

EXHIBIT E

FRANCHISE AGREEMENT

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Department of Corporations
Los Angeles

FRANCHISE AGREEMENT
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Exhibit 3 Current Pricing List



STROLLER STRIDES, LLC
FRANCHISE AGREEMENT

SUMMARY OF TERMS

Effective Date of this Agreement: _____, ___ 200__.

Franchisor: Stroller Strides, LLC, a Delaware limited liability company
(Also referred to as “SS”, “we,” “us,” or “our”)

Franchisee: _____
(Also referred to as “you” or “your”)

Initial Franchise Fee: \$ _____ for a Plan _____ Territory.

Initial Monthly Maintenance Fee: \$ _____

Franchisee Notice Address _____ |

In consideration of the mutual promises, covenants, and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. PARTIES

1.1. This Agreement is entered into on the Effective Date, by and between Stroller Strides, LLC, with our principal place of business at 1531 Crescent Place, San Marcos, California, 92078, and the Franchisee named above, in the Summary of Terms.

2. BACKGROUND

2.1 We have developed, and plan to continue to develop, specialty pre- and postnatal exercise classes for parents, predominately aimed at mothers, with children ages newborn to approximately 4 years old (i.e., “stroller age” children). These businesses, which are referred to in this Agreement as “Stroller Strides Businesses,” feature a distinctive format and method of doing business, which we refer to as the “System” (as defined below). The System and its components may be changed, improved and further developed by us from time to time.

2.2 We are the owner of certain intellectual property rights, including the trade name and related mark, "Stroller Strides." We have spent a considerable amount of time, effort, and money to devise, and continue to develop, business methods, programs, technical knowledge, and marketing concepts including processes, trade secrets, commercial ideas, advertising materials, marketing strategies, information on sources of supply, administrative procedures, business forms, distinctive commercial symbols, trade dress, and instructor training techniques that, taken together, comprise a proprietary system for the operation of the Stroller Strides Business.

2.3 We own, operate, and selectively award franchises for others to own and operate, using the System and the Marks (as defined below), and your application has been approved by us in reliance on all of the representations made in your application.

2.4 You understand and acknowledge the importance of our high and uniform standards of operations and service and the necessity of developing and operating a Stroller Strides Business in strict conformity with this Agreement, the System, and the ~~Operating Manual~~ Manual(s) (as defined below).

2.5 We would like to grant to you and you would like to accept from us a franchise to own and operate a single Stroller Strides Business, using the Marks and the System, upon the terms and conditions below.

~~2.6 We only award franchises to individuals and entities that share, and have made a commitment to, our mission statement, key objectives and shared values. Without that commitment, it would not be appropriate for you and us to be involved in a business relationship, such as a Stroller Strides Business. Your commitment to the mission statement, key objectives and shared values is one of the most important parts of your being a Stroller Strides' franchisee and that is why we have placed them at the beginning of this Agreement. You agree that you will continuously comply with, observe and support the following:~~

~~STROLLER STRIDES' MISSION STATEMENT:~~

~~"Stroller Strides helps moms make STRIDES in fitness, in motherhood, and in life."~~

~~STROLLER STRIDES' VALUES:~~

- ~~We will help moms achieve their ultimate potential, both physically and emotionally;~~
- ~~We will offer support and education for moms;~~
- ~~We will inspire moms to reach optimal health and well-being; and,~~
- ~~We will inspire children to emulate their moms and make fitness a part of their lives.~~

3. DEFINITIONS

3.1 For purposes of this Agreement, the following words and phrases have specific meanings as defined in this Section 3. Other terms used in this Agreement are defined and construed based on their ordinary meaning and in the context in which they occur.

“Agreement” - This Franchise Agreement.

~~“Approved Territory” — The geographic area in which you have the right to operate your Stroller Strides Business, subject to the terms and conditions of this Agreement.~~

“Classes” — The specialty exercise programs offered through your Stroller Strides Business.

“Confidential Information” means the confidential and proprietary information of Franchisor including, but not limited to, the ideas, know-how, techniques, trade secrets, information whether or not included in the Manual(s), plans and specifications, relating to the System, marketing information, software, passwords, strategies, site evaluations, financial information, information concerning vendors, suppliers and other franchisees of Franchisor, and other data disclosed to you under this Agreement and/or in relation to the Stroller Strides Business.

“Designated Bank Account” - A checking account which must be maintained by Franchisee whereby Franchisee grants Franchisor the right to debit the account for amounts owed to us in accordance with Exhibit “2” to this Agreement. In the alternative, you must authorize us to be able to charge a specified credit card.

“Designated Equipment” - Equipment that meets our requirements and is obtained from us, or from Vendors approved by us, and used by you in the operation of your Stroller Strides Business, including, but not limited to, exercise tubing and other equipment used as part of the System.

“Franchise” — The interdependent network composed of us, all Stroller Strides franchises, all Stroller Strides franchisees, and any other persons or business entities we have authorized to use the Marks, the System, or both.

“Franchisee” - The entity or individual executing this Agreement, as well as each and every shareholder, officer and director (in the case of a corporation) each manager or member (in the case of a limited liability company”), or each partner (in the case of a partnership). Each of the aforementioned individuals shall be known as (“**Principals**”). Every Principal agrees to be jointly, severally, and primarily liable for the performance of the duties and covenants of Franchisee described in this Agreement. The individuals who have executed this Agreement agree that they shall be primarily, jointly, and severally liable for each and every obligation and covenant herein, and that no other individuals, or entities have an interest in this Franchise Agreement that shall not have executed the Agreement.

“Good Standing” - During the term(s) of this Agreement, you not being in default or threat of default under this Agreement, the financial obligations and/or any other agreement or legal obligation to us, and operating your Stroller Strides Business in full compliance with this Agreement, the Operating Manual, Manual(s), and the System.

“Initial Term” — ~~the term beginning on the date of this Agreement and continuing for a period of one (1) year, three (3) years,~~ unless this Agreement is terminated at an earlier date pursuant to this Agreement.

“Marks” - The trademarks, service marks, trade names, trade dress, logos, slogans, and other commercial symbols, including without limitation the mark “Stroller Strides™,” which is now and/or in the future owned by, or licensed to, us and which we designate to be used to identify the System, Classes, Products, Designated Equipment, and/or other products or services offered by a ~~Stroller Strides Business, including without limitation the trademark identified below, which has a registration application (Serial No. 7648620) pending with the United States Patent and Trademark Office:~~



~~“Operating Manual” — One or more handbooks, manuals, bulletins and/or volumes, other written materials, and video, audio and/or software media (including materials distributed electronically or otherwise), regardless of title, containing, among other things, specifications, forms, standards, policies and procedures prescribed by us and to be followed by you in connection with your development, operation and marketing of your Stroller Strides Business and your performance under this Agreement, including, but not limited to, all Classes and/or Products (if any) to be offered to the public through your Stroller Strides Business and/or in association with the Marks. The term “Operating Manual” also includes all changes and supplements that may be issued by us in the future.~~

~~“Us,” “we,” or “our” — Stroller Strides, LLC, a Delaware limited liability company (i.e., the franchisor).~~

~~“You,” or “your” — The entity(ies) or individual(s) signing this Agreement as you (i.e., the franchisee) (If there is more than one entity or individual identified as the “you,” each is jointly and severally obligated under this Agreement), as well as all persons or entities that succeed to your interest by Transfer or operation of law.~~

“Manual(s)” - One or more handbooks, manuals, bulletins and/or volumes, other written materials, and video, audio and/or software media (including materials distributed electronically or otherwise), regardless of title, containing, among other things, specifications, forms, standards, policies and procedures prescribed by us and to be followed by you in connection with your development, operation and marketing of your Stroller Strides Business and your performance under this Agreement. The term “Manual(s)” also includes all future changes and supplements.

