

ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor

The Franchisor is Good Feet Worldwide, LLC, a Delaware limited liability company formed on December 20, 2004 (“we,” “our,” and “us”). We were formed to be the franchisor of all Good Feet Stores beginning in January 2005. “You” means the person to whom we grant a franchise. If you are a corporation, partnership, limited liability company, or other entity, your owners must sign our “Guaranty and Assumption of Obligations,” which means that all of our Franchise Agreement’s provisions (Exhibit B) also will apply to your owners. (See Item 15) We do business under our corporate name and the trademarks described in Item 13 (the “Marks”), including “The Good Feet Store®,” “Good Feet Your Arch Support Store®,” and “Good Feet®,” and no other name. Our current principal business address is 2270 Cosmos Ct., Carlsbad, California 92011. Except as provided below, we have no predecessors or affiliates. If we have an agent in your state for service of process, we disclose that agent in Exhibit A.

The Franchise and the Good Feet Store

The franchise offered is for a Good Feet Store offering GOOD FEET brand arch supports and related foot products, some of which bear the Marks (the “Products”), purchased from our affiliate, Dr.’s Own, Inc. (“DOI”), and other approved vendors (see Item 8) that operates under a specified system (the “Good Feet System”) and uses the Marks as its primary trade identity. (For reference purposes in this Offering Circular, we call the Stores in our system “Good Feet Stores”; we use the “Store” to describe the Good Feet Store that you will operate.) The Products are not intended to be medical products or devices. The Good Feet System includes a facility design for the Good Feet Store; a system for offering and selling Products; designed décor and signage; confidential operating procedures and methods; and techniques for record keeping, accounting and reporting, personnel management, purchasing, sales, promotion, marketing, and advertising, all of which we and our affiliates periodically may change, improve, and further develop. The Good Feet System also requires franchisees to offer customers certain terms, return rights, and privileges we specify (the “Customer Benefits”). Your Store will be located in a specified geographic area (the “Territory”) within a Designated Market Area (“DMA”) (defined by the sources we designate).

We also grant multi-unit development rights to qualified franchisees, who then will have the right to develop a number of Good Feet Stores within a defined area over a specific time period or according to a pre-determined development schedule. These franchisees may open and operate Good Feet Store franchises directly or through controlled affiliates. Our Development Rights Rider to the Franchise Agreement is Exhibit C. (See Items 5 and 12)

Our Predecessors and Affiliates

Our predecessor is Good Feet Worldwide, Inc. (“GFW”), a California corporation whose last principal business address was 602 Airport Road, Oceanside, California 92054. GFW was the franchisor of the Good Feet System from March 2003 until December 2004. In approximately November 2004, GFW’s stock was purchased by Quest Acquisition, LLC, an entity owned by Matthew Coleman (see Item 2) (“Quest”), resulting in new control of the Good

Feet organization and business and the departure of the former ownership. To reflect the separation of the new ownership and control from the old ownership and control, we were formed in late December 2004 to be the franchisor of all Good Feet Stores. We received an assignment from GFW of all existing Good Feet franchise agreements on December 29, 2004. GFW was merged into DOI (see below) in December 2004 and no longer exists.

We are affiliated with DOI by common ownership. You will purchase all GOOD FEET brand arch supports and other proprietary items (which are included in the definition of "Products") directly from DOI. DOI, which incorporated in California on August 6, 1998, has the same principal business address as us. Quest also acquired DOI's ownership and control in November 2004.

Franchising and Other Activities

We began offering franchises for Good Feet Stores in February 2005. We never have operated a Good Feet Store, have no other business activities, and have not offered franchises in any other line of business.

GFW offered franchises for Good Feet Stores in certain states beginning in March 2003 and ceased being the franchisor of these Good Feet Stores in December 2004. GFW never owned or operated a Good Feet Store nor offered franchises in any other line of business.

DOI granted Good Feet Product dealerships to third parties from 1998 until March 2003. Those activities led to certain of the actions described in Item 3 below. DOI no longer grants Good Feet Product dealerships and has not offered dealerships or franchises in any other business. All dealerships previously converted to the franchise program. DOI has operated one or more Good Feet Stores since February 2003. (See Item 20)

The Market and the Competition

Each Good Feet Store will compete in a developed market with other retail stores selling arch supports, orthotics, specialty shoes, and other related goods. This competition will include shoe stores, drug stores, and sporting good stores. Depending upon your Store's geographic location, your competitors might include Phase 4, Step Forward, Natural Foot, Foot Solutions, Neo Vita, Foot EFX, and Bio Orthotics.

