranty in order to induce Medifast to do so.

NOW THEREFORE,, in consideration of Guarantor's current interest in Franchisee, and for other valuable consideration, Guarantor hereby guarantees performance and payment by Franchisee of all Obligations that Franchisee now or in the future owes or may owe to Medifast or any affiliate of Medifast, including those contained in that certain Development Agreement entered into by and between Medifast and Franchisee dated _____. "Obligations" shall include all liabilities of any nature, including without limitation development fees; license fees; royalties; loans; fees, fees payable to third parties pursuant to the terms and conditions of any Franchise Agreement by and between Medifast and Franchisee; value of services or property rendered or provided; accounts receivable; confidentiality; covenants restricting the use of Medifast trademarks, property, and information; and damages arising from the breach of any such Obligations.

The undersigned agrees to comply with and abide by the restrictive covenants and non-disclosure provisions contained in any Franchise Agreement by and between Medifast and Franchisee to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions. These obligations of the undersigned shall survive any expiration or termination of the Franchise Agreement or this Guaranty.

This is an irrevocable, unconditional, and continuing Guaranty, and Guarantor agrees to perform and to pay the Obligations just as if Guarantor and not Franchisee had incurred them in the first instance. Medifast may proceed against Guarantor without first attempting to collect the Obligations from Franchisee or any other guarantor or person whatsoever, and without first attempting to pursue any rights in any collateral.

Medifast need not notify Guarantor of its acceptance of this Guaranty or of any presentment; demand for performance; nonperformance; extension, renewal, or alteration of the terms of any Obligations; the condition or change of condition of the business or finances of Franchisee; or the incurring of any new Obligations. Medifast may release Franchisee or anyone else from the Obligations in whole or in part without affecting Guarantor's obligations hereunder. Upon any default hereunder, Guarantor hereby agrees that any indebtedness of Franchisee to Guarantor shall be subordinated hereto, and Guarantor shall not claim any offset or reduction of Guarantor's obligations hereunder because of any such indebtedness.

This Guaranty shall remain in effect so long as the Obligations are not performed and paid in full.

This Guaranty shall be governed by the laws of the State of Maryland. Should Guarantor bring or initiate any lawsuit against Medifast relating to this Guaranty, all such actions or proceedings shall be pursued in the United States District Court sitting in the district and state where Medifast then maintains its principal place of business, or in the applicable court of general jurisdiction in the county or state where Medifast maintains its principal place of business if there is no federal jurisdiction over the dispute, and the parties do hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

_____

[Name of Guarantor]

Date:_____

EXHIBIT IV

State Specific Addenda

1. California
2. Maryland
3. Minnesota
4. New York
5. North Dakota
6. Virginia
7. Wisconsin

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. DEVELOPMENT AGREEMENT FOR THE STATE OF CALIFORNIA

To the extent the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Development Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Development agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Development Agreement requires application of the laws of Maryland. This provision may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Development Agreement upon certain bankruptcy-related events. If the Development Agreement is inconsistent with the law, the law will control.

The Development Agreement requires binding arbitration. The arbitration will occur in the state and county or municipality where Medifast's principal executive office is located on the date the arbitration is demanded with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Development Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.

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

FRANCHISEE

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

If Franchisee is an individual:

_____
Print Name:_____
Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. DEVELOPMENT AGREEMENT FOR THE STATE OF MARYLAND

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Development Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Development Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.

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

FRANCHISEE

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

If Franchisee is an individual:

_____
Print Name:_____
Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. DEVELOPMENT AGREEMENT FOR THE STATE OF MINNESOTA

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Development Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Development Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Development Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Development Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Development Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.

By:_____

Name:_____

Title:_____

Date:_____

FRANCHISEE

By:_____

Name:_____

Title:_____

Date:_____

If Franchisee is an individual:

_____
Print
Name:_____

Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. DEVELOPMENT AGREEMENT FOR THE STATE OF NEW YORK

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Development Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE:_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. DEVELOPMENT AGREEMENT FOR THE STATE OF NORTH DAKOTA

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the Development Agreement are enforceable only under certain conditions according to North Dakota law. If the Development Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The Development Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Development Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

The Development Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE:_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. DEVELOPMENT AGREEMENT FOR THE STATE OF VIRGINIA

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> "According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the development agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE:_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

ADDENDUM TO MEDIFAST FRANCHISE SYSTEMS, INC. DEVELOPMENT AGREEMENT FOR THE STATE OF WISCONSIN

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

MEDIFAST FRANCHISE SYSTEMS, INC.	FRANCHISEE:_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

EXHIBIT F

Guarantee of Performance by Medifast, Inc.