“Option Agreement” - The Option Agreement permits a franchisee in good standing to have the option, for a stated period of time, and after paying a fee to Stroller Strides, to enlarge the scope of the franchisees Territory.

“Pricing Plan” - The pricing category applicable to your Territory - Plan A, Plan B, or Plan C – which determines the amount of the Initial Franchise Fee and Monthly Franchise Fee for your Stroller Strides Business.

“Products” or “Retail Products” - Retail items bearing our Marks that have been designated by us or developed in accordance with our specifications, and/or that have been packaged or labeled with our Marks, including, but not limited to, clothing, fitness equipment, strollers, and stroller accessories.

“Stroller Strides Business” - An enterprise we have authorized you to conduct under the Marks and the System in a Territory under the terms and conditions of this Agreement and the Manual(s).

“System” - The distinctive format and method of doing business now or in the future developed, used and/or modified by us in the exercise of our reasonable business judgment for the operation of a business offering specialty pre and postnatal exercise classes to parents, predominately mothers, with “stroller age” children, including but not limited to: (a) specific methods, procedures, guidelines, and/or programs developed by us and used for conducting the Classes; (b) operating, marketing, training and other systems, procedures and standards; and, (c) the standards of quality and service used in the operation of a Stroller Strides Business.

“Territory” - The geographic area in which you have the right to operate your Stroller Strides Business, subject to the terms and conditions of this Agreement.

“Termination” - Expiration of this Agreement, non-renewal of this Agreement, or termination, under the circumstances described in Section 12 of this Agreement, of the then-current term of this Agreement prior to its normal expiration date.

“Transfer” - Any sale, assignment, conveyance, gift, or other change in ownership of all or any part of the rights and obligations of this Agreement, of your Stroller Strides Business, and/or of any other assets pertaining to your operation of your Stroller Strides Business.

“Vendor” - Manufacturers, distributors, suppliers, and all others approved by us to provide you Designated Equipment, supplies, and/or Products for use in your Stroller Strides Business.

4. GRANT OF FRANCHISE

4.1 Granting Clause. We grant to you and you accept from us a franchise to operate a single Stroller Strides Business within the Territory under the Marks and the System in accordance with the terms and conditions of this Agreement. You agree that you will at all times faithfully, honestly and diligently perform your obligations under this Agreement, and that you will continuously exert your best efforts to promote, enhance and maximize your Stroller Strides Business and the goodwill of the Marks. You understand and agree that critical to the System and this Agreement, as well as your possible success, is full adherence by you to each element of the System. Accordingly, you will continuously comply with the following (and all other) elements of the System:

- (a) You will use and offer for sale only Products and Classes, and only deal with Vendors, approved by us;

- (b) You will use only Designated Equipment in conducting Classes;
- (c) You will strictly adhere to our then-current standards of quality and service;
- (d) You will maintain a close and personal working relationship with your Stroller Strides Business; and,
- (e) You agree to be personally accountable for the performance of your obligations under this and all other agreements pertaining to your Stroller Strides Business.

4.2 Territory. Your franchise is a territory-specific franchise only, with you having no other rights except for any rights expressly granted to you under this Agreement.

(a) Exclusive Territory The Territory is described in Exhibit "1" to this Agreement and not elsewhere, and Franchisor agrees that, as long as Franchisee shall not be in default hereunder, neither it nor any person or firm authorized or licensed by it shall establish a Franchised Business in the Territory. Franchisee agrees that it shall not establish a similar or competing business outside this exclusive Territory without Franchisor's express prior written permission.

(b) Franchisor's Activities in the Territory Franchisee acknowledges and agrees that certain of the Franchisors' or its affiliates' products, whether now existing or developed in the future, may be distributed in the Franchisees' Territory by Franchisor, the Franchisor's affiliates, or the Franchisor's licensees or designees, in such manner, using the Stroller Strides Marks other trademarks or service marks and/or through such channels of distribution other than through Stroller Strides classes, as the Franchisor, in its sole discretion, shall determine, including, but not limited to, specialty stores, variety stores, distribution centers, electronic distribution via computer networks (including, without limitation, the World Wide Web, other areas of the Internet and/or other on-line networks); catalogs; direct mail, and other communication methods now or hereafter devised of any nature whatsoever. Franchisee understands that this Agreement grants Franchisee no rights (i) to distribute such products through such alternative channels of distribution, or (ii) to share in any of the proceeds received by any such party therefrom. In addition, Franchisor, or its affiliates may, as part of its strategic plan, acquire companies that operate the same businesses as Stroller Strides under the acquired name and/or service mark and the acquired companies may have existing businesses operating in Franchisee's Territory. In those circumstances where the territory of an acquired business overlaps Franchisee's Territory, Franchisor may, with the written agreement of both parties, alter the Territory. If mutual agreement as to the territory definition cannot be made then Stroller Strides or its affiliate may continue to operate the acquired business by the name and/or service marks under which it was identified prior to its acquisition.

The Franchisor reserves the right to offer, grant and support franchises in similar and other lines of business. The Franchisor makes no representation or warranty to the Franchisee that there will be any right to participate in such franchises. Failure of Franchisee to timely renew this Agreement shall result in the loss of exclusivity in accordance with Section 6 (B) of this Agreement.

(c) Activities of Other Franchisees in the Territory Notwithstanding the exclusive nature of your Territory other Stroller Strides franchisees may have advertising efforts, such as radio, newspaper, magazine, television, large public events (such as Baby Fairs – for example) and Internet ads that are

broadcast in your Territory and you agree that those advertisements benefit the System as a whole, and will not object to such advertisements so long as they are not direct mail pieces, flyer postings or handouts delivered within your Territory.

