

## 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

### GENERAL INFORMATION (NAME, ADDRESS, BUSINESS FORM AND REGISTERED AGENT)

To simplify the language in this Offering Circular, “we”, “Company” or “Contours Express®” means Contours Express, LLC, the franchisor. “You” means the franchisee or the person or legal entity [entity includes a corporation, partnership, limited liability company or other legal entity (collectively “legal entity”) and their owners, officers and directors] who is buying the franchise.

Contours Express, LLC is a Delaware limited liability company that was incorporated on June 2, 2005. We do business under the name “Contours Express”. We do not do business under any other name. The principal business address of Contours Express® is 156 Imperial Way, Nicholasville, Kentucky 40356. The agent for service of process for Contours Express® is disclosed in Exhibit “A” to this Offering Circular.

### THE FRANCHISOR’S BUSINESS

Contours Express, LLC was formed in June, 2005, under the laws of the State of Delaware, to acquire the assets of Contours Express, Inc. (the “Predecessor”), and to franchise the Contours Express® concept developed by our Predecessor.

Contours Express® is in the business of granting franchises and providing services to Franchisees consisting of the opportunity to open and operate a fitness and weight loss studio (referred to in this Offering Circular as the “Franchise Unit” or “Unit”) at a prescribed location (an “Authorized Location”) under the Contours Express® trademark and system of operating procedures. We have offered Contours Express® Franchises since June, 2005. Our predecessor offered Contours Express® franchises from July, 1998 through May, 2005. We do not sell franchises in any other line of business. We do not intend to operate our own Contours Express® businesses, nor are we involved in any other businesses.

### THE CONTOURS EXPRESS FRANCHISE

The Franchise Agreement authorizes you to use the Contours Express® trade name and service mark in connection with the operation of a Franchise Unit. You must sell the products and services developed by Contours Express®. You will be licensed to use Contours Express® logos, trade secrets and other confidential information. You must use signage approved by Contours Express®.

Contours Express® will grant you the right to operate a Contours Express® Unit at a single location acceptable to Contours Express® pursuant to a Franchise Agreement. A copy of the Franchise Agreement is attached as Exhibit “B” to this Offering Circular.

### PREDECESSORS AND AFFILIATES

On June 2, 2005, we acquired substantially all of the assets of Contours Express, Inc., a Kentucky corporation (the “Predecessor”). Our Predecessor offered Contours Express franchises from July, 1998 through May, 2005. The principal address of the Predecessor is 156 Imperial Way, Nicholasville, Kentucky 40356. The Company has no other predecessors. Except as described below, the Company has no affiliates that offer franchises in any line of business or that provide products or services to our franchisees. Most of the current management personnel of the Company previously served in similar management capacities with the Predecessor. The prior business experience of the founders, owners, officers and directors of the Predecessor includes more than thirty years of combined experience in the health club and fitness industry. The owners and founders of the Predecessor have operated various fitness facilities since 1986. We have granted to an affiliate of the Company, Contours Express International, LLC, a Kentucky limited liability company (the “Affiliate”), the right to offer and sell Contours Express® franchises in international markets (outside of the United States). All Franchise Agreements and Area Development Agreements between the Predecessor and its franchisees and area developers have been assigned to us.

### COMPETITION

You will be competing against other national fitness chains and local fitness centers.

## FRANCHISOR'S EXPERIENCE

The Company began its franchising business in June, 2005. The experience of the Predecessor is described above. With the exception of Daren Carter, the Chief Executive Officer of the Predecessor, who now serves the Company in an advisory capacity, the Company retained substantially all of the management of the Predecessor.

## INDUSTRY-SPECIFIC REGULATIONS

While there are no specific national standards regulating the fitness industry or this Franchise, many states have laws that regulate fitness facilities. For example, some states require fitness facilities to post a bond if the facility accepts pre-paid membership dues. These regulations vary from state to state and should be examined by you or your legal counsel in depth. Also, some states impose sales tax on membership dues while others do not. Finally, most cities and/or counties require an occupational license or similar permit in order to conduct any business within its city or county.

## **2. BUSINESS EXPERIENCE**

### Chief Executive Officer: Thomas D. Christopoul

Mr. Christopoul has been the Chief Executive Officer of the Company since January 2006. Mr. Christopoul retired from Cendant Corporation in December 2005. From October 2003 through October 2005, Mr. Christopoul was Chairman and Chief Executive Officer of the Marketing Services Division and Financial Services Division of Cendant Corporation in Franklin Lakes, New Jersey. From April 2000 to October 2003, Mr. Christopoul served as Chief Administrative Officer of Cendant in Franklin Lakes, New Jersey. From January 2000 to April 2000, Mr. Christopoul was President, Cendant Membership Services in Franklin Lakes, New Jersey. From October 1999 to January 2000, Mr. Christopoul was Executive Vice President, Corporate Services. From April 1998 to October 1999, Mr. Christopoul was Executive Vice President, Human Resources, and from December 1997 until April 1998, Mr. Christopoul was Senior Vice President, Human Resources. From October 1996 through December 1997 Mr. Christopoul was Senior Vice President, Human Resources of HFS and Vice President Human Resources of HFS from October 1995 until October 1996. Prior to HFS, Mr. Christopoul held a number of executive positions with Nabisco, Inc. and Pepsi Cola Company.

### President: William G. Helton, Jr.

Mr. Helton has been President of the Company, and a member of the management committee of the Company since June, 2005. From January, 2004 through May, 2005, Mr. Helton was President of the Predecessor, Contours Express, Inc., in Nicholasville, Kentucky. From May, 2002 through January, 2004, Mr. Helton was the owner of two Contours Express Clubs in Lake County, Florida, and an Area Developer. From February 2001 through May 2002, Mr. Helton was a teacher at Blue Lake Academy in Eustis, Florida. From May, 1994 through February 2001, Mr. Helton was a District Sales Manager for AirTouch in Orlando, Florida.

### Senior Vice President and Secretary: Paul M. McNicol

Mr. McNicol has been Vice President and Secretary of the Company, and a member of the management committee of the Company since June, 2005. From January, 1999 to March, 2000, Mr. McNicol served as Senior Vice President and General Counsel for the Real Estate Division of Cendant Corporation in Parsippany, New Jersey. From March, 2000 to October, 2002, Mr. McNicol served as Senior Vice President of America Online Inc's Interactive Marketing Division and later as Senior Vice President of the AOL Time Warner Global Marketing Solutions Group in New York. From April, 2002 to the present, Mr. McNicol has been the Managing Partner of Pilot Group Manager LLC, a New York based investment firm.

### Vice President Operations: Keith A. Dziki

Mr. Dziki has been Vice President of Operations of the Company since June, 2005. From January, 2004 through May, 2005, Mr. Dziki was a Business Development Representative of the Predecessor in Nicholasville, Kentucky. From May 2003 to February 2004, Mr. Dziki was an Account Executive for Mentor 4, Inc. in Cincinnati, Ohio. From January 2002 to May 2003, Mr. Dziki was a Department Supervisor for The Home Depot USA in Cincinnati, Ohio. From April 2000 to January 2002, Mr. Dziki was a Project Director for Walker Information in Indianapolis, Indiana. From May, 1998 through April, 2000, Mr. Dziki was Director of Expansion for Delta Tau Delta International Fraternity in Carmel, Indiana.

### Vice President Finance: Jack B. Etters

Mr. Jack Etters has been Vice President of Finance of the Company since March, 2006. From November, 1998 to March, 2006, Mr. Etters was a Principal in CCS, Inc, a privately held management consulting firm in the Lexington, Kentucky area.