Guarantee of Performance
of Medifast Franchise Systems, Inc. by Medifast, Inc.

For value received, Medifast, Inc., a Delaware corporation (the "Gurantor"), located at 11445 Cronhill Drive, Owings Mills, Maryland 21117, absolutely and unconditionally guarantees to assume the duties and obligations of Medifast Franchise Systems, Inc., located at 11445 Cronhill Drive, Owings Mills, Maryland 21117 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued April 29, 2016 as it may be amended, and as that Franchise Agreement may be entered into with franchisees, and amended, modified or extended from time to time.

This guarantee continues until all such obligations of the Franchisor under its franchise registrations and Franchise Agreement are satisfied or until the liability of the Franchisor or its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived.

The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee in Baltimore County, Maryland on the 23 day of May, 2016.

MEDIFAST, INC.

By: _____
Tim Robinson
Chief Financial Officer

EXHIBIT G

Lists of Current and Former Franchisees

Medifast Weight Control Center Franchise Locations as of December 31, 2015

ARIZONA

Marvin Fleischman, Franchise Owner, 1 (480) 612-0905
Ilyne Fleischman, Franchise Co-owner, 1 (480) 612-0905
Email: Ilyne@cox.net

1) **Chandler, AZ**
5865 W. Ray Road, Ste. # 8A
Chandler, Arizona 85226

2) **Gilbert, AZ**
2915 E. Baseline Road, Suite # 124
Gilbert, Arizona 85234

3) **Glendale, AZ**
5940 W. Union Hills Drive, Suite D 220
Glendale, Arizona 85308

4) **Scottsdale, AZ**
5040 E. Shea Blvd., Suite # 252
Scottsdale, Arizona 85254

CALIFORNIA

Timothy Denari, Franchise Owner, 1 (661) 428-0457
Email: tdenari@gmail.com

1) **Bakersfield, CA***
2900 Calloway Drive, Suite # 500
Bakersfield, California 93312

Timothy Coykendall, Franchise Owner, 1 (209) 612-5884
Email: tim.coykendall@gmail.com

1) **Tracy, CA**
438 S. Beverly Place, Suite # 130
Tracy, California 95376

Kent Coykendall, Franchise Owner, 1 (760) 274-1464
Email: kcoykendall@medifastwcc.com

1) **Carmel Mountain Ranch, CA**
11835 Carmel Mountain Road, Suite # 1301
San Diego, California 92128

2) **Chula Vista, CA**
810 Paseo Del Rey

Chula Vista, California 91910

3) **Citrus Heights, CA**
5739 Sunrise Boulevard
Citrus Heights, CA 95610

4) **El Cajon, CA**
680 Fletcher Parkway, Suite # 200
El Cajon, California 92020

5) **Elk Grove, CA**
7811 Laguna Blvd. # 170
Elk Grove, California 95758

6) **Encinitas, CA.**
499 North El Camino Real, Suite C-100
Encinitas, California 92024

7) **Mission Valley, CA.**
5353 Mission Center Road, Unit # 115
San Diego, California 92108

8) **Roseville, CA**
1677 Eureka Road, Suite # 100
Roseville, California 95610

9) **Sacramento, CA**
855 Howe Avenue, Suite # 2
Sacramento, California 95825

10) **San Marcos, CA.**
137 S. Las Posas Rd., Suite # 255
San Marcos, California 92078

11) **San Ramon, CA**
21314 San Ramon Valley Blvd., Suite A
San Ramon, California 94583

12) **Temecula, CA.**
27450 Ynez Road, Suite # 316
Temecula, California 92591

13) **Vacaville, CA**
750 Mason Street, Suite # 105
Vacaville, California 95688

14) **Walnut Creek, CA**
675 Ygnacio Valley Road, Suite B-101
Walnut Creek, California 94596