4.2 Forms of Agreement. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees or licensees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees or licensees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

~~4.2.Territory. Your franchise is a territory-specific franchise only, with you having no other rights except for any rights expressly granted to you under this Agreement. We reserve all rights not expressly granted in this Agreement, including the right to sell Products within the Approved Territory through any means of distribution not specifically prohibited by another provision of this Agreement, including through our website, www.strollerstrides.com.~~

~~Your Approved Territory under this Agreement falls within one of three Pricing Plans (Plan A, B, or C — see Section 6 of this Agreement), as identified on page 1 of this Agreement and more fully described in Exhibit 1 to this Agreement.~~

~~The franchise is a site/address specific (or “spot”) franchise only, with you having no other rights. Except for those rights expressly awarded to you under this Agreement, you do not have, have not paid for, and have no expectation of receiving any benefits of, any “exclusive territory” or any “exclusive,” “protected” or “reserved” territorial, similar or other rights, no such rights are awarded or will be inferred, and there will be no limitation of any type on our rights, or of anyone we designate, to locate and/or consent to the location of other Stroller Strides businesses, whether or not using the System and/or the Marks, at any location outside your Approved Territory, regardless of the distance from, impact on, or vicinity of, your Approved Territory or the number of Stroller Strides businesses, other outlets or otherwise in any area or market outside your Approved Territory.~~

~~For the term(s) of this Agreement, and so long as you remain in Good Standing, we agree not to authorize any other franchisee to operate a Stroller Strides Business within your Approved Territory, base any company owned Stroller Strides Business that uses the Marks or System within the Approved Territory, or allow any other franchisee or company owned Stroller Strides Business using the Marks or System to relocate within your Approved Territory.~~

~~4.3. Termination of Rights and Obligations under License Agreement. If you had previously been operating a Stroller Strides Business as a licensee, execution of this Agreement shall constitute a novation of the rights, duties, and obligations of the parties under the existing License Agreement between you and us. Thus, upon execution of this Agreement, all rights, duties, and obligations of the parties under the License Agreement will be extinguished, and you shall hereafter be a franchisee of the Franchise and will be subject to the terms and conditions contained in this Agreement and other related agreements pertaining to the Franchise.~~

~~4.4. Lease of Premises Not Required. You are not required to lease any premises in order to operate your Stroller Strides Business, nor does the successful operation of your Stroller Strides Business depend upon you leasing any Premises. However, if you do lease any premises for your Stroller Strides Business, any lease or sublease for the premises shall contain provisions that state:~~

~~(a) The landlord agrees to provide us (at the same time sent to you) a copy of all amendments and assignments and notices of default pertaining to the lease and the leased premises;~~

~~(b) The landlord agrees that you shall be solely responsible for all obligations, debts and payments under the lease; and,~~

~~(c) We shall have the right to enter the leased premises, during normal business hours and after giving you reasonable notice, to make any modifications or alterations necessary to protect the System and/or 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 with the right to charge you for these costs.~~

~~4.6. No Guarantee of Success. We do not warrant or guarantee that your Stroller Strides Business will be successful. Success is dependent on a number of factors which are not within our control, including, among other things, your skills and hard work, and general economic conditions.~~

5. TERM AND RENEWAL

5.1 Initial Term. The Initial Term of this Agreement and the franchise granted under this Agreement begins on the date of this Agreement and will continue for a period of three (3) years, unless this Agreement is terminated at an earlier date pursuant to Section 12 of this Agreement.

5.2 Renewal. Franchisee may at the end of the term of the Franchise Agreement renew the franchise relationship with the Franchisor for two successive three (3) year terms provided that:

(a) Franchisee is in Good Standing under the Franchise Agreement and has not been in default of the Franchise Agreement more than two (2) times in the immediately preceding twelve (12) month period;

(b) Franchisee notified Franchisor of its desire to renew in writing at least 90 days prior to the expiration of the term of the Franchise Agreement (inclusive of any state specific notice periods);

(c) Franchisee executes the Franchisor's then current franchise agreement, which may be substantially different from the terms and conditions set forth herein, including, but not limited to, increased Monthly Fees, as well as the imposition of additional fees;

(d) Franchisee shall provide for any modernization or upgrade of the Franchised Business, printed materials, equipment, computer hardware and software, and you and/or your instructors are in compliance with our then-current training requirements;

(e) Subject to applicable state law, Franchisee executes a general release in a form provided by Franchisor releasing Franchisor of any and all claims, of whatever nature;

(f) Franchisee pays one half (1/2) of the then-existing Initial Franchise Fee charged to new franchisees.

5.3. Effect of Non Renewal Should Franchisee fail to comply with any of the foregoing requirements, or otherwise indicates its desire not to renew the Franchise Agreement, then SS may commence offering franchises in the Territory, or open a company operated Stroller Strides Business. In either case the new business may be opened for business within the final 30 days of the term of this Agreement and Franchisee shall have no claim to exclusivity in the Territory during this time.

~~**5.2 Renewal.** This Agreement and the franchise granted under this Agreement shall automatically renew each year for an additional one (1) year term on the same terms and conditions as those on which we are customarily granting new franchises at the time of renewal, if at the time of renewal the following conditions are fulfilled:~~

~~(a) You are in Good Standing under this and any other agreements between you and us;~~

~~(b) During the Initial Term or during the immediately preceding Renewal Term, you were not in default beyond the applicable cure period under this Agreement or any other agreements between you and us;~~

~~(c) You are not in default beyond the applicable cure period with any Vendor to your Stroller Strides Business;~~

~~(d) You and/or your instructors are in compliance with our then-current training requirements; and,~~

~~(e) As determined by us, in the exercise of our reasonable business judgment, you have operated your Stroller Strides Business in accordance with this Agreement, the Operating Manual, and the System.~~

~~You acknowledge and understand that the terms and conditions in effect at the time(s) of renewal may be materially different from those contained in this Agreement, including, but not limited to, increased Monthly Fees, as well as the imposition of additional fees.~~

6. FEES

6.1 Initial Franchise Fee. When you sign this Agreement, you will pay us in cash, credit card or other form of payment acceptable to us, such as cashier's check or wire transfer, an Initial Franchise Fee which has been set forth in the Summary of Terms found on page one of this Agreement. The Initial Franchise Fee is fully earned by us on signing of this Agreement and is entirely non-refundable.

6.2 Monthly Franchise Fee. Subject to provisions (a) through (c) below, on the first (1st) day of each month during the term(s) of this Agreement, you will pay us (or we shall automatically debit the Designated Bank Account or charge your credit card, as the case may be) a non-refundable Monthly Franchise Fee as set forth in the Summary of Terms found on page one of this Agreement.

- (a) No Monthly Franchise Fee shall be due for the first three (3) months after you enter into this Agreement and are a new Stroller Strides franchisee.
- (b) The Monthly Franchise Fee is subject to increase during January of each year, but such increase will not exceed the Consumer Price Index published by the US Bureau of Labor Statistics for all items in the U.S. city average with a base year of 1982-1984=100.
- (c) Prepayment of the annual total of your upcoming Monthly Franchise Fees, on or before your Franchise Agreement anniversary date will earn you a five (5%) percent discount.

6.3 "Per minute" Fee for Your Customers' Use of Toll-Free Number. Should you decide to use the on-line business center offered by our approved Vendor, as described in Section 7 of this Agreement, you will be responsible for paying, directly to the designated Vendor, all "per minute" charges incurred through your customers' use of the toll-free number designated for your Territory. The first 150 minutes of use are free.