Laws and Regulations

You must comply with laws that apply generally to all businesses. You also must be aware that the Products are not intended as medical devices and do not comply with laws and regulations regarding the offer or sale of medical devices. You may not hold out the Products to be medical devices and therefore may not:

- Sell the Products as or for treatment of medical conditions or with any purported or actual medical diagnosis or prescription;
- Engage in diagnosis, prescription, or treatment of any medical condition in operating your Store;

- Represent or sell any Product as a medical device;
- Make any representation that the Products are a medical device or a treatment for any medical condition; or
- Sell any Product, or permit any agent or employee of yours to sell any Product, to any individual with diabetes, with arthritis, under a doctor's care, under the age of 18, with broken bones, with a skin disorder, or who has had surgery within the past 6 months, unless you are authorized in writing by a physician.

You must conduct regular training and communication to ensure that no employee or other agent of yours violates these laws and regulations.

ITEM 2

BUSINESS EXPERIENCE

Chairman: Matthew Coleman

Mr. Coleman has been our Chairman since our formation in December 2004 and DOI's Chairman since November 2004. He has been Chief Executive Officer of Coleman Capital Corporation, located in Northbrook, Illinois, since October 2004 and was Chairman of Escort, Inc., located in Westchester, Ohio, from April 1997 until July 2003.

President and Chief Operating Officer: Dave Workman

Mr. Workman has been our and DOI's President and Chief Operating Officer since December 2004, first joining GFW in a similar capacity in November 2004. Mr. Workman was Vice President and Chief Financial Officer of Escort, Inc., located in Westchester, Ohio, from April 1997 until January 2004.

Director of Franchising and Secretary: Leigh Ann Woeller

Ms. Woeller has been our Director of Franchising and Secretary since our formation in December 2004. Ms. Woeller was GFW's and DOI's Chief Operating Officer from February 2002 until November 2004 and DOI's Marketing Director from December 2001 until December 2002. From October 2000 until December 2001, Ms. Woeller was the Marketing and Operations Director of ThinkTank Advertising/Innovision Productions in San Diego, California and, from November 1993 until September 2000, Vice President of Lorelei Communications, Inc. in Ocala, Florida.

ITEM 3

LITIGATION

Involving Us or Our New Ownership

Joseph Paul Polifroni and Rosalinda W. Johnson v. Matthew Coleman et al. (California Superior Court, San Diego County, Case No. GIC 860752). On February 2, 2006, plaintiffs, who

are the Good Feet System's former indirect owners, filed this lawsuit against Matthew Coleman (see Item 2) and certain un-named individuals asserting fraud, breach of contract, conversion, and common counts due to Mr. Coleman's alleged failure to comply with an alleged agreement (1) to allow plaintiffs to exercise an option to acquire a minority ownership interest in the Good Feet System and (2) to make a payment to plaintiffs if the Good Feet System reached certain performance levels. Plaintiffs ~~seeks~~sought damages in excess of \$4 million, interest, unspecified punitive damages, and costs of suit. Mr. Coleman ~~intends to defend this lawsuit vigorously~~denied plaintiffs' allegations and filed various counterclaims against the plaintiffs. The parties settled the case on November 14, 2006. Under the settlement agreement, plaintiffs agreed to dismiss their lawsuit, comply with certain non-competition obligations, transfer certain intellectual property to Dr.'s Own, and release all claims against Mr. Coleman, Dr.'s Own, and all Good Feet-related parties. In return, Mr. Coleman agreed to have Dr.'s Own pay plaintiffs a total of \$2,100,000 in installments through the year 2010, to dismiss his counterclaim, and to release all claims against the plaintiffs. This case now is over.