From January, 1981 to November, 1998, Mr. Etters was a Principal in CMS, Inc. a management consulting firm in the Chicago, Illinois area. Mr. Etters has performed services for more than 45 companies and worked in various industry segments including the following: Legal, Audit, Distribution, Manufacturing and e-commerce. Some of the firms and companies Mr. Etters has worked for include: Meyer, Brown & Platt, Midland Paper, Motorola International, Allstate Insurance, Golin Harris Communications, Chapman & Cutler, and Baker & McKenzie, to name a few. Mr. Etters has served as a Board member on the following: Audit Bureau of Circulations, Association of Legal Administrators and The Barrington Youth Services.

Vice President and Treasurer: Andrew Russell

Mr. Russell has been Vice President and Treasurer of the Company, and a member of the management committee of the Company since June, 2005. From January 1999 to May, 2002, Mr. Russell served as a partner of East River Ventures, a venture capital firm located in New York, focusing on early stage information technology companies. From May, 2002 to the present, Mr. Russell has been a member of Pilot Group Manager LLC, a New York based investment firm.

Management Committee Member: Mayo S. Stuntz, Jr.

Mr. Stuntz has been a member of the management committee of the Company since June, 2005. From June, 1998 to September 2001, Mr. Stuntz served as the Chief Operating Officer of American Online Inc. in Virginia, and thereafter as an Executive Vice President of AOL Time Warner, Inc. in New York. From April 2002 to the present, Mr. Stuntz has been a member of the Pilot Group Manager, LLC, a New York based investment firm.

Management Committee Member: Daren Carter

Mr. Carter has been a member of the management committee of the Company since June, 2005. From July, 1998 to the present, Mr. Carter has been the President, and later the Chief Executive Officer of Contours Express, Inc. (the Predecessor), in Nicholasville, Kentucky. From January, 1986 through December, 2005, Mr. Carter was co-owner of the Nicholasville Athletic Club in Nicholasville, Kentucky.

Business Development Representative: Leslie Clay Neff

Leslie Clay Neff has been a Business Development Representative of the Company since January, 2004. From August, 2003 through December 2003, Mr. Neff was a Loan Officer for United Capital in Lexington, Kentucky. From May, 2003 through August, 2003, Mr. Neff was a Loan Officer for Mortgage Max in Lexington, Kentucky. From May, 2001 through October, 2003, Mr. Neff was a Server at Chi Chi's Restaurant in Lexington, Kentucky. From October, 1978 through January, 2001, Mr. Neff was a Loss Prevention Specialist for Lazarus in Lexington, Kentucky.

Business Development Representative: Michael Widener

Michael Widener was the President of Family Fitness, Inc. in Williamsburg Kentucky from 1989 to July, 2004. Mr. Widener was a co-owner of the Predecessor from 1999 through 2002.

Business Development Representative: Kevin H. Bryant

Kevin Bryant has been a Business Development Representative of the Company since August, 2005. From December, 2000, through September 2005, Mr. Bryant was Director of Sales and Marketing for ZDL Incorporated in Lexington, Kentucky. From July, 1998 through November 2000, Mr. Bryant was Director of Sales for Forward Edge Company in Lexington, Kentucky.

Business Development Representative: Clinton C. Cooper

Clinton Cooper has been a Business Development Representative of the Company since March, 2006. From February, 2005 through December, 2005, Mr. Cooper was a Field Service Representative for the National Association for the Self-Employed and Mega Life and Health Companies in Lexington, Kentucky. From March, 2004 through January, 2005, Mr. Cooper was a Manager at Laser Quest in Lexington, Kentucky. From July, 2002 through March 2004, Mr. Cooper was a Bar Manager at Lone Star Steakhouse and Saloon in Bowling Green, Kentucky. From May, 2001 through July, 2002, Mr. Cooper was a Financial Representative for Northwestern Mutual Financial Network in Bowling Green, Kentucky.

Area Developers

Our Predecessor previously offered area development rights pursuant to which area developers were granted the right to open and operate multiple Units within a geographic territory, and/or to solicit franchisees for the Predecessor within a geographic territory. The Predecessor's area development agreements with its area developers were assigned to us in June, 2005. The names and business experience of our area developers are:

Area Developer: Pam Alexander

Ms. Alexander has been the owner of a Contours Express franchise in Fenton, Michigan since November, 2002. Since June, 2003, Ms. Alexander has been an area developer for our Predecessor in Genessee County, Gratiot County, Huron County, Lapeer County, Puskola County, Saginaw County, Sanilac County, Shiawassee County and St. Clair County of Michigan. Since May, 1991, Ms. Alexander has been the Branch Manger of Travel Brokers, Inc. in Fenton, Michigan.

Area Developer: Mindy Irk

Ms. Irk has been the owner of a Contours Express franchise in Fenton, Michigan since November 2002. Since June, 2003, Ms. Irk has been an area developer for our Predecessor in Genessee County, Gratiot County, Huron County, Lapeer County, Puskola County, Saginaw County, Sanilac County, Shiawassee County and St. Clair County of Michigan. Since May, 1995, Ms. Irk has been a Travel Agent of Travel Brokers, Inc. in Fenton, Michigan.

Area Developer: John Hartline

Mr. Hartline has been the owner of a Contours Express franchise in Suffolk, Virginia since July, 2002. Since May, 2003, Mr. Hartline has been an area developer for our Predecessor in Clouster County, Isle of Wight County, James City County, Mathews County and York County of Virginia.. Mr. Hartline has been on active duty with the United States Coast Guard since July, 1981, and holds the rank of Lieutenant Commander.

Area Developer: Janet Keith

Ms. Keith has been the owner of a Contours Express franchise in Florissant, Missouri since March, 2003. Since June, 2003, Ms. Keith has been an area developer for our Predecessor in St. Charles and St. Louis County of Missouri.. From July, 1991 through May, 2003, Ms. Keith was the Pension Administrator for Furniture Brands International in Clayton, Missouri. Ms. Keith is a Vietnam Era Veteran, serving over 20 years with the U.S. Army as a member of the Armed Forces or in a civilian capacity.

Area Developer: Chris Petter

Mr. Petter has been the owner of a Contours Express franchise since April, 2001 in Grand Rapids, Michigan. In September, 2001, Mr. Petter opened his second Contours Express franchise, and in April, 2002, he opened his third Contours Express franchisee. Since September, 2003, Mr. Petter has been an area developer for our Predecessor in Allwgan County, Barry County, Clinton County, Easton, County, Ingham County, Ionia County, Kalamazoo County, Kent County, Mecosta County, Montcalm County, Muskegon County, Newaygo County, Ottawa County and Van Buren County of Michigan. From January, 1998 to July, 2002, Mr. Petter worked as a baker for Ludwick's Frozen Donuts in Walker, Michigan. Mr. Petter is also a youth counselor at Bethany Christian services.

The Company does not employ any franchise brokers at this time.

**3. LITIGATION**

No litigation is required to be disclosed in this Offering Circular.

**4. BANKRUPTCY**

No person previously identified in Items 1 and 2 of this Offering Circular has been involved as a debtor in proceedings under the United States Bankruptcy Code required to be disclosed in this Item 4.