6.4 Training Fees and Costs. We offer an optional 2-day training course to new franchisees and/or their instructors, which is aimed at individuals who are not nationally certified as fitness instructors (as described in Section 8.9(a) of this Agreement). The fee for the 2-day course is presently \$299 per person, but is subject to change. The availability, dates, and locations of the training course vary and are not guaranteed by us. Any person attending the training course is responsible for paying their own expenses, including travel and accommodations.

6.5 Consulting Fees; Expenses. As described in Section 7 of this Agreement, we will, at no additional charge to you, use our best efforts to respond to any request by you for assistance within three (3) business days. You will promptly reimburse us for all incidental expenses incurred by us in rendering consulting services, including, but not limited to, courier charges.

6.6 Payment for Retail Products. You may, but are under no obligation to, purchase Retail Products from us for re-sale to your own customers. Retail Products may be purchased by you at twenty to thirty percent (20%-30%) off the retail price. Our current price list for the purchase of Retail Products by you is attached to this Agreement as Exhibit 2. You may purchase retail Products at discounts communicated to you, from time to time. You may not offer any retail items for sale other than our Products, or other products approved by us in writing. Further restrictions on offering our Products for sale and on using our Marks are contained in Section 8 of this Agreement. We reserve the right, at our sole discretion, to increase our prices upon giving you reasonable prior written notice. You must comply with the then-current price list for all Products offered for sale by you.

6.7 Direct Purchases by the Public. Your customers, or anyone else, may also purchase our Retail Products directly from us through our website, www.strollerstrides.com or other retail locations. When any Retail Product(s) are purchased by customers directly from our website, the customers will be prompted to indicate whether they attend Classes at a particular Stroller Strides franchise. If a customer indicates she attends Classes in your Territory, you will be entitled to receive a commission on the purchase, in accordance with the commission schedule communicated to you by us. You are not entitled to any payment or commission to retail products sold through other outlets even if they are located in your Territory.

6.8 Transfer Fee. As a condition of transfer of this franchise, you must pay to us, prior to transfer, a non-refundable Transfer Fee equal to ~~twenty five percent (25%)~~ thirty five percent (35%) of the amount of the Initial Franchise Fee then in effect (under your applicable pricing plan) for new franchisees at the time of transfer.

6.9 Interest. Any payment not received by us when due will bear interest daily at the rate of ten percent (10%) per annum or at the highest rate allowed by applicable law on the date when payment is due, whichever is less. If you fail to pay any amounts (including any electronic draft returns, returns for insufficient funds or otherwise), or fail to deliver any report when due, that failure can constitute grounds for Termination of this Agreement, in spite of the provisions of this Section 6.9. ~~Interest charges on late payments are intended to partially compensate us for loss of use of the funds and for internal administrative costs resulting from late payment which would otherwise be difficult to measure with precision. The fact that such charges are imposed should not be construed as a waiver of our right to timely payment, nor does it constitute an agreement by us to accept payments after they are due, or any commitment to extend credit to, or otherwise finance the operation of, your Stroller Strides Business. Notwithstanding any provision in this Agreement to the contrary, in no event will any amounts be charged as late fees or otherwise which exceed or violate any applicable legal restrictions.~~

6.10 Application of Payments. Notwithstanding any designation by you, we can apply any payments received from you to any past due or other indebtedness of yours for Monthly Franchise Fees, purchases, interest, or otherwise as we choose in the exercise of our reasonable business judgment. We can set off, from any amounts that may be owed to you, any amount that you owe to us. We have the right to accept payment from any other person or entity as payment by you. Our acceptance of that payment will not result in that other person or entity being substituted into this or any other agreement on your behalf. We are entitled to automatically debit your Designated Bank account in accordance with the Electronic Funds Transfer Agreement, or charge your credit card on file with us.

6.11 Audit. We will have the right during normal working hours to audit your books and records, including your tax returns, with respect to the Stroller Strides Business.

6.12 Personal Appearance Fee If you desire to have Lisa Druxman attend a grand opening, or other franchise event, on your behalf, you shall pay her the personal appearance fee, plus travel, food and lodging costs associated with the trip.

6.13 Territory Option Fee. Existing franchisees in good standing may be able to enter into a Territory Option Agreement to have the option to purchase an additional franchise territory, which is contiguous to an existing territory, for a specified period of time.

6. FEES

~~6.1.Pricing Plan.~~ Your Approved Territory falls under one of three Pricing Plans (as indicated on page 1 of this Agreement), identified as Plan A, Plan B, or Plan C that are determined based on population and geographic areas as follows:

- ~~Plan A: pop. 30,000 – 100,000, with a minimum 4 mile radius;~~
- ~~Plan B: pop. 100,001 – 200,000, with a minimum 7 mile radius;~~
~~or,~~
- ~~Plan C: pop. 200,001 – 300,000, with a minimum 10 mile radius.~~

~~The amounts of the Initial Franchise Fee (as described in Section 6.2) and the Monthly Franchise Fee (as described in Section 6.3) vary under each Pricing Plan.~~

~~Based on the applicable Pricing Plan, the corresponding Initial Franchise Fee for a Stroller Strides Business is as follows:~~

- ~~Plan A: \$2,500~~
- ~~Plan B: \$3,750~~
- ~~Plan C: \$5,000~~

~~Based on the applicable Pricing Plan, the corresponding Monthly Franchise Fee for a Stroller Strides Business is as follows:~~

- ~~Plan A: \$150/month~~
- ~~Plan B: \$250/month~~
- ~~Plan C: \$350/month~~

~~6.2. Initial Franchise Fee.~~ When you sign this Agreement, you will pay us in cash or other form of payment acceptable to us, such as cashier's check or wire transfer, an Initial Franchise Fee in the amount indicated on page 1 of this Agreement (\$2,500, \$3,750, or \$5,000), pursuant to the applicable Pricing Plan for your Approved Territory as of the date of this Agreement. The Initial Franchise Fee is fully earned by us on signing of this Agreement and is entirely non-refundable. However, if you had previously been operating a Stroller Strides Business as a licensee, there is no initial franchise fee payable to us under this Agreement as part of your conversion from a licensee to a franchisee, unless you are upgrading to a larger territory in which case you will be responsible for paying us the difference between your current Pricing Plan and the upgraded Pricing Plan.

~~6.3. Monthly Franchise Fee.~~

~~(a) Subject to the exception in provision (b) below, on the first (1st) day of each month during the term(s) of this Agreement, you will pay us a non-refundable Monthly Franchise Fee in the amount indicated on page 1 of this Agreement (\$150, \$250, or \$350), pursuant to the applicable Pricing Plan for your Approved Territory as of the date of this Agreement;~~

~~(b) No Monthly Franchise Fee shall be due for the first three (3) months after you enter into this Agreement.~~

~~6.7. Training Fees and Costs.~~ We may offer an optional 2-day training course to new franchisees and/or their instructors, which is aimed at individuals who are not nationally certified as fitness instructors (as described in Section 8.9(a) of this Agreement). The fee for the 2-day course is presently \$299 per person. The availability, dates, and locations of the training course vary and are not guaranteed by us. Any person attending the training course is responsible for paying their own expenses, including travel and accommodations.