Liz Claiborne, Inc. & L.C. Licensing, Inc. v. Consumer Product Recovery LLC d/b/a Division Sales, Tuesday Morning Corporation, Matthew Coleman, Ross Marks, PAMCO Printed Tape & Label Company, Inc. et al. (U.S. District Court, Northern District of Texas, Cause No. 304CV-819-H). This case does not involve us or the GOOD FEET system in any way. On April 19, 2004, plaintiffs sued the defendants alleging that they had sold jewelry with false trademarks and therefore had engaged in trademark infringement and deceptive trade practices. Plaintiffs sought an injunction and multi-millions of dollars in punitive and other damages. Mr. Coleman, one of our Directors, was named in the lawsuit personally, even though he had no direct personal involvement in the defendants' operations or the alleged improper conduct, because he was an investor. A parallel lawsuit was filed against these same defendants for the same actions, and seeking similar relief, a few weeks later by a different trademark owner. Tuesday Morning, a co-defendant in the cases who had purchased and re-sold the alleged infringing jewelry, filed a third-party claim against the other defendants for indemnification for the damages it had incurred in reselling the alleged infringing items. One of these other 2 cases also involved conspiracy to defraud allegations. After Mr. Coleman's deposition, the plaintiffs in the first case voluntarily dismissed him from their lawsuit. Before the court had an opportunity to rule on Mr. Coleman's motion to dismiss in the other 2 lawsuits, the parties settled the cases in October 2004 and signed mutual releases. Mr. Coleman had no direct monetary liability in the settlements.

Involving GFW and Our Affiliates and Started While under Old Ownership

Good Feet Store of Torrance, Inc., et al v. Dr.'s Own, Inc. et al (California Superior Court, San Diego County, Case No. GIN039464). On approximately September 14, 2004, plaintiffs, 31 dealers of DOI (who totaled 40 named plaintiffs), sued DOI, Television Marketing Programs, Inc., Media Placements, Inc., Orthotic Suppliers, Inc. and others alleging violation of franchise registration and disclosure laws (namely, that their dealerships really were franchises), material omissions in the sale of a franchise, rescission, fraud, and unfair and fraudulent business practices, all arising from DOI's grant of Good Feet dealership rights to the plaintiffs. Plaintiffs' lawsuit seeks damages in an amount to be proven at trial, punitive damages, attorneys' fees and costs, and other relief the court deems appropriate. After the plaintiffs filed their lawsuit, there was a change in the ownership and control of the Good Feet System (see Item 1). In March 2005, 5 plaintiffs dismissed their claims with prejudice. In May 2005, 25 plaintiffs settled with

the defendants via 12 separate settlement agreements under which DOI agreed to pay a total of \$1,070,000 (some individual plaintiffs' amounts varied) in installments (although with significant down-payments) over either 2-1/2 or 4 years (depending on the payment option chosen by the particular plaintiff). The parties also provided mutual releases. The remaining 10 plaintiffs settled on similar terms for approximately \$405,000 in October 2005 or afterward.

R1650 Holdings, Ltd. d/b/a Good Feet Canada v. Dr.'s Own, Inc. et al (California Superior Court, San Diego County, Case No. GIC831455). On June 15, 2004, R1650, DOI's Canadian distributor, sued DOI alleging breach of contract, breach of the implied covenant of good faith and fair dealing, and unfair business practices. R1650 claimed that it incurred significant losses from being unable to operate its business as contemplated in the parties' agreements due to GFW's failure to prepare the Canadian franchise disclosure documents required by applicable Canadian law. R1650's lawsuit sought an injunction to prohibit defendants from engaging in unfair business practices in the future, restitution, damages in an amount to be proven at trial (but over \$25,000), and attorneys' fees. After R1650 filed its lawsuit, there was a change in the ownership and control of the Good Feet System (see Item 1). The parties settled the case on September 9, 2005. DOI agreed to pay R1650 \$150,000, to give R1650 a \$50,000 product credit (to be used to buy DOI's Products), to eliminate R1650's outstanding \$84,000 balance for Product inventory previously purchased, and to enter a new Warehousing and Distribution Agreement with R1650. The parties also provided mutual releases.