**5. INITIAL FRANCHISE FEE**

SINGLE UNIT FRANCHISE FEE

Upon signing the Franchise Agreement, you must pay the Company a lump sum initial franchise fee (referred to in this Offering Circular as the "Franchise Fee") in the amount of \$14,000.00 for a single Franchise Unit. The Franchise Fee is uniform for all franchisees and is non-refundable in whole or in part under any circumstances except as provided below:

- a) If you are unable to complete the training program required of all franchisees to the satisfaction of the Company, the Company may terminate the Franchise Agreement. The Company will then, upon written release by all parties, return the Franchise Fee less any expenses incurred by the Company in providing training to you and/or your manager.
- b) Upon signing a Franchise Agreement, you have ninety days to find a location for your Franchise Unit that is acceptable to the Company. If we do not approve the location selected by you, we will notify you in writing and you may submit to us another proposed location. If no acceptable site is located by you and approved in writing by the Company within the 90-day period, we may terminate the Agreement, and you will forfeit all fees paid to us as of the date of termination. We will not unreasonably withhold our consent to extend the 90-day period for an additional two months provided you make a written request for the extension at least five business days before the expiration of the initial 90-day period.

In addition to the initial Franchise Fee, you must purchase the initial exercise equipment from us at a cost of \$17,500 before opening the business. If you paid for any portion of the initial exercise equipment and the Franchise Agreement is terminated for failure to complete training to the satisfaction of the Company, we will refund the full amount of your purchase price for the exercise equipment upon return of the equipment to us or our designee in the same condition as received by you.

Except as provided above, the initial fee is not refundable.

In accordance with the Addendum to the Franchise Agreement attached to this Offering Circular as Exhibit "B", the Company may offer to certain individuals, the option to purchase a second Unit by paying a non-refundable reservation fee to us in the amount of \$9,000.00 as an initial franchise fee for the second Unit. You will be given a reserved area described in the Franchise Agreement within which to locate your second Unit. If you exercise this option and pay the reservation fee, you have ten months from opening of the first Unit to open the second Unit. If you do not open the second Unit within such 10-month period, you forfeit the reservation fee. You must have a location approved for the second Unit and sign a Franchise Agreement for the second Unit at least 90 days prior to opening the second Unit.

The initial franchise fee for single unit franchises is uniform for all franchisees currently purchasing a franchise and, except as disclosed above, is not refundable.

## 6. OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee	\$395.00 per month <sup>1</sup>	Payable monthly by the 5th day of each month	Payable by automatic funds transfer commencing on the date the franchise unit opens for business.
General Advertising Fee	4% of Gross Revenues	N/A	Gross Revenues means the amount, before taxes, of all sales of services and products. This fee is recommended but not required.
Regional or National Advertising Fee	Up to \$195.00 per month *	Payable monthly by the 5 <sup>th</sup> day of each month when the regional or national advertising fund is established	As the Contours Express franchise grows, we intend to establish a system-wide advertising fund for both local and national marketing. When established, you must contribute to the fund. See Item 11.
Additional Training	Not to exceed \$250 per day	Thirty days after billing	We may offer additional optional training programs.

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Additional Assistance	\$250.00 per day plus out of pocket expenses	Thirty days after billing	We may provide additional assistance as we deem necessary.
Transfer Fee	\$3,000.00	Before transfer	Payable when you sell or transfer your franchise. No fee is charged if you transfer the Franchise to a corporation or limited liability company you control.
Service Fee – failure to cure default	\$250.00 per day plus out of pocket expenses	Thirty days after billing	If you fail to cure a default we may operate your Unit and charge you a service fee.
Service Fee – incapacity or death of franchisee	\$250.00 per day plus out of pocket expenses	Thirty days after billing	If you or your manager are unable to operate the Unit due to illness, incapacity or death, we may operate your Unit and charge you a service fee.
Late Charge	1.5% per month	Upon demand	If you fail to pay any amounts due us or our affiliates on time.
Attorney's Fees	Reasonable attorney's fees and costs	Upon demand	If you fail to pay any amounts due us or our affiliates, you must pay for our costs of collection.

<sup>1</sup> The Continuing Royalty Fee is subject to change annually based upon changes in the Consumer Price Index.

All fees referred to above are payable only to us.  
All fees referred to above are imposed and collected by us.  
All fees referred to above are non-refundable.

## 7. INITIAL INVESTMENT

The following table sets forth the Company's estimates of the minimum initial capital requirements necessary to begin operation of a single Franchise Unit during the first 90 days of operation in an average territory. With respect to each category, you are cautioned to allow for the effects of local cost and market variations, discretionary expenditures, delays, and inflation, which can result in rapid, substantial, unforeseen and uncontrolled increases in costs.

### ESTIMATED INITIAL INVESTMENT

EXPENDITURE	AMOUNT	METHOD OF PAYMENT	TO WHOM MADE	WHEN DUE
Franchise Fee <sup>1</sup>	\$14,000	Lump Sum	Franchisor	Signing of Franchise Agreement
Reservation Fee <sup>1</sup>	\$0-\$9,000	Lump Sum	Franchisor	Signing of Franchise Agreement for first Unit
Initial Exercise Equipment <sup>2</sup>	\$17,500	Lump Sum or Financed	Franchisor	Before Opening
Equipment Shipping <sup>2</sup>	\$1,000-3,000	Lump Sum or Financed	Shipping Company	Before Opening

EXPENDITURE	AMOUNT	METHOD OF PAYMENT	TO WHOM MADE	WHEN DUE
Rent <sup>3</sup>	\$800-3,200	As Incurred	Lessor	Monthly
Lease and Utility Deposits and Fees <sup>4</sup>	\$500-3,500	Lump Sum	Lessor and/or utility companies	Before possession
Leasehold Improvements <sup>5</sup>	\$0-4,000	As Incurred	Lessor or Contractor	As Arranged
Office Equipment and Supplies <sup>6</sup>	\$2,000-4,000	As Incurred	Approved Suppliers	Before Opening
Insurance <sup>7</sup>	\$1,000-2,000	Monthly or Lump Sum	Insurance Carrier	Before Opening
Signage <sup>8</sup>	\$500-3,500	As Incurred	Approved Suppliers	Before Opening
Training <sup>9</sup>	\$500-1,200	As Incurred	Airlines, hotels, restaurants, etc.	Before Opening
Grand Opening Advertising <sup>10</sup>	\$3,000-5,000	As Incurred	Newspapers, radio station, etc.	As Incurred
Computer Software <sup>11</sup>	\$0-420	\$300 lump sum and \$39.00 per month	Software provider	As Incurred
Additional Funds <sup>12</sup>	\$1,500-3,500	As Incurred	Employees, Suppliers, etc.	As Incurred
<b>Estimated Total Range</b>	<b>\$42,300-73,820</b>			

#### NOTES

- <sup>1</sup> **FRANCHISE FEE** – See Item 5 to determine when this fee is partly refundable. The Company does not finance any part of the franchise fee. The Company may grant an option to purchase a second Unit upon the payment of a non-refundable reservation fee of \$9,000. See Item 5 above.
- <sup>2</sup> **INITIAL EXERCISE EQUIPMENT** – The equipment included in this package is attached as Exhibit D. The \$17,500 price does not include the cost to ship the equipment to the Unit location. The cost to ship the equipment to the Unit location will be determined by distance shipped and weight of cargo.
- <sup>3</sup> **RENT** – If you do not own adequate Unit space, you must lease space for the Franchise Unit. A Franchise Unit is customarily established in a free standing building or local strip mall. The minimum size of the building component of a Franchise Unit is approximately 1,200 square feet with an average of approximately 1,300 square feet. Rent will vary based on a number of factors including square footage, location, and condition of the space, lease arrangements, and the “average dollar per square foot” of sales. Another factor, which is discussed below under the Note “Leasehold Improvements”, may have a significant effect on the rent.
- <sup>4</sup> **LEASE AND UTILITY DEPOSITS, AND FEES** – You may have to pay a landlord or utility companies security deposits or other fees prior to occupancy of the premises or before the beginning of utility services. These deposits are typically refundable.
- <sup>5</sup> **LEASEHOLD IMPROVEMENTS** – Cost of leasehold improvements will vary depending on many factors including size of space, condition, location of the space and price difference between various suppliers and contractors. All construction materials and fixtures must be in compliance with the specifications of the Company and the landlord. The cost of the leasehold improvements may be your sole responsibility to be paid up front to the landlord or third parties before occupancy or it may be included in the monthly rental amount. This is an important factor for you to consider in choosing a location. The range of figures shown in this illustration is for a space in “ready to occupy” condition up to an

“average” renovation of a 1,500 square foot space. The Company may sublease or assign an existing lease to you in some instances, or you may sublease or be assigned an existing lease from a third party.