LOUISIANA

Elliott Miles, Franchise Owner, 1(270) 887-3950
Email: skygolf@hoptown.net

1) **Baton Rouge, LA**
7584C Bluebonnet Blvd.
Baton Rouge, Louisiana 70810

2) **Baton Rouge, LA**
12508 Coursey Blvd., Suite A
Baton Rouge, Louisiana 70816

3) **Denham Springs, LA**
188 Veterans Blvd., Suite B
Denham Springs, Louisiana 70726

4) **Lafayette, LA**
1318 Camellia Blvd., Suite # 201
Lafayette, Louisiana 70508

5) **Lake Charles, LA**
2834 Ryan Street
Lake Charles, Louisiana 70601

MARYLAND

Alan Silver, CPA, Franchise Owner, 1 (410) 581-2222 ext. 14
Email: alansilvercpa@hotmail.com
Michael Pizzico, Franchise Co-Owner, 1(410) 533 9083

1) **Frederick, MD**
5255 Buckeystown Pike
Frederick, Maryland 21704

Paul Brown, Franchise Owner, 1 (443) 463-6888
Email: paulb@autosolutionsproducts.com

1) **Bowie, MD**
3911 Evergreen Parkway
Bowie, Maryland 20716

2) **Rockville, MD**
152 Congressional Lane
Rockville, Maryland 20852

3) **Bel Air, MD**
Festival at Bel Air, Suite #1207
5 Bel Air South Parkway
Bel Air, Maryland 21015

4) **Timonium, MD**
2219 York Rd., Suite #103
Timonium, Maryland 21093

5) **Columbia, MD**
5565 Sterret Place
Medstar Health Building, Suite # 110
Columbia, Maryland 21044

6) **Pikesville, MD**
1809 Reisterstown Rd., Suite #152
Baltimore, Maryland 21208

MINNESOTA

David L. Long, Franchise Owner, 1 (503) 709-7045
Email: dlong58@gmail.com

1) **Apple Valley, MN**
14800 Galaxie Avenue, Suite # 302
Apple Valley, Minnesota 55124

2) **Coon Rapids, MN**
3495 Northdale Boulevard, Suite # 100
Coon Rapids, Minnesota 55448

3) **Ridgedale, MN**
13911 Ridgedale Drive, Suite # 325
Minnetonka, Minnesota 55305

4) **Rochester, MN**
2048 Superior Dr. NW, Suite # 300
Rochester, Minnesota 55901

5) **Rosedale, MN**
1633 West County Road C
Rosedale Shopping Center, Suite # 1667
Roseville, Minnesota 55113

6) **St. Cloud, MN**
216 Division Street
Waite Park, Minnesota 56387

7) **Woodbury, MN**
1920 Donegal Drive, Suite # 200
Woodbury, Minnesota 55125

PENNSYLVANIA

Alan Silver, CPA, Franchise Owner, 1 (410) 581-2222 ext. 14
Email: alansilvercpa@hotmail.com

1) **York, PA**
180 Leader Heights
York, Pennsylvania 17402

TEXAS

Salulleza LLC, Franchise Owner
c/o Raul Malagamba, 1 (210) 426-9329
Email: rmalagamba@medix.com.mx

1) **Austin, TX (Sunset Valley)**
4301 West William Cannon Drive
Building B, Suite 226
Austin, Texas 78749

2) **Austin, TX (Gateway)**
9901 Capitol of Texas Highway North, Suite # 236
Austin, Texas 78759

3) **Austin, TX (Cedar Park)**
1465 East Whitestone Blvd.
Building H, Suite 345
Cedar Park, Texas 78613

4) **Austin, TX (Round Rock)**
117 Louis Henna Drive, Suite 120-A
Round Rock, Texas 78664

5) **San Antonio, TX (Lincoln Heights)***
999 East Basse Road, Suite # 158
San Antonio, Texas 78209

6) **San Antonio, TX (Northwoods)***
1742 North Loop 1604 East
Suite 120
San Antonio, Texas 78232

7) **San Antonio, TX (Bandera Oaks)***
11398 Bandera Road, Suite 304
San Antonio, Texas 78250

8) **Dallas, TX (Addison)**
3747 Belt Line Rd.
Addison, Texas 75001

9) **Dallas, TX (Garland)**
Firewheel Market Town Center, Suite # 318
4430 Lavon Dr.
Garland, Texas 75040