FF Orthotics Corporation, Inc., Smart Space Inc., Wayne and Elizabeth "Libba" Woodruff, Foot Depot Inc., Quinlan, Inc. and Roe Plaintiffs 1 to 40 v. Joe Paul a/k/a Joseph P. Polifroni, Rosalinda W. Johnson, Dr.'s Own, Inc., Television Marketing Programs, Inc. ("TMP"), The Good Feet Store, Mark D. Walsh, Media Placements, Inc., GF Franchising and Does 3 to 40 (California Superior Court, San Diego County, Case No. GIC791494). Plaintiffs FF Orthotics and Smart Space were dealers of DOI and licensed by TMP to use certain programming. Both had received notices of termination for violating a provision of their License Agreements that prohibited a licensee's production or broadcast of a radio or television advertisement not produced by TMP. On June 28, 2002, the plaintiffs sued the defendants (including the former owners of the Good Feet System) alleging that the Dealer Agreement and License Agreement constituted the sale of unregistered franchises, that the defendants committed unfair business practices, Cartwright Act (California antitrust law) violations, fraudulent concealment, and violation of the Federal RICO Act and sought declaratory and injunctive relief. DOI and TMP filed a cross complaint on September 5, 2002, alleging breach of contract and seeking damages and injunctive relief. DOI then sought and obtained a temporary restraining order and preliminary injunction against FF Orthotics, restraining it from using the Good Feet name or selling Good Feet products. DOI agreed to permit Smart Space Inc. to continue operating as a dealer pending trial if Smart Space strictly honored the Dealer Agreement with DOI and License Agreement with TMP. Plaintiffs filed their action as a class action under the California Code of Civil Procedure. The Court denied the plaintiffs' class action certification. On April 16, 2003, the plaintiffs amended their complaint to add additional plaintiffs and GF Franchising as a defendant. GF Franchising was an affiliate of DOI that previously registered to offer and sell franchises in California but did not proceed to sell franchises. At a trial conducted in November 2003, defendants were found guilty on certain causes of action, and a jury verdict awarded damages against them for approximately \$17 million (later reduced to approximately \$5

with DOI and the License Agreement with TMP, was a franchise under the Washington Franchise Investment Protection Act (the "WFIPA") and that the defendants failed to register the franchise and provide a Uniform Franchise Offering Circular in violation of the WFIPA. Plaintiff further alleged that defendants (including the former owners of the Good Feet System) failed to disclose material facts in violation of the WFIPA, constituting common law fraud. The plaintiff contended that the Dealer Agreement and License Agreement were unenforceable and that requirements that plaintiff purchase certain goods and services and television and radio commercials only from defendants or their affiliates violated the WFIPA. Plaintiff sought a preliminary and permanent injunction prohibiting the defendants from enforcing or attempting to enforce the Dealer Agreement or License Agreement, rescission or other appropriate relief, damages in an amount to be proven at trial, reasonable attorneys' fees, costs, and other relief the court deemed appropriate. The parties settled the matter in October 2004. DOI paid the plaintiffs \$20,000 under a settlement agreement.

In Re Dr.'s Own, Inc., et al. (Washington Department of Financial Institutions (Securities Division), Case No. 03-080). On July 2, 2003, the State of Washington issued a Cease and Desist Order, asserting that the allegations of the Designs and Wonders case described above were evidence that DOI may have previously sold unregistered franchises in Washington. The State therefore ordered DOI to stop selling any franchises in Washington. DOI filed a request for a hearing. DOI, Joseph Paul, and Mark Walsh signed a Consent Order in which they neither admitted nor denied the tentative findings of fact and conclusions of law. The State of Washington vacated the earlier Cease and Desist Order on October 23, 2003, and DOI reimbursed the State \$3,125 for its investigation costs. A Stop Order entered against GFW because of DOI's activities was vacated at the same time, and GFW became registered to sell franchises in the State of Washington. The matter now is over.

In Re Good Feet Worldwide, Inc., Dr.'s Own, Inc., and Joe Paul a/k/a Joseph P. Polifroni (Rhode Island Department of Business Regulation, DBR No.: 04-S-001). In 2001, Jeanine Vigeant entered into a dealership agreement with DOI for a location in Rhode Island and later opened 2 additional dealerships in Connecticut and Massachusetts. In September 2003, GFW applied to register its franchise offering in Rhode Island. The State of Rhode Island issued an Order to Show Cause on January 5, 2004, requiring the respondents to show why a cease and desist order should not be entered against them on the basis that the dealership agreements previously issued by DOI were unregistered franchises and that (as a result) GFW's franchise registration should be denied. GFW, DOI, and Joe Paul filed a request for a hearing. They subsequently signed a Consent Order, in which they neither admitted nor denied the tentative findings of fact and conclusions of law, and paid \$5,000 to the State of Rhode Island for an administrative assessment. The matter now is over.