- 6 **OFFICE EQUIPMENT AND SUPPLIES** – You must purchase certain business forms from approved suppliers or the Company. You will also need to purchase miscellaneous office supplies and equipment from any available source. These items, such as staplers, scissors, note pads, etc., may be purchased at your discretion to aid you in the operation of your business.
- 7 **INSURANCE** – You are required by the Company and in most cases by the landlord to have adequate insurance coverage before occupying leased space (See Article 9.2 of Franchise Agreement). The cost of this insurance will vary based on many factors and may be paid in a lump sum annually, quarterly and sometimes monthly.
- 8 **SIGNAGE** – You must pay for the cost of an external sign that meets the Company’s specifications. Signage costs will vary and may exceed the projected amounts based on size of sign, material used, shipping fees, local permits, and contractor fees. The amounts shown reflect signs that are currently in use through currently approved suppliers.
- 9 **TRAINING** – You must attend the Company’s training program at a location that will be determined before the opening of the Franchise Unit. You are solely responsible for training expenses, which will vary based on the number of people required to be trained, distance traveled, mode of travel, time in training, choice of accommodations, food and entertainment and salaries paid by you to employees. The initial training fee is included in the Initial Franchise Fee (See Item 6 of this Offering Circular). Trainees are not compensated by the Company during training.
- 10 **GRAND OPENING ADVERTISING** – You must pay for the cost of advertising to promote your Franchise Unit. The cost of advertising will vary depending on what type of advertising you invest in. This advertising can be one or a combination of many different avenues, such as newspapers, flyers, or radio stations. This amount should also include any advertising to promote the Grand Opening of your Franchise Unit.
- 11 **COMPUTER SOFTWARE** – You may elect to purchase a computer software program at a cost of \$300.00, plus \$39.00 per month. See Item 11.
- 12 **ADDITIONAL FUNDS** – This estimates your initial start up expenses. These figures are estimates and the Company cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow the Company’s methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our service; the prevailing wage rate; competition; and the sales level reached during the initial period.

The Company relied on its and its Predecessor’s experience in the fitness and weight loss business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

## 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to promote consistency, quality and uniformity throughout the Franchise Units, the Franchise Agreement requires you to purchase your initial and ongoing inventory of exercise equipment, fitness apparel, miscellaneous pro-shop items, signage, and items bearing the Marks from the Company or other sources designated or approved periodically by the Company. The initial exercise equipment must be purchased from us at a cost of \$17,500. Currently, we are the only approved supplier of the exercise equipment.

The Company currently uses ABC Financial of Sherwood, Arkansas for the maintenance of billing and collecting for membership dues. Currently ABC Financial is the only approved supplier for this service. ABC Financial currently charges a fee of 5.8% of the amount collected on your behalf for this service that will be deducted from monies collected through membership dues. A portion of the fee charged by ABC Financial is paid to the Company.

The Company currently uses The 10<sup>th</sup> Planet of Danville, Kentucky for the distribution of personalized products and merchandise for club use and sales. Currently The 10<sup>th</sup> Planet is the only approved supplier for this service. The 10<sup>th</sup> Planet

specializes in screen printed and embroidered personalized products. A portion of the fee charged by The 10<sup>th</sup> Planet is paid to the Company.

You must purchase exercise equipment and health and fitness products from a source designated by Contours Express®. Contours Express® will supply the Initial Franchise Exercise Equipment as part of the Franchise System. Contours Express® applies a markup to the cost of the equipment in determining the amount of the Initial Franchise Exercise Equipment; Contours Express® may receive compensation for any subsequent sales of equipment or products.

We do not presently maintain any written specifications for the above goods or services. Therefore, we do not formulate or modify any specifications or standards imposed on you.

The Company may at times receive revenue from the sale of these items to you. The Company may also at times receive revenue from a sole approved vendor(s), although the basis for determining the amount of this revenue has yet to be determined.

You may apply to the Company to obtain alternative products or sources of supply that meet all of the Company's specifications. The Company does not have any specific criteria at this time for approving or disapproving suppliers. After application, the Company will notify you within sixty days whether or not the proposed supplier or product is approved. No specifications or standards are issued to you or approved suppliers. We do not currently charge a fee to review proposed products or suppliers.

The Company has the sole and exclusive right to determine approval of suppliers and to periodically update and alter these standards and specifications and to add to or delete from the list of products and suppliers approved for Franchise Units.

In opening and operating the Franchise Unit, the equipment, inventory, business forms, insurance, and signage which must be purchased from the Company or suppliers designated by the Company currently account for the following:

- a) Between approximately fifty-eight percent of low range of initial investment and approximately fifty-five percent of the high range of the initial investment. (See Item 7 for initial investment information).
- b) It is estimated that the required purchases or leases from the Company or other approved sources will represent fifty-seven percent to sixty one percent of your overall purchases in operating the Franchise Unit.

In fiscal year ended December 31, 2005, the revenues of the Company from required purchases and leases of products by its franchisees were \$623,272.00, representing approximately 33.8% of the Companies total revenues for that partial fiscal year.

We may negotiate purchase arrangements with suppliers for your benefit. We provide no material benefits to you based on your use of approved suppliers.

We have no purchasing or distribution cooperatives at this time.

## 9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

OBLIGATION	SECTION OF FRANCHISE AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site Selection and acquisition/lease	2.2, 6.1	11
b. Pre-opening purchases/leases	7.1, 7.2	8
c. Site Development and other pre-opening	7.3	7, 11

OBLIGATION	SECTION OF FRANCHISE AGREEMENT	ITEM IN OFFERING CIRCULAR
requirements		
d. Initial and ongoing training	6.5, 6.7, 6.10, 6.11, 8.13	11
e. Opening	6.3, 7.4	11
f. Fees	5	5, 6
g. Compliance with standards and policies/Operating Manual	8	11
h. Trademarks and proprietary information	4, 10	13, 14
i. Restrictions on products/services offered	8.5, 8.6, 8.7	16
j. Warranty and customer service requirements	8.2, 8.3	11
k. Territorial development and sales quota	N/A	12
l. Ongoing product/service purchases	8.6, 8.7	8
m. Maintenance, appearance and remodeling requirements	7.5, 8.2, 8.4	11
n. Insurance	9.2, 9.3	6, 8
o. Advertising	8.12, 8.14	6, 11
p. Indemnification	18.3	6
q. Owner's participation/ management/staffing	8.10	11, 15
r. Records/reports	9.1	
s. Inspections	6.9, 8.1	11
t. Transfer	11	17
u. Renewal	3.2	17
v. Post-termination obligations	13	17
w. Non-competition covenants	15	17
x. Dispute Solution	16	17

## 10. FINANCING

We may, from time to time, at your request, assist you in obtaining financing by referring you to a bank or finance company to finance all or a part of your investment. We do not receive any compensation for helping arrange any financing.

Contours Express has been approved by the U.S. Small Business Administration (SBA) for inclusion in their SBA Franchise Registry.