~~If you had previously been operating a Stroller Strides Business as a licensee, by executing this Agreement you hereby acknowledge your receipt of the above-listed supplies and equipment, as well as the above-listed services, which were provided to you according to the terms of the Licensing Agreement between you and us.~~

7. SERVICES TO YOU

7.1 Services Provided to You. We agree to deliver the following supplies and equipment to you, and perform the following services for you, provided that you are in Good Standing under this Agreement, any other agreement(s) with us, and the Manual(s):

- (a) We will provide you with an initial demographic analysis of your Territory to better understand the population and consumer market in your Territory;
- (b) We will provide you with one (1) Instructor Kit containing:
 - (1) thirty (30) exercise tubes;
 - (2) An official Stroller Strides Fitness Stroller;
 - (3) a Stroller Strides wheeled duffle bag;
 - (4) a first aid kit;
 - (5) an instructor manual and forms for use in hiring and/or training employees;
 - (6) instructor training CD-ROM software to train you and/or your instructor(s) how to conduct Classes;
 - (7) ClassTrac computer software for tracking class attendance; and,
 - (8) miscellaneous marketing materials such as balloons, pens and clipboards all bearing the Stroller Strides trademark.
- (c) We will provide you the services of a public relations Web based program selected by us for assistance with publicity for your grand opening, and thereafter;
- (d) We will provide you with advertising templates and samples for use within your Territory, subject to the terms and conditions of this Agreement;
- (e) We will provide you with current suggested pricing information for registration, membership, and Classes. Our current pricing list for registration, membership, and Classes is attached to this Agreement as Exhibit 3;
- (f) We will provide you with access to the on-line business center. The on-line business center includes without limitation voicemail, e-mail, toll-free business number for your customers (additional charges may apply), file and calendar management, and a web page for your specific Stroller Strides Business;
- (g) We will use our best efforts to ensure we have at all times a supply of Designated Equipment and Retail Products available for purchase by you;
- (h) We will provide you with upgrades and updates to Stroller Strides training software, if any, and will not charge more than our cost for these updates;
- (i) We will prepare periodic e-mail newsletters to franchisees, instructors, and members;
- (j) We will use of best efforts to develop new Classes for you to learn and offer to your customers;
- (k) We will expend a minimum of ~~\$10,000~~\$25,000 per year on national public relations, media exposure, and national advertising for the Stroller Strides Franchise through various methods, which may include print, television, the Internet, and direct mail; and,
- (l) We will provide you with access to toll free "800" number for your customers to use, which service may be charged to you at current rates applicable to the majority of the System.

7.2 Training materials. Training materials for operating your Stroller Strides Business consist of the Manual(s), instructor manual, and DVD-ROM training software, and a Web based exam that must be taken and passed before any individual is permitted to teach any Class(es). (See also Section 8.9 of this Agreement)

7.3 Delivery Date of Supplies and Equipment. We will deliver all goods, supplies, and equipment necessary for you to begin substantial operations of your Stroller Strides Business within twenty (20) thirty (30) days after execution of this Agreement.

7.4 Guidance and Assistance. From time to time, we may furnish guidance to you with respect to:

- (a) specifications, standards and operating procedures utilized by Stroller Strides Businesses, including any modifications;
- (b) purchasing Designated Equipment, supplies, and operating materials;
- (c) developing and implementing local advertising and promotional programs;
- (d) implementing new Classes; and,
- (e) administrative, bookkeeping, accounting, and general operating and management procedures. This guidance can, in the exercise of our reasonable business judgment, be furnished in the Manual(s), bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations. You will follow and comply with this guidance.

7.5 Consultation. We will use our best efforts to make our personnel available to you for consultation throughout the term of the franchise for no additional charge, except reimbursement of direct costs or in the event an on-site consultation is requested by you. We will further use our best efforts to respond by telephone or e-mail to any operating problem encountered by you within three (3) business days after you notify us of the problem.

7.6 Third Party Customer Support. We may negotiate services on your behalf with third party providers. We make no representations and offer no warranties as to the availability or quality of any customer support offered by any third party relating to the operation of your Stroller Strides Business. ~~We make no representations and offer no warranties as to the availability or quality of any customer support offered by any third party relating to the operation of your Stroller Strides Business, including without limitation the Earnware Corporation, provider of the on-line business services as described in this Agreement.~~

7.7 Public Relations Assistance for Grand Opening. In conducting an advertising and promotional campaign for the grand opening of your Stroller Strides Business, you will use the services of a Web-based public relations program provided and paid for by us. Your advertising and promotional efforts will only utilize marketing, advertising and public relations programs, formats, media and materials consented to by us.

8. YOUR OBLIGATIONS

8.1 Use of the Marks. Your right to use the Marks is derived solely from this Agreement and is limited to the operation of a single Stroller Strides Business in compliance with this Agreement and all applicable standards, specifications and procedures prescribed by us. ~~Stroller Strides is the owner of the trademark identified below, which has a registration application pending (Serial No. 76408620) with the United States Patent and Trademark Office:~~



~~{a design and trade name (Serial No. 76408620)}~~

You must use the Marks only as expressly authorized by us. You shall not oppose, or engage in any acts or omissions inconsistent with, our rights in and to the Marks. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of our rights in and to the Marks. This Agreement, and your operation of your Stroller Strides Business, does not confer any goodwill or other interests in the Marks on you (other than the right to operate your Stroller Strides Business in compliance with this Agreement), all goodwill (whether relating to the Marks or otherwise) and such interests belonging exclusively to us. All provisions of this Agreement applicable to the Marks will apply to any other trademarks, service marks and commercial symbols whenever authorized for use by, and/or licensed to, us. Any marks or other forms of identification developed by us in the future will remain our property and you will have no rights in or to them, but we may require you to use them as we direct. You agree that if you breach any obligation regarding the Marks, we would have no adequate remedy at law and that we will be entitled to equitable relief with respect to any such breach. For this reason, if we can demonstrate to a court of competent jurisdiction that there is a substantial likelihood of your breach or threatened breach of any obligation regarding the Marks, you hereby consent and stipulate to entry of a temporary restraining order, injunction, and/or other equitable relief that may be granted until a final determination is made by the court or arbitrator. You further agree no bond or security shall be required in obtaining such equitable relief. This provision shall in no way restrict or prevent us from seeking any other legal and/or equitable remedies which may be available. Your rights to the Marks are non-exclusive, are only as set forth in this Agreement, and we retain the sole right to grant other franchises or licenses to use the Marks (in addition to those already granted) and to establish and/or become involved with other, similar and/or related businesses and to grant them rights with respect to the Marks without providing you with any rights.

8.2 Limitations on Use of the Marks. Unless we direct or consent (in writing) otherwise, you must use the Marks as the sole identification in connection with your Stroller Strides Business, provided that you must identify yourself as the independent owner of your Stroller Strides Business as prescribed by us. You shall not use any Mark as part of any corporate or trade name or as your primary business name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. (For example, you may not use "Stroller Strides of Alabama, Inc." or "Smith's Stroller Strides.") You shall not use any of the Marks in connection with the performance or sale of any unauthorized services or products or in any territory or in any other manner not expressly authorized in writing by us.