In Re Good Feet Worldwide, Inc. and Dr.'s Own, Inc. (Virginia State Corporation Commission (Securities Division), Case No. SEC-2005-00005 and SEC-2005-00006). In June 2003, GFW applied to register its franchise offering in Virginia. The Virginia State Corporation Commission issued a Rule to Show Cause on March 21, 2005 requiring GFW and DOI to show why each should not be penalized, and the pending application for franchise registration denied, on the basis that DOI had issued franchises in Virginia without registration, that GFW had offered to grant a franchise to Virginia residents and to be located in Virginia before registration with the Securities Division, and that both GFW and DOI had made material misrepresentations concerning its owner's (Joseph Polifroni) background. GFW and DOI subsequently signed a

Settlement Order in September 2005 in which they neither admitted nor denied the tentative findings of fact and conclusions of law, agreed to comply with the Virginia Retail Franchising Act, committed to make the same settlement offers to Virginia residents made in the *Good Feet Store of Torrance* litigation described above, and reimbursed the State of Virginia for \$4,104 of investigation costs. This matter now is over.

Oliver F. Moench v. Joe Paul, Rosalinda Johnson, and Television Marketing Programs, Inc. ("TMP") (California Superior Court, San Diego County, Case No. 727618). Mr. Moench is a San Diego attorney who was hired by TMP as their dealership and franchise counsel. Mr. Moench also purchased a Good Feet dealership in Las Vegas. After Mr. Moench's dealership in Las Vegas failed, he asked to be released from the Dealer Agreement, and TMP returned \$41,000 of the \$50,000 he paid to TMP. Mr. Moench then sued, asserting that the Dealer Agreement constituted an unregistered franchise. TMP cross claimed for legal malpractice. The parties mutually dismissed their claims without any further payment by TMP.

Other than these 12 actions, no litigation is required to be disclosed in this Offering Circular.

ITEM 4

BANKRUPTCY

In re Leigh Ann Woeller (U.S. Bankruptcy Court, Central District of Florida, Case No. 00-06158-6B7). On November 28, 2000, Ms. Woeller (then known as Leigh Ann Cunningham) received a discharge under Chapter 7 of the United States Bankruptcy Code.

Other than this one action, no person previously identified in Item 1, and no officer previously identified in Item 2, of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5

INITIAL FRANCHISE FEE

You must pay us an initial franchise fee in a lump sum when you sign the Franchise Agreement. Our standard initial franchise fee currently is \$20,000. The initial franchise fee is not refundable. {Good Feet dealers who converted to the franchise program in 2003 will pay an initial franchise fee of \$10,000 for each additional Good Feet Store they develop in their franchised territories. (See Addendum to Franchise Agreement for Additional Stores in Territory-Converting Dealer (Exhibit I).)}

If you sign our Development Rights Rider to the Franchise Agreement, we currently charge a development fee that you must pay in full when you sign the Development Rights Rider. You must pay a \$20,000 initial franchise fee for the first Store, and a \$10,000 initial franchise fee for each additional Store, to be developed. The development fees paid in 2005 ranged from \$10,000 to \$55,000. The development fee due when you sign the Franchise Agreement and Development Rights Rider equals the full \$20,000 for the first Store plus \$5,000

for each of the additional Stores. The balance of the initial franchise fee for each additional Store (after the first) is due when you sign the Franchise Agreement for that Store. We and you will determine the number of Stores that you must develop, and the dates by which you must develop them, before signing the Development Rights Rider. {The Development Rights Rider will be signed for areas not already covered by Good Feet Store franchise agreements in effect.}

The development fee is not refundable under any circumstances, even the part of the fee that is the initial franchise fee for the first Good Feet Store to be developed. So, if you sign the Development Rights Rider, pay the development fee, and then cannot find sites for Good Feet Stores or choose not to move forward with the deal (in which case the first Franchise Agreement and the Development Rights Rider are terminated), we may keep the entire development fee and need not return any money to you.

Before the Store opens for business, you must buy from DOI certain Store décor/visual aid items (including wall, window, and counter displays, foot models, and Product stands) and an adequate opening Store inventory of certain Products. The cost of these items will range from approximately \$19,650 to \$37,100 depending on your Store's size. {This requirement should not impact dealers who convert to the franchise program because they already operate Good Feet businesses.}

There is no separate initial training fee for you (or one of your owners) and one additional person. However, you must pay our training fee, currently \$1,200, for each additional person who attends our 7-day initial training program. {In addition, if you are an existing franchisee and pay only a \$10,000 initial franchise fee for an additional Good Feet Store to be developed in your existing franchised territory (see Addendum to Franchise Agreement for Additional Stores in Territory-Converting Dealer (Exhibit I)), you must pay the initial training fee for each person attending initial training.}

ITEM 6

OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Continuing Service Fee	2% of Store's monthly Gross Sales. {Original converting dealers of DOI do not pay this fee during their existing initial franchise terms but pay 1% on any new Stores they develop in their territories. Dealers who converted in 2005 will not pay this fee until September 10, 2010 but also will pay 1% on any new Stores they develop in their territories.}	Payable on 15 th day of each month for Gross Sales during prior month ¹	"Gross Sales" means all of your revenue from operating the Store, but excluding taxes collected from customers and paid to taxing authority and reduced by amount of any refunds or credits.