Except as described above, we do not offer direct or indirect financing. We do not guarantee your note, lease or any other financial obligation.

## 11. FRANCHISOR'S OBLIGATIONS

### FRANCHISOR'S OBLIGATIONS BEFORE OPENING

Except as disclosed below, the Company need not provide any assistance to you. Before you open your business, the Company will:

A. Site Selection

The Company shall use reasonable efforts to help you analyze and evaluate a proposed site for a Franchise Unit. However, the Company's selection or approval of a proposed site and information imparted to you regarding the proposed site will not constitute a warranty or representation of any kind, express or implied, as to the suitability of the proposed site for a proposed location for a Franchise Unit or for any other purpose (Article 6.1 of Franchise Agreement). The factors we consider to determine the suitability of a site are the general demographics of the area and the tenant mix within a shopping center. We will approve or disapprove a proposed site within fifteen days of submission of a proposed site by you (Article 6.1 of Franchise Agreement). If we do not consent to a proposed location, you have the right to submit another proposed location to us. If an Authorized Location has not been approved and identified on Addendum I to the Franchise Agreement within 3 months of signing of the Franchise Agreement, we may terminate the Franchise Agreement and keep all fees you paid to us as of the date of termination (Article 2.2 of Franchise Agreement).

B. Unit Development

The Company is required by the Franchise Agreement to consult with you in obtaining a suitable site, procuring necessary licenses or permits (i.e., health, sanitation, building, utility and sign permits), managing construction or refurbishing of the Franchise Unit premises and layout, procuring equipment, fixtures and signs, establishing image and advising on proper display of trademarks (Article 6.2 of Franchise Agreement. See Also Item 8 of this Offering Circular).

C. Training

Within sixty days after execution of the Franchise Agreement and after you secure possession of an approved site, but before you may open your Franchise Unit, the Company will provide you, and/or your designated manager, if applicable, one initial training course, the cost of which is part of the Initial Franchise Fee. Any of your managers and/or additional employees must receive training at the same time you do. The individual owners of the franchise must attend the initial training. There is no test at the end of the training course, but you must complete the training course to our satisfaction. If you fail to complete the training course to our satisfaction, we may terminate the Franchise Agreement. We will then, upon written release by all parties, return the Franchise Fee less any expenses incurred by us in providing training to you and/or your manager. The training program consists of the following:

SUBJECT	INSTRUCTION MATERIAL	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	INSTRUCTORS
Grand Opening	Manual	3		Bill Helton
Employee Procedures	Manual	3		Bill Helton
Marketing for Success	Manual/Operating Unit	3	1	Lyndi Van Deursen
Telephone Techniques	Manual/Operating Unit	1	1	Mary Schrad
Principles of Membership Sales	Manual/Operating Unit	6	3	Mary Schrad
Workout Principles and Techniques	Manual/Operating Unit	1	1	Mary Schrad
Customer Service	Manual/Operating Unit	2	1	Mary Schrad
Pro-Shop	Manual	2		Mary Schrad
Maintenance/Cleaning	Manual	2		Mary Schrad
Revenue/Expenditure	Manual	4		Bill Helton

SUBJECT	INSTRUCTION MATERIAL	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	INSTRUCTORS
Membership Processing	Manual	4		Mary Schrad
Weight-Loss	Manual	1		Clay Neff
Fitness Management System	Manual/Operating Unit	4	2	Keith Dziki
Physiology	Manual	2		Mary Schrad

The training program will be held at the Company's headquarters. The cost of training is included in the initial franchise fee. You must pay all travel and living expenses for you and your employees during training. The training course is offered monthly.

The experience of Bill Helton, Mary Schrad, Keith Dziki and Clay Neff is described in Item 2.

We may offer additional optional training programs. We may charge a fee for additional training courses not to exceed \$250.00 per day. You must also pay for your travel, lodging and other costs in attending any additional optional or mandatory training programs. We do not presently require you to attend an annual meeting or any mandatory training other than the initial training described above.

**D. Opening Assistance**

To facilitate the opening of your Franchise Unit, the Company will provide you with the services of one of its representatives for supervisory assistance and guidance for three days during the opening of your Franchise. You may request and the Company may provide additional initial assistance, but you must reimburse the Company for its related expenses and training time relating to any additional initial assistance (Article 6.6 of Franchise Agreement).

**E. Opening Schedule**

You are required to open the Franchise Unit by a mutually agreed date as described in Addendum 1 to the Franchise Agreement. The Company estimates that there will be two to four months between the signing of the Franchise Agreement and the opening of your Franchise Unit. However, the time to open a new facility for business may vary depending upon such factors as the location and condition of the premises, construction delays, weather conditions, shortages, delayed installation of equipment, fixtures and signs, your ability to secure financing, complete the required training program, obtain a lease, comply with zoning and local ordinances, obtain building permits and acquire inventory.

Should you fail to commence operation within six months of signing the Franchise Agreement, unless otherwise provided in writing by the Company, the Company may terminate the Franchise Agreement (Article 6.3 of Franchise Agreement).

**F. Miscellaneous**

Although not bound by the terms of the Franchise Agreement, the Company may, in its sole discretion, provide other supervision, assistance or services before the opening of the Franchise Unit, such as assisting in obtaining financing, promotions, advertising, and acquiring inventory (Article 6.11 of Franchise Agreement).

**FRANCHISOR'S OBLIGATIONS DURING THE OPERATION OF THE FRANCHISED FACILITY**

During the operation of the franchised business, the Company will:

**G. Operating Assistance**

The Company will provide and, periodically, add to, alter or delete, at the Company's sole discretion, lists of specifications and suppliers, approved products, materials and supplies, training and other services that may benefit you in the operation of your Franchise Unit.

The Company will advise you periodically of operating problems of the Franchise Unit which are disclosed by reports submitted by you or inspections made by the Company. The Company may also furnish you with guidance and assistance in connection with the operation of the Franchise Unit as is periodically deemed appropriate by the Company (Article 6.7 and 6.8 of Franchise Agreement).

H. Confidential Operations Manual

The Company will loan you one copy of the Company's Confidential Operations Manual for a Franchise Unit during the term of the Franchise Agreement. This Confidential Operations Manual contains mandatory and suggested specifications, standards and operating procedures prescribed by the Company. This Manual is confidential and remains the Company's property (Article 6.4 and 6.8 of Franchise Agreement).

The Table of Contents of the Confidential Operations Manual is attached as Exhibit "G" to this Offering Circular.

I. Confidential Operations Manual Updates

The Company will have the right to add to and otherwise modify the Confidential Operations Manual to reflect changes in products, services, specifications, standards and operating procedures, including sales and marketing techniques relating to the Franchise Units; however, no addition or modification of the Confidential Operations Manual may alter your fundamental status and rights under the Franchise Agreement. You must keep your copy of the Confidential Operations Manual current, and the master copy of the Confidential Operations Manual maintained by the Company at its principal office will be controlling in the event of a dispute relative to the contents of the Confidential Operations Manual (Article 6.8 of Franchise Agreement).

J. Local Advertising

It is recommended that you spend a minimum of four percent of your monthly Gross Revenues on local advertising. You must also maintain a business telephone and be listed in the Classifieds or Yellow Pages under the listing for businesses specializing in health fitness services or other listings specified by us. You pay all advertising costs you incur.

You must submit samples of all local advertising and promotional materials not prepared or previously approved by the Company to us for our approval before you use the materials. If written disapproval is not received by you within 15 days from the date of receipt by the Company of these materials, the Company shall be deemed to have given its required approval (Article 8.12 of Franchise Agreement).