10) **Dallas, TX (Plano)**
PrestonMac Office Retail Center, Suite # 100
5200 McDermott Road
Plano, Texas 75024

11) **Dallas, TX (Arlington)**
Arlington Highlands Shopping Center, Suite # 163
309 Curtis Mathes Way
Arlington, Texas 76018

12) **Dallas, TX (Southlake)**
Southlake Village Shopping Center, Suite R
2140 E. Southlake Blvd.
Southlake, Texas 76092

13) **Dallas, TX (Allen)**
The Allen Central Market, Suite # 43
204 Central Expressway S.
Allen, Texas 75013

14) **Dallas, TX (Flower Mound)**
The Marketplace at Highland Village, Suite # 403
3170 FM 407
Highland Village, Texas 75077

15) **Dallas, TX (Alliance)**
Alliance Town Center
9591 Sage Meadow Trail
Ft. Worth, Texas 76177

16) **Fort Worth, TX (City View)**
City View Town Crossing
4867 Bryant Irvin Rd.
Fort Worth, Texas 76132

17) **Houston, TX (Sugar Land)**
First Colony Commons
15281 Southwest Freeway
Sugar Land, Texas 77478

18) **Houston, TX (Spring)**
The Stables Town Center, Suite E
8707 Spring Cypress RD.
Spring, Texas 77379

19) **Houston, TX (Katy)**
Cinco Ranch Center
22140 Westheimer Parkway
Katy, Texas 77450

20) **Houston, TX (The Woodlands)**
College Park Village, Suite # 500
3335 College Park Drive
The Woodlands, Texas 77384

WISCONSIN

David L. Long, Franchise Owner, 1 (503) 709 7045
Email: dlong58@gmail.com

1) **Eau Claire, WI**
4112 Oakwood Hills Parkway
Eau Claire, Wisconsin 54701

Total: 61

* Three Texas Centers located in Bandera Oaks, Lincoln Heights, and Northwoods ceased operations on January 29, 2016. One California center in Bakersfield ceased operations on April 8, 2016.

Medifast Weight Control Center Former Franchisees as of December 31, 2015

The following is a list of former franchisees who had an agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our last fiscal year, or have not communicated with us within ten weeks of the date of this Disclosure Document:

California

Daisas LLC
Tracy, California
Kent Coykendall
(760) 274-1464
(One Center located in Oceanside, California was closed.)

Virginia

TransformU LLC
Spartanburg, South Carolina
Ron Fields and James Smith
(864) 680-2998
(Nine Centers located in Alexandria, Arlington, Burke, Fairfax, Fredericksburg, Leesburg, Manassas, Woodbridge, and Herndon, Virginia were closed.)

Maryland

TransformU LLC
Spartanburg, South Carolina
Ron Fields and James Smith
(864) 680-2998
(One Center located in Gaithersburg, Maryland was closed.)

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

EXHIBIT H

Multi-State Addenda

1. California
2. Maryland
3. Minnesota
4. New York
5. North Dakota
6. Virginia
7. Wisconsin

CALIFORNIA ADDENDUM TO THE
MEDIFAST FRANCHISE SYSTEMS, INC.
FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

Item 17, Additional Disclosures:

The franchise agreement and development agreement require the franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement and development agreement require application of the laws of Maryland. This provision may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement or development agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement and development agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The franchise agreement and development agreement require binding arbitration. The arbitration will occur in the state and county or municipality where Medifast's principal executive office is located on the date the arbitration is demanded with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal

Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement and development agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

MARYLAND ADDENDUM TO THE
MEDIFAST FRANCHISE SYSTEMS, INC.
FRANCHISE DISCLOSURE DOCUMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Our termination of the franchise agreement or development agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Franchisee Acknowledgment / Compliance Certification:

The representations under this Franchisee Disclosure Questionnaire are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

MINNESOTA ADDENDUM TO THE
MEDIFAST FRANCHISE SYSTEMS, INC.
FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement (or development agreement, if applicable), and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the franchise agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01–80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

NEW YORK ADDENDUM TO THE
MEDIFAST FRANCHISE SYSTEMS, INC.
FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

Except as stated above:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures. The following statements are added to Item 17:

The New York Franchises Law requires that New York law govern any cause of action which arises under the New York Franchises Law.