Name of Fee	Amount	Due Date	Remarks
Advertising Fund Contributions	3% of Store's monthly Gross Sales. {Original converting dealers of DOI do not pay this fee during their existing initial franchise terms but pay 1% on any new Stores they develop in their territories. Dealers who converted in 2005 will not pay this fee until September 10, 2010 but also will pay 1% on any new Stores they develop in their territories.}	Payable on 15 th day of each month for Gross Sales during prior month ¹	See Item 11 for a detailed discussion about the Advertising Fund
Initial Training Fee	\$1,200 for each person who attends the 7-day initial training program after first two people.	At beginning of training	We provide initial training for 2 people for no additional charge (for new franchisees paying the full initial franchise fee) (see Item 5). We may charge you for initial training of more than 2 people. (See Item 11)
Additional Training	\$1,200 for each person who attends the 7-day initial training program; \$600 per day for off-site training per person (2-day minimum for off-site training). Off-site training means training away from our corporate training center.	At beginning of additional training	We may require franchisees or their managers to attend additional training programs or seminars at locations we choose at their expense; we reserve the right to charge fees for attendance. (See Item 11)
Additional Guidance and Assistance	Our then current per diem fee (currently \$600 per day) and reimbursement of out of pocket expenses.	Upon invoice	This is for additional or special assistance or training you need or request.
Product Purchases	See Item 8	See Item 8	You must purchase all of your Product requirements from DOI and other approved vendors.
Supplier Evaluation Fees	Costs of testing (amount of which depends on circumstances, including supplier's location, testing required, and item involved)	As incurred	This covers the costs of testing new products or inspecting new suppliers you propose.
License of Programs	Ranges from \$350 for a radio spot to \$4,000 for an infomercial. Prices are subject to change according to production costs	As ordered	You must acquire these items only from approved vendors — see Item 8.
Franchise System Website	Up to \$750 per year	As incurred	We may require you to pay a fee to be on the Website, or to modify your webpage, if we or the Advertising Fund does not cover these costs.
Other Advertising and Promotional Materials	Nominal charges, if any	As incurred	We will give you printed product brochures, displays, and packaging; copyrighted or trademarked sales tools; and other promotional materials, some at no charge and some at a nominal cost (see Item 8).

Name of Fee	Amount	Due Date	Remarks
Transfer	\$5,000	½ due (and non-refundable) when you request transfer approval; balance due before transfer completed	Due upon transfer of Store and franchise or controlling ownership interest in you.
Insurance Coverage	Premium costs	As incurred	Due if we buy required insurance for you because you do not do so.
Indemnification	All Losses and Expenses ²	As incurred	You must reimburse us if we are held liable for claims from your Store's operation or incur costs in defending them.
Store Maintenance Costs	Depends on how much work is required to maintain your Store's conditions in compliance with our standards.	As incurred	These costs are not paid to us.
Reimbursement of Taxes	Will vary under circumstances	As incurred	You must reimburse us for any taxes we must pay to a state taxing authority due to your operation or payments you make to us (except for our income taxes).
Audits	Cost of inspection or audit (amount of which depends on circumstances and the extent of your non-compliance)	On demand	Due if audit discloses understatement of more than 5% of Gross Sales for any period.
Manual	\$50	As incurred	Charge for replacement copy.
Late Fee	\$50	On demand	Due for each late payment.
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	On demand	Due on all overdue amounts more than 7 days late.
Attorneys' Fees and Losses and Expenses	Will vary under circumstances	As incurred	Prevailing party in legal proceeding is entitled to recover from losing party. Also applies if we or our affiliates incur Losses and Expenses due to your breach of Franchise Agreement (whether or not formal legal proceeding is brought).
Management Fee	Reimbursement of out-of-pocket expenses, including wages	As incurred	Due if we operate Store after death or disability.
Renewal Fee	\$5,000 for each 5-year renewal term	When you sign new Franchise Agreement and meet all renewal conditions	

Notes:

Except for Product and service purchases described in Item 8, and except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us. No fees are refundable.