Advertising may be conducted in any media, including print, radio and television, provided all advertising is pre-approved by us. However, you are not permitted to advertise via the internet without our prior written approval in each instance (Article 1.4 of Franchise Agreement).

K. Periodic Visits

The Company may make periodic visits to your Franchise Unit for consultation, assistance, and guidance of you in all aspects of the operation and management of the Franchise Unit as is deemed appropriate by the Company. The Company will outline in written reports any suggested changes or improvements for the operation or management of the Franchise Unit or detail any defaults in operations which become evident as a result of any visit of your Franchise Unit by the Company. Additional guidance, at the sole discretion of the Company, will be furnished in the form of the Company's Confidential Operations Manual, bulletins or other written materials, telephone consultations and/or consultations at the offices of the Company or at your Franchise Unit in conjunction with an inspection of your Franchise Unit (Article 6.9 of Franchise Agreement).

L. Additional Training

The Company may offer additional mandatory, optional, refresher, advanced or other training programs or seminars addressing common problems experienced by you or addressing new products, services, or techniques to be utilized by the Franchise Units, and the Company may establish reasonable fees for attendance at these events. These seminars and training programs may discuss sales techniques, personnel training, bookkeeping, accounting, inventory acquisition and control, performance standards, advertising programs and merchandising procedures. We will not require you to attend

more than 1 training program or seminar per year. Additional training programs and seminars will not last longer than 2 days. We may conduct the training programs and seminars anywhere in the United States.

You must pay for all travel, lodging, living expenses and compensation for you and your manager and/or employees incurred while attending any training program (Article 6.10 of Franchise Agreement). We do not charge a fee for the training programs.

#### M. Miscellaneous

Although not bound by the terms of the Franchise Agreement, the Company may, in its sole discretion, provide other supervision, assistance or services to you during the operation of your Unit. Under no circumstances does any assistance, consent or approval by the Company constitute an assurance or warranty (Article 6.11 of Franchise Agreement).

### COMPUTER REQUIREMENTS

There are no computer or cash register requirements at this time. Accordingly, we do not have independent access to computer data or other information. However, we recommend you purchase a software program to track club memberships, track member visits and workouts, etc. The only approved supplier for this software is Hoster.com Corporation/Evendo. In the future, Contours Express® may require this software or a similar software program. Their address and telephone number is 184 South Livingston Avenue, Suite 9-345, Livingston, New Jersey 07039; 201-777-2041. Hoster.com presently charges a fee of \$300.00 for the software, plus \$39.00 per month. If you purchase the software, you will need an IBM compatible computer with Windows 98 or higher operating system.

### ADVERTISING

Individual unit franchisees are not required to participate in any advertising programs at this time.

You are not required to participate in any national, regional, or local advertising funds or cooperatives at this time. Except for the restriction on internet advertising described above, there is no limit to the source or media you select for your individual advertising.

As the Contours Express franchise grows, we intend to establish a system-wide advertising fund for both local and national marketing for all franchisees and Company-Owned Units. You and our other franchisees will be required to contribute up to \$195.00 per month to the Marketing Fund. We may use your Advertising Contributions to meet the costs of conducting regional and/or national advertising and promotional activities. We may charge the Marketing Fund fees at reasonable rates for advertising, marketing, and promotional services that we or our affiliates actually provide (Franchise Agreement, Section 8.14).

The Marketing Fund, when established, will be administered as a separate account by us or our affiliates. We will make an unaudited annual financial statement of the Marketing Fund available to any franchisee on request 120 or more days after year end.

We are not required to spend any amount from the Marketing Fund on advertising or promotions in your Territory (Franchise Agreement, Section 8.14). If any contributions to the Marketing Fund, including any associated earnings, are not spent in the fiscal year in which they accrue, they will remain in the Marketing Fund for use in following years. We reserve the right to terminate the Marketing Fund at any time, but we will not do so until all monies in the Marketing Fund have been expended for the purposes described in the Franchise Agreement or returned to contributors on a prorated basis.

We have no right or power to require cooperatives to be formed, changed, dissolved, or merged.

## 12. TERRITORY

### GENERAL

You are granted the right to operate a Franchise Unit at the location and premises approved by the Company while the Franchise Agreement is in effect and you are not in default. Unless agreed to by the Franchisor, you will not receive an

exclusive territory, and the Company may establish other franchised or Company-owned outlets that may compete with your location. However, so long as you are in compliance with the Franchise Agreement, we will not establish a Company Unit or Franchise Unit within two miles of your Franchise Unit. The Company does not intend to establish a Company-Owned Unit or other channels of distribution using our Trademark, but we are not prohibited from doing so outside of your protected territory.

Other than as described in Item 1 of this Offering Circular, neither the Company nor any of its affiliates have established or intend to establish other franchises or Company-Owned Units or other channels of distribution selling or leasing similar products or services under a different trademark. However, we reserve the right to do so.

Individual franchise unit owners do not receive any options, rights of first refusal, or similar rights to acquire additional franchises in your area or in any contiguous area.

The Franchise Agreement does not prohibit you from soliciting business for your Franchise Unit from any location, and you are not required to compensate, nor are you entitled to receive compensation from, other Franchisees on account of any territorial or customer sales restrictions.

Your right to relocate your Franchise Unit is restricted. You may operate your Franchise Unit only at the location(s) approved by the Company. Any relocation must be approved by the Company at the Company's sole discretion, and any relocation will be at your sole expense.

Your territory as defined in Addendum 1 to the Franchise Agreement will not be altered without your written consent. Continuation of your Franchise is not dependent upon the achievement of any sales volume, market penetration or other contingency.

#### FRANCHISOR'S RIGHT TO OPERATE UNITS

The Company retains the right, on behalf of itself and its affiliates, in its sole discretion and without granting any rights to its Franchisees, to operate itself or to grant to other persons the right to operate Company Units or Franchise Units at any locations and on any terms and conditions as the Company may deem appropriate, provided it is not located within two miles of a Franchise Unit in good standing.

The Company on behalf of itself or its affiliates, has not, nor has any presently formulated plans to, but retains the right, to establish, in its sole discretion, Company-owned outlets and/or other franchises, selling similar products under a different trade name or trademark.

### **13. TRADEMARKS**

The Company uses trademarks, service marks, and trade names (collectively referred to as the "Marks") relating to the primary trademark known as Contours Express®. The Franchise Agreement grants you the right to use the Marks only on the terms and conditions contained in the Franchise Agreement and all applicable specifications, standards and operating procedures prescribed by the Company during the term of the franchise. The following represents the status of applications for federal registration of the Marks, on the Principal Register of the United States Patent and Trademark Office ("USPTO") by us or our Predecessor:

<u>MARK</u>	<u>APPLICATION DATE</u>	<u>REGISTRATION DATE</u>	<u>REGISTRATION NUMBER</u>
Contours Express (with logo)	08/20/1998	10/19/1999	2,287,751
Contours Express (without logo)	04/09/2004	04/19/2005	2,941,448
Better Idea in Women's Gyms!	11/09/2005	Pending	Serial No. 78/750,145

All required affidavits and renewal applications for the federally-registered marks referred to above have been or are expected to be filed. Section 8 and Section 15 affidavits have been filed with respect to the first trademark mentioned above. No

affidavits or applications have been required to be filed to date with respect to the second trademark application mentioned above.

The above trademark registrations were filed by our Predecessor and assigned to us in June, 2005.

The Company may permit you to use other trademarks, service marks, trade names, logotypes and commercial symbols as may be designated in writing by the Company.

You must follow the Company's rules when using the Marks. You are prohibited from using any Marks as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. You are also prohibited from using Marks in connection with the sale of any unauthorized product or service.