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the franchise agreement or development agreement inconsistent with that law.

Any provision in the franchise agreement or development agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

NORTH DAKOTA ADDENDUM TO THE MEDIFAST FRANCHISE SYSTEMS, INC. FRANCHISE DISCLOSURE DOCUMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the franchise agreement or development agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The franchise agreement and development agreement include a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The franchise agreement and development agreement stipulate that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The franchise agreement and development agreement require the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document, franchise agreement, and development agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document, franchise agreement, and development agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

The franchise agreement and development agreement require the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

VIRGINIA ADDENDUM TO THE
MEDIFAST FRANCHISE SYSTEMS, INC.
FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

"According to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

WISCONSIN ADDENDUM TO THE
MEDIFAST FRANCHISE SYSTEMS, INC.
FRANCHISE DISCLOSURE DOCUMENT

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

EXHIBIT I TO DISCLOSURE DOCUMENT

Franchisee Disclosure Questionnaire

As you know, MEDIFAST FRANCHISE SYSTEMS, INC. and you are preparing to enter into a Franchise Agreement for the operation of a Center. In this Franchisee Disclosure Questionnaire, MEDIFAST FRANCHISE SYSTEMS, INC. will be referred to as "we" or "us." The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

1. Have you received and personally reviewed the MEDIFAST FRANCHISE SYSTEMS, INC. Franchise Agreement and each exhibit, addendum and schedule attached to it?
   Yes ___ No ___

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?
   Yes ___ No ___

   If "No", what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

   _____

   _____

   _____

   _____

   _____

   _____

   _____

   _____

3. Have you received and personally reviewed our Disclosure Document we provided to you?

   Yes ___ No ___

4. Do you understand all of the information contained in the Disclosure Document?
   Yes ___ No ___

If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

_____

_____

_____

_____

_____

_____

_____

_____

5. Have you discussed the benefits and risks of operating a Medifast Weight Control Center with an attorney, accountant or other professional advisor and do you understand those risks?
Yes ___ No ___

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
Yes ___ No ___

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Medifast Weight Control Center that we or our franchisees operate that is contrary to, or different from, the information contained in the Disclosure Document?
Yes ___ No ___

8. Has any employee or other person speaking on our behalf made any statement or promise concerning a Medifast Weight Control Center that is contrary to, or different from, the information contained in the Disclosure Document?
Yes ___ No ___

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Medifast Weight Control Center?
Yes ___ No ___

10. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?
Yes ___ No ___

If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if

necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

11. Did you sign a receipt for the FDD indicating the date you received it?
Yes _____ No _____

12. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?
Yes ___ No ___

13. Do you acknowledge and represent to us that (a) you or the entity that you form to be a franchisee will be the employer of all of your employees and will have sole discretion and authority to hire, fire, discipline, compensate and schedule working hours for, all of your employees; and (b) we and our affiliates will have no control, or right to control, any of the employment actions or decisions in your business? We recommend that you retain employment law counsel to advise you with your employment issues and questions.

Yes _____ No _____

14. Do you understand that the Franchise Agreement and Development Agreement contain a number of provisions that may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes _____ No _____

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

_____
Name of Franchisee/Applicant

Date: _____, 20____

_____
Signature

_____
Name and Title of Person Signing

EXHIBIT J TO DISCLOSURE DOCUMENT

Non-Disclosure Agreement For Prospective Franchisees

NON-DISCLOSURE AGREEMENT

THIS MUTUAL NON-DISCLOSURE AGREEMENT ("Agreement") dated as of _____, 201_ is by and between Medifast Franchise Systems, Inc., a Delaware corporation and its parent and affiliates (collectively, "Medifast") with offices located at 11445 Cronhill Drive, Owings Mills, MD 21117, and _____ ("Applicant"), an Applicant residing at _____.

1. Purpose. In connection with Applicant's interest in becoming a Medifast franchisee, ("**Business Relationship**"), the Parties desire that Medifast disclose certain information to Applicant that Medifast desires Applicant to treat as confidential.