1. At our request, you must sign and deliver documents we require authorizing us to debit your business checking account automatically for the Continuing Service Fee, Advertising Fund

contributions, and other amounts due under the Franchise Agreement and for your purchases of Products and other items from us and/or our affiliates (the "Electronic Account"). We will debit the Electronic Account for these amounts on their due dates. Funds must be available in the Electronic Account for withdrawal. We may require payment other than by automatic debit, and you must comply with our payment instructions.

If you do not report the Store's Gross Sales, we may debit the Electronic Account for 120% of the last Continuing Service Fee and Advertising Fund contribution that we debited (together with the late fee and interest). If the amounts we debit are less than the amounts you actually owe us, we will debit your Electronic Account for the balance on the day we specify. If the amounts we debit are greater than the amounts you actually owe us, we will credit the excess against the amounts due during the next debit period.

2. Losses and Expenses mean all losses; compensatory, incidental, exemplary, consequential, and punitive damages (except for punitive damages waived by the Franchise Agreement); fines, charges, costs, expenses, lost profits, and taxes; attorneys' fees, experts' fees, court costs, settlement amounts, judgments, and other reasonable costs and expenses of defending or countering any claim; compensation for damages to our and/or our affiliates' reputation or goodwill; costs of or resulting from delays, financing, costs of advertising materials, and media time and/or space, and costs of changing, substituting, or replacing the same; and any and all expenses of recalls, refunds, compensation, public notices, and other amounts incurred.

3. There currently are no advertising cooperatives in the Good Feet System.

ITEM 7

INITIAL INVESTMENT

Item	Actual or Estimated		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
Initial Franchise Fee ¹	\$20,000	\$20,000	Lump sum	When you sign your Franchise Agreement and, if applicable, Development Rights Rider	Us
Additional Materials, Décor Items ²	\$4,150	\$6,600	Lump sum	When order is placed	DOI and Supplier
Furniture and Equipment ³	\$4,000	\$7,500	Lump sum	As required by supplier	Supplier
Leasehold Improvements and Signs ⁴	\$6,950	\$40,000	Lump sum	As required by supplier	Supplier
Information System ⁵	\$3,100	\$7,800	As arranged	As arranged	Supplier or Lessor
Initial Inventory ⁶	\$15,000	\$30,000	Lump sum	When you attend training	DOI and Supplier
Rent and Security Deposits ⁷	\$5,000	\$11,000	Lump sum	As required	Lessor, utilities, insurance broker, etc.

Insurance and Bonds ⁸	\$1,000	\$1,500	Lump sum	As required	Insurance Broker
Radio Spots ⁹	\$350	\$4,900	Lump sum	When order is placed	Approved Vendor
Radio Infomercial ¹⁰	\$1,500	\$3,000	Lump sum	When order is placed	Approved Vendor
TV Spots ¹¹	\$500	\$1,650	Lump sum	When order is placed	Approved Vendor
Infomercials ¹²	\$2,950	\$11,800	Lump sum	When order is placed	Approved Vendor
Trade Show Booth ¹³	\$3,750		Lump sum	When order is placed	Approved Vendor
DVD Box Set ¹⁴	\$500		Lump sum	When order is placed	DOI
Initial Training ¹⁵	\$0	\$2,400	Lump sum	When training date is scheduled	Us
Travel, Room, and Board while training ¹⁶	\$900	\$1,800	As incurred	Before and during training	Hotels, Restaurants
Miscellaneous (Licenses, permits, etc.) ¹⁷	\$1,000	\$1,500	Lump sum	As needed	Attorneys, accounting firms, governmental agencies, etc.
Grand Opening ¹⁸	\$10,000	\$50,000	As required	As required	Advertising sources
Additional Funds — Three Months ¹⁹	\$15,000	\$50,000	As required	As needed	Employees, taxing agencies, rent, etc.
Totals (not including real estate purchase costs)	\$95,650 to 255,700				

NOTES: (Except for your security deposit, we do not believe that any fee disclosed in this Item 7 is refundable.)