Based on information we possess, there is presently no effective determination of the USPTO or the trademark administrator of any state or any court, of any pending interference, opposition or cancellation proceeding or any pending material litigation involving the Marks or other commercial symbols which is relevant to the use thereof in any State. There are no agreements that exist which significantly limit in any manner material to you, the rights of the Company to use or license the use of the Marks.

You must immediately notify the Company in writing of any apparent infringement of, unauthorized use of, or challenge to your use of the Marks, or claim by any person or any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. The Company shall have sole discretion to take any action as it deems appropriate, if any, and has the right to complete control of any litigation, USPTO proceeding or other administrative proceeding arising out of any infringement, unauthorized use, challenge or claim relating to the Marks. The Company will reimburse you for your liability resulting from a claim against your use of the Marks if you notify the Company of any claim in a timely manner, and if the Company has been given the opportunity to defend the claim. If the Company defends the claim, the Company will have no obligation to reimburse you for any of your attorneys' fees relating to the claim.

You must modify or discontinue the use of Marks if the Company modifies or discontinues it. If this happens, you must bear all cost of compliance (for example, changing signs). You must not directly or indirectly contest our rights to our Marks, trade secrets or business techniques that are part of our business.

The Company does not know of any superior rights or infringing uses that could materially affect your use of the Company's Marks.

#### **14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not currently own any rights in or to any patents that are material to the franchise. However, we do claim common law copyrights on our Manuals and other proprietary materials created by us in connection with the System, including forms and other printed materials. The Manuals and other printed materials have not been registered with any copyright office. The Franchise Agreement grants you the license to use the Manuals and other proprietary materials solely in connection with the operation of your Franchise Unit.

You must at all times treat the Manuals and the information in it as confidential.

The Franchise Agreement requires you to maintain in confidence all of our trade secrets and proprietary material (collectively the "Proprietary Information"), both during and after the term of the Franchise Agreement.

You may not at any time disclose, copy or use any Proprietary Information except as specifically authorized by us. Under the Franchise Agreement, you agree that all information, data, techniques and know-how developed or assembled by you or your employees or agents during the term of the Franchise Agreement and relating to the System will be deemed a part of our Proprietary Information protected under the Franchise Agreement.

See Item 15 below concerning your obligation to obtain confidentiality agreements from persons involved in your business.

## 15. OBLIGATION OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Company requires the full-time “on premises” supervision by you or your operating manager. Any individual who directly supervises the Franchise Unit must be approved by the Company and must have successfully completed our training program. The on-premises supervisor cannot have an interest or business relationship with any of the Company’s business competitors. The on-premises supervisor must sign a written agreement to maintain confidentially of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Item 17.

## 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those goods and services for which the Company has granted prior written approval. You must offer all goods and services that the Company designates. The Company may add additional goods and services that you must offer. There are no limits on the Company’s right to add or change authorized goods and services. You must discontinue offering any goods or services promptly on notice from us.

Unless you receive written consent from the Company, you must use the location of the Franchise Unit solely for the purpose of conducting the operations of a Franchise Unit, and no other business may be conducted or products or services offered at the location of the Franchise Unit. Unless you receive written consent from the Company, your business may be identified only by the name of the Company or another of the Marks approved in writing by the Company.

The Company imposes no customer restrictions on you.

There are no other limits on our right to change the type of products and services you offer.

See Items 9, 11 and 12 for more information about your obligations and restrictions.

## 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

The following tables list certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Offering Circular.

PROVISION	ARTICLE OF FRANCHISE AGREEMENT	SUMMARY
a. Term of the franchise	Article 3.1	10 years.
b. Renewal or extensions of the term	Article 3.2	If you are in good standing and you also meet the Company's then-current franchisee standards, you can add an additional 5 year renewal term
c. Requirements for you to renew or extend	Article 3.3	Give written notice of renewal, sign new agreement and sign release.
d. Termination by you	None	
e. Termination by the Company without cause	None	
f. Termination by the Company with cause	Article 12.2	The Company can terminate only if Franchisee defaults.
g. “Cause” defined – defaults which can be cured	Article 12.2	You have ten days to cure: non-payment of fees and failure to maintain insurance. You have thirty days to cure: failure to comply with any default not listed in Article 12.2; failure to comply with laws;

PROVISION	ARTICLE OF FRANCHISE AGREEMENT	SUMMARY
		<p>offers of products or services not approved by the Company.</p> <p>You have ninety days to cure: failure to obtain possession of the Approved Location, abandonment, transfer or loss of right to occupy the Authorized Location, failure to actively operate the Unit, termination of general partner interest in the case where limited partnership owns Franchise Unit, failure to attend supplemental training programs required, filing of voluntary bankruptcy petition or reorganization, liquidation, or dissolution pleadings.</p>
h. "Cause" defined – defaults which cannot be cured	Article 12.2	Material misrepresentation or omission, conviction of felony, unauthorized transfer, trademark misuse, repeated defaults even if cured, insolvency, abandonment, operation of store in manner that violates any health, safety or sanitation law, unauthorized use of Confidential Operations Manual.
i. Your obligations on termination / non-renewal	Article 13	Obligations include complete de-identification and payment of amounts due (also see "r." below). We reserve the right to take possession of your fitness equipment if we terminate the franchise agreement as a result of a default by you.
j. Assignment of contract by the company	Articles 11 and 14.2	No restriction of the Company's right to assign.
k. "Transfer" by you – definition	Article 11	Includes transfer of contract or ownership change.
l. The Company's approval of transfer by franchisee	Articles 11.1 and 11.2	The Company has the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for the Company's approval of transfer	Article 11.2	Notice, new franchisee must qualify, transfer and other fees must be paid, purchase agreement approved, training arranged and related fees paid by new franchisee, release signed by you, current agreement signed by new franchisee, and subordination agreement between you and the Company executed (also see "p." below).
n. The Company's right of first refusal to acquire your business	Article 14.2	The Company can match any offer for the franchisee's business.
o. The Company's option to purchase your business	Article 14.1	The Company may purchase franchisee's business (at fair market value) upon

<b>PROVISION</b>	<b>ARTICLE OF FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
		termination or expiration.
p. Your death or disability	Article 11.4	Heir(s) can continue franchise if application is made to the Company within 180 days and if heir(s) qualify. Otherwise, franchise must be assigned by estate to approved buyer within 270 days.
q. Non-competition covenants during the term of the franchise	Article 15	No involvement in competing business.
r. Non-competition covenants after the franchise is terminated or expires	Article 15	No competing business for two years within ten miles of another Contours Express® franchise.
s. Modification of the agreement	Article 19.1	Unless by mutual consents no modifications generally; Operating Manual subject to change.
t. Integration/merger clause	Article 17	Only the terms of the Franchise Agreement are binding. Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 16	The Franchise Agreement provides that the Company has the right to sue you in Kentucky for sums due it, for matters affecting its trademark and confidential information rights, and for preliminary injunctive relief. Except for the preceding, all disputes must be arbitrated in Kentucky.
v. Choice of forum	Article 17.7	Arbitration or litigation must take place in Jessamine County, Kentucky.
w. Governing law	Article 17.6	Kentucky law governs interpretation of agreement.

These states have statutes or court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, tit.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [Rev. Stat. Chapter 121½ ¶ 1719-1720], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03].

These states have statutes which limit the franchisor's ability to restrict your activity after the franchise agreement has ended: CALIFORNIA Business and Professions Code [Section 16,600], FLORIDA Statutes [Section 30-14-201], MICHIGAN Compiled laws [Section 445.771 et seq.], MONTANA codes [Section 30-14-201], NORTH DAKOTA Century Code [Section 9-08-06], OKLAHOMA Statutes [Section 15-217-19], WASHINGTON Code [Section 19.86.030]. Other states have court decisions limiting the franchisor's ability to restrict your activity after the franchise agreement has ended. Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of SOUTH DAKOTA except in certain instances as provided by law.