2. Confidential Information. As used herein, "**Confidential Information**" means any information disclosed by the Parties, either directly or indirectly, in writing, orally, via electronic transmission, or by inspection of tangible objects. Confidential Information includes all trade secrets and information that is confidential or otherwise proprietary to Medifast, including but not limited to financial statements, product and service information, customer information, supplier information, data of any kind, programs, source or object code, flow charts, information regarding Medifast franchisees, and other materials, techniques, know-how and procedures contained therein. Medifast shall not have any obligation to specifically identify any information to which the protection of this Agreement applies by any notice or other action.

Each Party acknowledges that Medifast has delivered, is delivering, or will deliver Confidential Information to Applicant in reliance upon the promises, agreements and undertakings contained in this Agreement, and on the continuing condition that the Parties fully comply with such promises, agreements and covenants. Notwithstanding any provision in this Agreement to the contrary, however, Confidential Information shall not include any information which (i) was publicly known and made generally available in the public domain prior to the time of disclosure by Medifast; (ii) becomes publicly known and made generally available after disclosure by Medifast to Applicant through no action or inaction of Applicant; (iii) is already in the possession of Applicant at the time of disclosure by Medifast as evidenced by Applicant's files and records immediately prior to the time of disclosure; (iv) is independently developed by Applicant without use of Medifast's Confidential Information; and (v) is obtained by Applicant from a third party without a breach of such third party's obligations of confidentiality.

3. Non-use and Non-disclosure. Subject to Section 3(b), Receiving Party agrees, except as required by any law, rule, regulation, compulsory legal process, stock exchange rule or disclosure requirement of the Securities and Exchange Commission or any other government agency (collectively, the "Law") not to use any Confidential Information of Medifast for any purpose except to evaluate and engage in

discussions concerning the Business Relationship. Applicant shall not reverse engineer, disassemble or decompile any prototypes, software or other tangible objects which embody Medifast's Confidential Information and which are provided to Applicant under this Agreement. Applicant agrees not to disclose any Confidential Information of Medifast to third parties except to those employees, agents and consultants (the "**Representatives**") of Applicant who have a *bona fide* need to know the information in order to evaluate or engage in discussions on behalf of Applicant concerning the Business Relationship. Applicant shall take reasonable measures to ensure that its Representatives comply with the obligations contained in this Agreement and shall be liable to Medifast for any breach by it or its Representatives of confidentiality with respect to Medifast's Confidential Information.

(b) In the event that Applicant or any of its Representatives is legally compelled, pursuant to subpoena, civil investigative demand, regulatory demand or similar process or pursuant to applicable Law to disclose any Proprietary Information or any other information concerning the other party or the Transaction, Applicant shall provide Medifast with prompt notice of such request or requirement as well as a copy of the text of the proposed disclosure as far in advance of its disclosure as is reasonably practicable, and will in good faith consult with and consider the suggestions of Medifast concerning the nature and scope of the information Applicant proposes to disclose. Medifast may seek appropriate protective orders or other remedy, may consult with Applicant with respect to Medifast's taking steps to resist or narrow the scope of such request or legal process, or may waive compliance, in whole or in part, with the terms of this agreement. Applicant agrees to take all reasonable steps to cooperate fully with and not to oppose any action by Medifast to obtain a protective order or other appropriate remedy.

(c) Applicant shall not use, directly or indirectly, any Proprietary Information in connection with or for the purpose of competing with Medifast in Medifast's line of business or in a line of business entered into by Medifast during the term of this Agreement.

(d) Receiving Party acknowledges that some of the Proprietary Information may constitute material, non-public information with respect to Medifast. Applicant further acknowledges that it is aware, and that it will advise its Representatives to whom Proprietary Information is disclosed, of restrictions imposed by the United States federal securities laws on (i) the purchase or sale of securities by any person in possession of material, non-public information with respect to such securities, and (ii) the communication of material, non-public information with respect to securities to a person who may purchase or sell such securities in reliance upon such information.

4. Maintenance of Confidentiality. Applicant agrees that it shall take reasonable measures to protect the secrecy of and avoid disclosure and unauthorized use of the Confidential Information of Medifast. Without limiting the foregoing,

Applicant shall take at least those measures that it takes to protect its own most highly confidential information. Applicant shall not make any copies of the Confidential Information of Medifast except for the purpose contemplated hereby. Applicant shall reproduce Medifast's proprietary rights notices on any such copies, in the same manner in which such notices were set forth in or on the original.