You must display the Marks prominently in connection with advertising and marketing materials and you must not use any of the Marks so as to negatively affect the goodwill associated with the Marks. You must not provide any Products or Classes through your Stroller Strides Business or otherwise under any identification or trade name, other than the Marks. You must give such trademark and other notices (including notices of

independent ownership) as we direct and must, at your own expense, obtain fictitious or assumed name registrations as may be required under law. You must sign such documents and act as required by us from time to time to protect our interests in the Marks and you must not take any action, or omit to take an action, so as to jeopardize our interests in, or the validity or enforceability of, the Marks.

8.3 Discontinuance of Use or Changes in the Marks. We have invested substantial time, energy, and money in the promotion and protection of our Marks as they exist as of the date of this Agreement. As such, the Marks have associated with them valuable goodwill and name recognition, and serve to distinguish Stroller Strides' products and services, including the high quality of such products and services, from that of any other business. We have no present intention of altering them. However, we recognize that rights in intangible property such as the Marks are often difficult to establish and defend and that changes in the cultural and economic environment within which the System operates or third party challenges to our rights in the Marks may make changes in the Marks desirable or necessary.

If it becomes advisable at any time in the exercise of our reasonable business judgment for you to modify or discontinue the use of any of the Marks or use one or more additional or substitute trademarks or service marks, you will promptly comply (at your sole expense) with our directions to modify or otherwise discontinue the use of such Marks. We shall not have any liability or obligation (whether of defense, indemnity, expense reimbursement or otherwise) to you, and you agree to make no claim, for or in connection with, any modification, discontinuance or otherwise, and/or any dispute regarding the Marks and/or your and/or our rights in or to them. We make no guarantee that a modification, discontinuance or otherwise may not be required, whether as a result of expiration, termination or limitation of our rights to the Marks or otherwise.

8.4 Independent Status. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. Franchisor shall not direct or control its employees with the means and manner of their daily work performance. As Franchisee, you retain sole responsibility for the employment aspects of your operation, including recruiting, hiring, scheduling, work assignment, compensation, supervision, performance evaluation, promotion, transfer, discipline and discharge. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf or to incur any debt or other obligation in our name, and that we shall in no event assume liability for or be deemed liable hereunder as a result of any such action, or by reason of any act or omission of Franchisee in its conduct of the Stroller Strides Business or any claim or judgment arising therefrom against Franchisor.

8.5 Advertising Materials. Subject to the exceptions below, you agree to submit to us (via certified mail) for our review and consent copies of all advertising materials that you propose to use (other than our previously approved templates), prior to any broadcast and/or publication of the proposed advertising materials. We will then have ten (10) days from the date of receipt of the proposed advertising materials to review them. We may withhold or condition our consent as we see fit in the exercise of our reasonable business judgment. If written approval is not received by you within the ~~thirty (30)~~ ten (10) days from the date of receipt by us of such materials, we will be deemed not to have given the required written consent. In addition, we reserve the right to later retract any consent by written notice to you. Our review of and consent to your local marketing materials is not a representation or a promise that those materials (utilized in the media you propose) will have a positive effect on your Stroller Strides Business. Our consent only indicates that the materials properly use the Marks in a manner consistent with our overall marketing plan.

You may not use any advertising or promotional materials or programs that we have disapproved, in our sole and independent discretion or that do not include the copyright, trademark and other notices required by us. ~~In no event shall your advertising contain any statement or material which, in the exercise of our reasonable business judgment, may, among other things, be considered:~~

- ~~(a) in bad taste or offensive to the public or to any group of persons;~~
- ~~(b) defamatory of any person or an attack on any competitor;~~
- ~~(c) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; and/or,~~
- ~~(d) (a) inconsistent with our public image or the public image of the System. We may require that a brief statement regarding the purchase of a Stroller Strides Franchise be included in all advertising used by you and that a brochure regarding purchase of a Stroller Strides Franchise be made available from you to the public on request.~~

We may require that a brief statement regarding the purchase of a Stroller Strides Franchise be included in all advertising used by you and that a brochure regarding purchase of a Stroller Strides Franchise be made available from you to the public on request.

8.6 Previously Approved Materials and Advertising Templates. For purposes of Section 8.5, advertising materials that differ from previously approved materials only in such variables as date or contact information will be considered to be previously approved. In addition, advertising templates (as referenced in Section 7.1(d) of this Agreement) that differ only in such variables as date or contact information will also be considered previously approved. Any further changes to the advertising templates by you must be submitted to us as provided in Section 8.5 above.

Even if we have approved specified materials, we may later withdraw our approval if we reasonably believe it necessary to make the advertising conform to changes in the System or to correct unacceptable features of the advertising, including any misrepresentation in the advertising material.

8.7 Notification of Infringements and Claims Against the Marks. You must immediately notify us of any apparent or actual infringement of, or challenge to, your use of any Mark, or any claim by any person or entity of any rights in any Mark, and you must not communicate with anyone other than us and our counsel in connection with any such matter. We shall have sole discretion to take such action as we deem appropriate in connection with such (or any related) matters, and the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of or related to any such matters or otherwise relating to any Mark. You will execute any and all instruments and documents, render such assistance, and do such acts and things as may, in our opinion, be advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

8.8 Operating Manual(s). During the term of your Stroller Strides Business franchise, we will loan you (or allow you electronic or other access to) one (1) copy of the Manual(s), containing mandatory and suggested specifications, standards and operating procedures prescribed from by us for a Stroller Strides Business, instructions for use of the Marks and/or the System, and/or information relative to your obligations under this Agreement. We will also loan you copies of the instructor manual and training materials described in Section 7 of this Agreement. We can, in the exercise of our reasonable business judgment, modify any aspect of the Manual(s), instructor manual, and/or training materials, as well as specifications, standards, policies and

procedures of Stroller Strides Businesses to, among other things, specify different or additional Designated Equipment to be used by you and/or your instructors when conducting Classes, and/or to specify changes or additions to the Classes and/or Retail Products offered by you to the public.

You will promptly and continuously comply, at your sole expense, with all provisions of, and additions/deletions/changes to, the Manual(s). You have no expectation that the Manual(s) will not be changed over time and you and we, in fact, anticipate that such changes will take place, in response to competitive challenges, commercial opportunities and otherwise, and/or to improve our operations. You will keep your copy of the Manual(s) current by immediately inserting all modified pages and (at our option) destroying the superseded material with written verification of such destruction, or returning to us all superseded material. Any such additions/deletions/changes will take precedence over all prior communications and in the event of a dispute, the master Manual(s) maintained at our office, or on our Intranet Site shall control. The provisions of the Manual(s) as modified from time to time by us and communicated to you constitute provisions of this Agreement and are binding upon you. The Manual(s) contains proprietary and/or confidential information of ours and you agree to keep the Manual(s) and information contained therein confidential at all times during and after the term of this Agreement.