The following states have statutes which restrict or prohibit the imposition of liquidated damage provisions: CALIFORNIA [Civil Code Section 1671], INDIANA [1C 23-2-2.7-1(10)], MINNESOTA [Rule 2860.440J], SOUTH DAKOTA [Civil Law 53-9-5]. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law and state and federal court decisions. In MINNESOTA, NORTH DAKOTA, and SOUTH DAKOTA liquidated damage provisions are void and unenforceable.

A provision in the franchise agreement that terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code [Section 101].

#### **18. PUBLIC FIGURES**

The Company does not use any public figures to promote its franchise.

#### **19. EARNINGS CLAIMS**

The Company does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Franchise Unit. Actual results vary from unit to unit, and the Company cannot estimate the results of any particular franchise.

20. LIST OF OUTLETS

**FRANCHISED STORES STATUS SUMMARY  
FOR FISCAL YEARS ENDING DECEMBER 31, 2003/2004/2005**

<u>State</u>	<u>Transfers</u>	<u>Canceled or Terminated</u>	<u>Not Renewed</u>	<u>Reacquired by Franchisor</u>	<u>Left the System (Other)</u>	<u>Total from Left Columns</u>	<u>Franchises Operating at Year End</u>
Alabama	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Alaska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Arizona	0/1/1	0/0/0	0/0/0	0/0/0	0/1/2	0/2/3	2/9/9
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/1/0
California	0/0/4	0/0/0	0/0/0	0/0/0	0/3/8	0/3/12	3/29/28
Colorado	0/1/0	0/0/0	0/0/0	0/0/0	0/0/2	0/1/2	2/6/6
Connecticut	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/3/3
Delaware	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Florida	2/1/1	0/0/0	0/0/0	0/0/0	0/3/11	2/4/12	11/22/14
Georgia	0/2/3	0/0/0	0/0/0	0/0/0	0/0/2	0/2/5	3/12/15
Hawaii	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Illinois	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	1/1/2
Indiana	0/0/1	0/0/0	0/0/0	0/0/0	1/0/1	1/0/2	2/6/5
Iowa	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/2/1
Kentucky	0/5/1	0/0/0	0/0/0	0/0/0	4/2/2	4/7/3	13/12/12
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/1
Maine	0/1/0	0/0/0	0/0/0	0/0/0	0/0/1	0/1/1	1/3/2
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/5/7
Massachusetts	0/0/0	0/0/0	0/0/0	0/0/0	0/1/4	0/1/4	4/8/3
Michigan	0/6/13	0/0/0	0/0/0	0/0/0	1/5/10	1/11/23	39/52/48
Minnesota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
Mississippi	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Missouri	0/2/2	0/0/0	0/0/0	0/0/0	0/0/0	0/2/2	3/7/9
Montana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Nebraska	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	0/2/0	4/2/1
Nevada	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/2
New Hampshire	0/0/0	0/0/0	0/0/0	0/0/0	0/2/1	0/2/1	2/2/1
New Jersey	1/0/3	0/0/0	0/0/0	0/0/0	0/1/2	1/1/5	4/10/11
New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/2/2
New York	0/0/0	0/0/0	0/0/0	0/0/0	0/0/5	0/0/5	2/9/5
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/2/6
North Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Ohio	0/0/1	0/0/0	0/0/0	0/0/0	0/1/5	0/1/6	2/12/11
Oklahoma	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
Pennsylvania	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	0/0/2	1/7/9
Rhode Island	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/0/1
South Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/2
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/3/4
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2	0/0/2	1/4/4
Utah	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/2
Vermont	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Virginia	0/0/3	0/0/0	0/0/0	0/0/0	1/0/1	1/0/4	5/10/14
Washington	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	1/1/1
West Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Wisconsin	0/1/0	0/0/0	0/0/0	0/0/0	0/0/2	0/1/2	2/4/2
Wyoming	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0

**STATUS OF STORES OWNED BY CONTOURS EXPRESS®  
FOR YEARS 2003/2004/2005**

<u>State</u>	<u>Stores Closed During Year</u>	<u>Stores Opened During Year</u>	<u>Total Operating At Year End</u>
Kentucky	0/0/0	0/0/0	0/0/0
<b>TOTAL</b>	0/0/0	0/0/0	0/0/0

**PROJECTED STORE OPENINGS  
AS OF DECEMBER 31, 2005**

<u>State</u>	<u>Franchise Agreements Signed But Facility Not Open</u>	<u>Projected Franchised New Facilities In Next Fiscal Year</u>	<u>Projected Company Owned Openings In Next Fiscal Year</u>
Alabama	0	3	0
Alaska	0	0	0
Arizona	2	8	0
Arkansas	0	4	0
California	4	25	0
Colorado	0	8	0
Connecticut	0	4	0
Delaware	0	1	0
Florida	14	15	0
Georgia	5	10	0
Hawaii	0	2	0
Idaho	0	1	0
Illinois	1	10	0
Indiana	1	8	0
Iowa	0	0	0
Kansas	0	1	0
Kentucky	3	5	0
Louisiana	0	3	0
Maine	0	3	0
Maryland	2	5	0
Massachusetts	1	3	0
Michigan	10	10	0
Minnesota	0	5	0
Mississippi	0	2	0
Missouri	3	2	0
Montana	0	1	0
Nebraska	0	2	0
Nevada	2	2	0
New Hampshire	1	3	0
New Jersey	1	10	0
New Mexico	0	2	0
New York	1	10	0
North Carolina	8	8	0
North Dakota	0	0	0
Ohio	1	5	0
Oklahoma	0	2	0
Oregon	0	2	0
Pennsylvania	3	5	0
Rhode Island	0	0	0
South Carolina	3	6	0
South Dakota	0	1	0
Tennessee	4	4	0
Texas	1	6	0
Utah	0	2	0
Vermont	0	0	0
Virginia	3	5	0
Washington	0	2	0
West Virginia	1	1	0
Wisconsin	2	2	0
Wyoming	0	0	0

Attached to this Offering Circular as Exhibit E is a list which identifies the names, addresses and telephone numbers of all current Contours Express® stores owned and operated by the Company and its franchisees as of its fiscal year ending December 31, 2005.

Attached to this Offering Circular as Exhibit F is a list of names and last known addresses and telephone numbers for every franchisee who has had an outlet terminated, cancelled, not renewed, transferred, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the fiscal year ending December 31, 2005, and any who have not communicated with the franchisor within ten weeks of December 31, 2005.

## **21. FINANCIAL STATEMENTS**

Attached to this Offering Circular as Exhibit C are the audited financial statements for Contours Express, LLC as of December 31, 2005, and the unaudited balance sheet and profit and loss statement for Contours Express, LLC as of February 28, 2006.

## **22. CONTRACTS**

Attached to this Offering Circular are the following Exhibits for use in this State and elsewhere. You are encouraged to obtain such independent legal and financial advice, as you deem appropriate to obtain a full understanding of the Franchise offered by this Offering Circular before making any commitment.

Exhibit B - Franchise Agreement

## **23. RECEIPT PAGES**

Two copies of an acknowledgment of your receipt of this Offering Circular are attached at the end of this Offering Circular. If these pages or any other pages or exhibits are missing from your copy, please contact us at the address or telephone number listed on the cover page of this offering circular. Please return one copy of the receipt to the Company and retain the other for your records.