5. No Obligation. Nothing herein shall obligate either Party to proceed with the Business Relationship or any transaction between the Parties, and each Party reserves the right, in its sole discretion, to terminate the discussions contemplated by this Agreement concerning the business opportunity.

6. No Warranty. ALL CONFIDENTIAL INFORMATION OF MEDIFAST IS PROVIDED "AS IS". MEDIFAST MAKES NO WARRANTIES, EXPRESS, IMPLIED OR OTHERWISE, REGARDING THE ACCURACY, COMPLETENESS OR PERFORMANCE OF THE CONFIDENTIAL INFORMATION.

7. Return of Materials. All documents and other tangible objects containing or representing Confidential Information which have been disclosed by Medifast to Applicant, and all copies thereof which are in the possession of Applicant, shall be and remain the property of Medifast and shall be promptly returned to Medifast upon Medifast's request.

8. No License. Nothing in this Agreement is intended to grant any rights to Applicant under any patent, mask work right or copyright of Medifast, nor shall this Agreement grant Applicant any rights in or to the Confidential Information of Medifast except as expressly set forth herein.

9. Term. The confidentiality obligations of Applicant hereunder shall survive for five (5) years or until such time as all Confidential Information of Medifast disclosed hereunder becomes publicly known and made generally available through no action or inaction of Applicant.

10. Remedies. Each Party agrees that any violation or threatened violation of this Agreement may cause irreparable injury to the other Party, entitling the other Party to seek injunctive relief in addition to all legal remedies.

11. Miscellaneous. This Agreement shall bind and inure to the benefit of the Parties and their successors and assigns. This Agreement shall be governed by the laws of the State of Maryland, without reference to conflict of laws principles. This document contains the entire agreement between the Parties with respect to the subject matter of this Agreement and neither Party shall have any obligation, express or implied by law, with respect to trade secret or proprietary information of the other Party except as set forth in this Agreement. Any failure to enforce any provision of this Agreement shall not constitute a waiver of that provision or of any other provision.

This Agreement may not be amended, nor any obligation waived, except by a writing signed by both Parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Medifast Franchise Systems, Inc.

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

_____
[Applicant]
Date:_____

EXHIBIT K TO DISCLOSURE DOCUMENT

Sample Release

GENERAL RELEASE

THIS GENERAL RELEASE (the "**RELEASE**") is made and given on this ___ day of _____, 20__ by _____ ("**RELEASOR**"), an individual/corporation/limited liability company/ partnership with a principal address of _____ in consideration of:

____ The execution by MEDIFAST FRANCHISE SYSTEMS, INC. ("**RELEASEE**") of a successor Franchise Agreement or other renewal documents renewing the rights granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement dated _____ (the "**Franchise Agreement**") by and between RELEASOR and RELEASEE; or [State other consideration]

_____

_____

_____

_____ and other good and valuable consideration receipt of which is hereby acknowledged, RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, shareholders and employees (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise Agreement or the relationship between RELEASEE and RELEASOR, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided however, that all liabilities arising under any franchise registration and disclosure statute that applies to the relationship between RELEASOR AND RELEASEE are excluded from this release.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

[IF RELEASOR IS AN ENTITY]

[Name of Releasor]
By:_____
Name:_____
Title:_____
Date:_____

[IF RELEASOR IS AN INDIVIDUAL]

_____
[Name of Releasor]
Date:_____

(Acknowledgement appears on following page)

(NOTARIAL SEAL)

ACKNOWLEDGMENT

State of _____)
) ss
County of_____)

On this ____day of _____, 20___before me personally came _____, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the _____ (title) of _____ (company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

_____
Notary Public

My Commission expires:

(NOTARIAL SEAL)

RECEIPT OF DISCLOSURE DOCUMENT FOR FRANCHISES OFFERED BY MEDIFAST FRANCHISE SYSTEMS, INC.