8.9 Training and Instructor Qualifications.

- (a) All individuals intending to teach Classes must view the DVD-ROM software training program and pass the online exam available at its conclusion. You must certify to us in writing that you and/or your instructors have passed the exam before you and/or your instructors will be permitted to conduct any Classes. In addition to the training software program and exam, all individuals teaching any Classes must be nationally certified as a fitness professional through the American Council On Exercise (ACE), Aerobics and Fitness Association of America (AFAA), National Academy of Sports Medicine (NASM), American College of Sports Medicine (ACSM), and/or National Strength and Conditioning Association (NSCA); or other organization approved by us. Any individual not nationally certified must attend, at their own expense, our 2-day training course prior to teaching any Classes. All individuals teaching Classes must also be infant, child and adult CPR certified. You must send us evidence of such certification before that individual is permitted to teach any Classes.
- (b) If we, in the exercise of our reasonable business judgment, determine that you and/or any of your instructors have not successfully completed the training prior to teaching any Classes (and/or are not a nationally certified fitness professional), we may cancel all of your rights (and all of our obligations) under this Agreement and/or any other agreements with you, and you will return the Manual(s) and all other proprietary material belonging to us, and will execute documentation providing for a General Release, and we will provide you with a similar release, except that your indemnity, noncompetition and confidentiality obligations, and the dispute resolution provisions of this Agreement, including those of Section 14, will continue in full force and effect.
- (c) If we determine, whether as a result of observations or otherwise, in the exercise of our reasonable business judgment, that it is appropriate, we can require that you and/or any of your instructors, at your sole cost, repeat and successfully complete training.
- (d) As new Classes are developed by us, and/or as we deem it otherwise necessary, you and/or your instructors may be required by us from time to time to complete additional and/or refresher

training programs. We may also offer continuing training programs on matters related to the operation or promotion of the Stroller Strides Business on an optional or mandatory basis, as we consider appropriate.

8.10 Opening. You may not conduct Classes until you certify in writing that you and/or your instructors have completed and passed the instructor training course, by certifying that the individuals intending to conduct Classes are nationally certified as fitness instructors or have attended our 2-day training course, and that they have completed the DVD-ROM software training program.

8.11 Products and Services to be Offered. You must offer to the public all Classes you and/or your instructors have been trained by us to teach. All Retail Products bearing our Marks that you offer for sale must be purchased from our approved Vendor or us. All Designated Equipment used during the Classes must also be purchased from us, unless you have been authorized by us to obtain equipment from an approved Vendor and so long as the Vendor meets the standards established by us and the equipment meets the specifications set out in the current version of the Manual(s). If you would like to offer for sale to the public any product not previously certified by us to meet our specifications, or which is sold by a Vendor not previously approved by us, you must give us product specifications, sample products, and/or information about the Vendor, prior to offering the product for sale to the public. Within thirty (30) days after our receipt of the product specifications, samples, and/or other information about the Vendor, we will communicate to you either our approval or our reasons for withholding our approval. Silence may not be construed as consent. As a condition of approving a Vendor or product, we will require you to reimburse us for any expenses reasonably incurred by us in inspecting the Vendor's premises, checking the Vendor's credentials, and/or testing the product. As a condition of approving a Vendor of any product that bears the Marks, we may require that the Vendor sign a license or other appropriate agreement. We may withdraw our approval of a Vendor or product at any time if either or both no longer meet our standards or specifications. We expressly disclaim any warranties or representations as to the condition of the products sold by any Vendor, including, without limitation, expressed or implied warranties as to merchantability or fitness for any intended purpose. You agree to look solely to the Vendor for the remedy for any defect in the products.

8.12 Quality Assessments. You must ensure your Stroller Strides classes are being conducted properly and in accordance with our standards as provided in the training materials and Manual(s). In addition, we reserve the right to conduct our own periodic quality assessments of your Stroller Strides Business by attending one or more of your classes. Quality assessments may be made with or without prior notice. The frequency and intervals in which we make quality assessments is left to our sole discretion. You must promptly correct any deficiencies in your operation of which you are advised by us. If you do not take immediate, effective steps to bring your operation up to our standards, your failure to do so will constitute a material breach of this Agreement. Failing two (2) consecutive quality assessments is grounds for Termination of this Agreement by us. (See Section 12.3 of this Agreement.)

8.13 Notification of Complaints Against You. You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, you and/or your Stroller Strides Business.

8.14 Performance, Management, and Personnel. You are not required to personally conduct, attend, or supervise classes, or otherwise participate in the management of your Stroller Strides Business, however we strongly recommend that you do so; absentee ownership is not recommended by us and exposes you to a greater

risk of failure than if you are personally involved in the day-to-day management of your Stroller Strides Business. Regardless, you must appoint a general manager (which may be you, if you are an individual) who has successfully completed all training requirements identified in this Agreement, and who must devote the necessary time and effort to the active management and operation of the Stroller Strides Business. During the term of this Agreement, the general manager(s) may not directly or indirectly engage in any other business offering exercise classes to new moms and their babies, either as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant. The general manager is not required to own an equity interest in the Stroller Strides Business.

You are responsible for hiring all managers, instructors, and employees of your Stroller Strides Business, if any, and will be solely responsible for their supervision and possible termination, the terms of their employment and compensation, and for the proper training of such managers, instructors, and/or employees of yours in the operation of your Stroller Strides Business.

8.15 Compliance with Laws and Ethical Business Practices. You must secure and maintain, in your name, all required licenses, permits and certificates relating to the operation of your Stroller Strides Business. You must operate your Stroller Strides Business in full compliance with all applicable laws, ordinances and regulations. We make no representations or assurances as to what, if any, licenses, permits, authorizations or otherwise may be required in connection with your establishment or operation of your Stroller Strides Business, and it is your sole responsibility to determine what licenses, permits, authorizations or otherwise are required and to obtain them, all at your sole cost. You will, in all dealings with your customers, Vendors, and/or public officials, adhere to high standards of honesty, integrity, fair dealing and ethical conduct, in each case above and beyond merely legal requirements. You will refrain from any business or advertising practice, which may be injurious to our business and/or the goodwill associated with the Marks and other Stroller Strides Businesses.

~~8.11. Payment of Indebtedness.~~ You must pay promptly when due all taxes and debts that you incur in the conduct of your Stroller Strides Business. You alone, and not us, will be responsible for the timely payment of any and all indebtedness incurred by you in the operation of your Stroller Strides Business. We will not be responsible for payment or guarantee the payment of any indebtedness on your behalf.

~~8.12. Image and Operation.~~ Classes conducted and Retail Products sold bearing the Marks and using the System have a reputation for quality. This reputation has been developed and maintained by us, and it is of the utmost importance to you, us and all other of our franchisees or licensees that this reputation be maintained. In recognition of the mutual benefit that come from maintaining the reputation for quality enjoyed by the System, you covenant and agree, with respect to the operation of your Stroller Strides Business and the Products and Classes offered in connection with your Stroller Strides Business, that you and/or your instructors shall comply with all of the requirements and standards of the System as set forth in the Operating Manual, instructor manual, training materials, or otherwise.