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Medifast Franchise Systems, Inc. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If you are a resident of New York or Rhode Island, you must be provided with this disclosure document the earliest of the first meeting to discuss our franchise, 10 business days before signing a binding agreement or 10 business days before any payment to us. If you are a resident of Michigan, you must be provided with this disclosure document 10 business days before signing a binding agreement. If you are a resident of Iowa, you must be provided with the disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Medifast Franchise Systems, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the federal trade commission, Washington D.C. 20580 and the state administrator listed in **Exhibit A**.

ISSUANCE DATE: April 29, 2016. The effective date for your state is listed on page iii of this Disclosure Document.

The franchise seller is:
- □ Christopher Rom, 11445 Cronhill Drive, Owings Mills, Maryland 21117
- □ Brian Kagen, 11445 Cronhill Drive, Owings Mills, Maryland 21117

Any additional individual franchise sellers involved in offering the franchise are:

_____

SEE **EXHIBIT B** FOR OUR RESIDENT AGENTS AUTHORIZED TO RECEIVE SERVICE OF PROCESS.

I HAVE RECEIVED A DISCLOSURE DOCUMENT DATED APRIL 29, 2016 THAT INCLUDED THE FOLLOWING EXHIBITS:

A. LIST OF STATE ADMINISTRATORS
B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS
C. FRANCHISE AGREEMENT
D. DEVELOPMENT AGREEMENT
E. FINANCIAL STATEMENTS
F. GUARANTEE OF PERFORMANCE BY MEDIFAST, INC.
G. LIST OF CURRENT AND FORMER FRANCHISEES
H. MULTI-STATE ADDENDA
I. FRANCHISEE DISCLOSURE QUESTIONNAIRE
J. NON-DISCLOSURE AGREEMENT FOR PROSPECTIVE FRANCHISEES
K. SAMPLE RELEASE

Date of Receipt: _____

Prospective Franchisee

_____, individually

and as an officer or partner of

a [_____ corporation]

[_____ partnership]

KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT OF DISCLOSURE DOCUMENT FOR FRANCHISES OFFERED BY MEDIFAST FRANCHISE SYSTEMS, INC.

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Medifast Franchise Systems, Inc. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If you are a resident of New York or Rhode Island, you must be provided with this disclosure document the earliest of the first meeting to discuss our franchise, 10 business days before signing a binding agreement or 10 business days before any payment to us. If you are a resident of Michigan, you must be provided with this disclosure document 10 business days before signing a binding agreement. If you are a resident of Iowa, you must be provided with the disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Medifast Franchise Systems, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the federal trade commission, Washington D.C. 20580 and the state administrator listed in **Exhibit A**.

ISSUANCE DATE: April 29, 2016. The effective date for your state is listed on page iii of this Disclosure Document.

The franchise seller is:
- □ Christopher Rom, 11445 Cronhill Drive, Owings Mills, Maryland 21117
- □ Brian Kagen, 11445 Cronhill Drive, Owings Mills, Maryland 21117

Any additional individual franchise sellers involved in offering the franchise are:

_____

SEE **EXHIBIT B** FOR OUR RESIDENT AGENTS AUTHORIZED TO RECEIVE SERVICE OF PROCESS.

I HAVE RECEIVED A DISCLOSURE DOCUMENT DATED APRIL 29, 2016 THAT INCLUDED THE FOLLOWING EXHIBITS:

A. LIST OF STATE ADMINISTRATORS
B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS
C. FRANCHISE AGREEMENT
D. DEVELOPMENT AGREEMENT
E. FINANCIAL STATEMENTS
F. GUARANTEE OF PERFORMANCE BY MEDIFAST, INC.
G. LIST OF CURRENT AND FORMER FRANCHISEES
H. MULTI-STATE ADDENDA
I. FRANCHISEE DISCLOSURE QUESTIONNAIRE
J. NON-DISCLOSURE AGREEMENT FOR PROSPECTIVE FRANCHISEES
K. SAMPLE RELEASE

Date of Receipt:

_____

Prospective Franchisee

_____, individually

and as an officer or partner of

a [_____ corporation]

[_____ partnership]

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE AND RETURN IT TO MEDIFAST FRANCHISE SYSTEMS, INC., 11445 CRONHILL DRIVE, OWINGS MILLS, MD 21117, ATTENTION CHRISTOPHER ROM.