8.16 Accounting and Reports. You will establish and maintain at your own expense a bookkeeping, accounting, record-keeping and records retention system conforming to requirements prescribed by us in the

Manual(s). Upon our request you must submit to us accurate financial reports and copies of all federal and state income tax returns relating to your Stroller Strides Business. Each report and financial statement submitted by you to us must be verified as correct and signed by you personally if a sole proprietorship, by a general partner if a partnership, or by an executive officer or other authorized agent of yours if a corporation or a limited liability company. You will furnish to us, upon our request, complete copies of all records of or relating to your Stroller Strides Business. In addition to any other legal obligation(s) which may exist, you will maintain and keep all records of or relating to your Stroller Strides Business for at least two (2) years after the Termination of this Agreement.

8.17 Insurance. You must purchase and maintain a policy or policies of comprehensive general liability insurance, including products liability coverage, covering all Stroller Strides Business assets, personnel, and activities on an occurrence basis with a combined single limit for bodily injury, death, or property damage of not less than One Million Dollars (\$1,000,000), or Three Million Dollars (\$3,000,000) in aggregate claims per year. We may increase the minimum coverage requirement annually if necessary to reflect inflation or other changes in circumstances. In addition, if applicable, you must maintain policies of workers' compensation insurance, disability insurance, and any other types of insurance required by applicable law. Each insurance policy that is required under this Agreement must contain a provision that the policy cannot be canceled without ten (10) days' written notice to us. It must be issued by a properly licensed insurance company of recognized responsibility and in good standing in the state where you intend to operate your Stroller Strides Business, and with no less than an "A" rating, designate us as an additional named insured, and be satisfactory to us in form, substance, and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to us within ten (10) days after the policy is issued or renewed. Failure to maintain appropriate insurance is an act of default of this Agreement.

8.18 Uniform Appearance. You shall require instructors to wear Strollers Strides logo apparel and other standardized insignia during Classes and comply with programs of standardization promulgated by us from time to time to promote the acceptance and goodwill of the System and the Marks.

9. CONFIDENTIALITY AND COMPETITION

9.1 Confidentiality. You acknowledge and agree that:

- (a) the Confidential Information belonging to us gives us a competitive advantage and all materials and other information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence;
- (c) We have taken all measures necessary to protect the Confidential Information;
- (d) You will maintain the confidentiality of all such material. During the term(s) of this Agreement and thereafter, you may not disclose any such information to any third party, except to your instructors and/or managers to the extent necessary for them to render their services to the Stroller Strides Business, or as authorized in writing by us. You shall not, during the term of this Agreement or at any time thereafter, copy, communicate or disclose any Confidential Information to any unauthorized person; and,
- (e) Within ten (10) days after termination of this Agreement for any reason, you will return to us any and all tangible materials provided to you, which contain our Confidential Information.

9.2 Non-competition. You acknowledge and agree that:

- (a) in developing the System, we have made and continue to make substantial investments of time, technical and commercial research and money;
- (b) we would be unable to adequately protect the Franchise and our trade secrets and Confidential Information against unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information within the Franchise if franchisees were permitted to hold interests in, or perform services for, competitive businesses; and,
- (c) restrictions on your right to hold interests in, or perform services for, competitive businesses will not hinder your activities.

Accordingly, you covenant and agree that during the term of this Agreement and for a period of twenty-four (24) months following its expiration or earlier termination, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, or other entity, own, maintain, operate, engage in, advise, help, become an employee of or affiliated with, make loans to, or have any interest in, either directly or indirectly, any business which is in competition with the Franchise. Further, you agree not to employ or seek to employ any person who is employed by Franchisor, any affiliated company, or by any franchisee of the Franchisor, or to otherwise directly or indirectly induce such person to leave his or her employment. During the term(s) of this Agreement, there is no geographical limitation on this restriction. Following the expiration or earlier termination of this Agreement, said restriction shall apply to anywhere within your former Territory and/or within a ~~ten (10) mile~~ thirty (30) mile radius (unless your former Territory is located in California, in which case the restriction will apply within a ten (10) mile radius) of any other territory within the Franchise, except as we otherwise approve in writing.

If any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate court order or arbitrator's ruling to that deemed reasonable. If we file arbitration or litigation to enforce the post-termination portion of these restrictions, the 24-month period shall begin running upon the entry of a final, non-appealable judgment.

9.3 Separate Non-disclosure/ Non-competition/ Non-Solicitation Agreements. As part of your obligations under this Agreement, you must execute, concurrently with the execution of this Agreement, a non-disclosure/non-compete/non-solicitation agreement ("Non-disclosure Agreement"). All general managers, instructors, and/or employees must also sign separate Non-disclosure Agreements, and you must provide us with the executed original, within ten (10) days after their date of hire and before they may access or use any of our confidential or proprietary information or trade secrets. The Non-disclosure Agreement contains obligations that extend beyond the term(s) of this Agreement.

10. YOUR ORGANIZATION

10.1 Representations if Business Entity. If you are a corporation, a limited liability company or a partnership, you make the following representations and warranties:

- (a) Unless otherwise approved by us in writing, your bylaws, operating agreement, or written partnership agreement shall at all times provide that your activities are limited exclusively to the development and operation of a Stroller Strides Business.
- (b) If you are a corporation, you shall maintain stop-transfer instructions against the transfer on your records of any voting securities. If you are a corporation, a limited liability company or a partnership, each stock or membership certificate shall provide that any assignment or transfer of ownership interests is subject to the restrictions imposed by this Agreement.
- (c) Regardless of the type of business entity under which you operate your Stroller Strides Business, you must provide to us, within thirty (30) days after execution of this Agreement, the name, address, and telephone number of the general manager of your Stroller Strides Business, as well as identify any fictitious business name under which you are operating your Stroller Strides Business, if any.

10.2. Duty to Notify Us of Certain Events. You must notify us in writing of the occurrence of any of the following events within (5) days after such event occurs (or within five (5) days after you discover said event has occurred):

- (a) any pending administrative, criminal, or material civil action against you and/or any of your officers, directors, shareholders, partners, managers, member-managers (collectively, "Principals");
- (b) any insolvency, adjudication as a bankrupt, and/or any petition in bankruptcy, reorganization, or similar proceeding filed by or against you and/or any of your Principals;
- (c) you and/or any of your Principals are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, and/or any other crime or offense that is reasonably likely to adversely effect us, the System and/or the Franchise; and,
- (d) any judgments, orders, writs, injunctions, awards, and/or decrees of any court, agency, or other governmental instrumentality against you and/or any of your Principals which relates to, or is reasonably likely to adversely effect, us, the System and/or the Franchise, or which may affect the operation or financial condition of your Stroller Strides Business.

~~10.2. Representations if Individual.~~ If you are an individual, you represent and warrant there are no judgments, orders, writs, injunctions, awards, or decrees of any court, agency, or other governmental instrumentality against you which relates to, or which may affect the operation or financial condition of, your Stroller Strides Business.

~~10.3. Restrictive Legend.~~ If you are a corporation, you shall maintain stop transfer instructions against the transfer on your records of any voting securities. If you are a corporation, a limited liability company or a partnership, each stock