- 1. Initial Franchise Fee.** We describe the initial franchise fee in Item 5. No separate initial investment is required when you sign the Development Rights Rider (if applicable). You need only pay us the development fee described in item 5.
- 2. Additional Materials, Décor Items.** Besides the Store Décor Package that you must buy when you open the Store, you also may elect to buy additional décor items from DOI or approved vendors. These items may include logoed apparel, marketing materials, posters, murals, and signs. You need not buy these other items. DOI has a small, medium, and large Store Décor Package that you must buy depending on your designated market size.
- 3. Furniture and Equipment.** Furniture and equipment include counters, tables, couches, chairs, lamps, file cabinets, and similar materials. The cost of these items will depend on the Store's size, lease or finance terms available to you, the Store's layout, and other relevant factors. Furniture and equipment must be consistent with our store design and layout specifications outlined in the Manual.
- 4. Leasehold Improvements and Signs.** The cost of renovation and leasehold improvements depends upon the size and condition of the premises, the local cost of contract work, and the Store's location. The range set forth is the cost of reasonable renovation or leasehold improvements and could be less if the lessor provides a renovation allowance. Included in the estimate are renovation and improvement charge-backs for landlord provided

work. The low end of the range represents a store front in a strip center, and the high end of the range represents a mall build-out. The Store must be developed according to our specifications for the building, equipment, furnishings, décor, layout and signs.

5. **Information System.** You must buy a basic computer system with internet access to place orders and for basic communications with our and DOI's websites. You also must buy a POS System cash register capable of tracking your Store inventory to maintain adequate product inventory.

6. **Initial Inventory.** You must buy an adequate opening Product inventory for your Store from DOI and other approved vendors. Your initial inventory must include no less than one of each of the Products. DOI has a small, medium, and large Product order package that you must buy depending on your market's size. You also might want to purchase a shoe inventory (estimated between \$4,000 and \$5,000) from DOI's approved vendors, but you need not do so.

7. **Rent and Security Deposits.** Security deposits and other prepaid expenses will vary. These figures include a typical Store's estimated first month's rent, with the Store varying in size from approximately 900 to 1,200 square feet. Rent will depend on market conditions. Security deposits or prepaid expenses are generally required, as are insurance and utilities arrangements. Generally, the amount of each security deposit or prepaid expense is determined by the leases you enter and the suppliers of utility, telephone, and insurance services. Security deposits and prepaid expenses are held by the suppliers and sometimes refunded by contract or as required by law. Typically, however, you may obtain a bond instead of delivering the amount of the required prepaid expenses, such as state sales tax and utilities.

8. **Insurance and Bonds.** You must buy and maintain insurance of the types and amounts required by the Manual. (See Item 8) Insurance costs will depend on policy limits, geographic location, type of policies procured, and other factors. This insurance will be purchased from third parties.

9. **Radio Spots.** You may buy pre-approved 30- or 60-second radio commercials for advertising your Store from our approved vendor or from a vendor of your choice at a rate you independently negotiate with the vendor. We must approve all radio commercials before they are aired.

10. **Radio Infomercial.** You may buy half-hour radio infomercials only from our approved vendor for advertising your Store in your market.

11. **TV Spots.** You may buy pre-approved 30- or 60-second television commercials from our approved vendor or from a vendor of your choice at a rate that you independently negotiate with them. We must approve all television commercials before they are aired.

12. **Infomercials.** You may buy customized half-hour television infomercials only from our approved vendor. You may not produce your own television infomercial to promote your Store.

NOTE: The radio and television commercials and infomercials are considered to be the Programs licensed by DOI and/or us.

13. **Trade Show Booth.** You may buy a Trade Show Display from a vendor of your choice. This booth can be used at local trade shows in your territory to market your Products and Store during the franchise term.

14. **DVD Box Set.** You may buy from our approved vendor the DVD Box Set (also available on VHS) of Store Loops, training videos, and samples of infomercials and TV spots to be used for ongoing training and for running the video loops on a TV monitor in your Store.

15. **Initial Training.** You and your General Manager must attend the 7-day training program at a location we designate (but you need not attend if you already are a franchisee (see Item 11)). There is no additional fee for this training for you (or one of your owners) and one additional person. You would have to pay our training fee for our 7-day program, currently \$1,200 per person, for each additional person to be trained. All successor general managers must attend and complete training. We have the right to increase or decrease our daily fee for initial training and to expand or reduce the number of days of the Initial Training Program in the future.

16. **Travel, Room and Board.** The figures are for expenses a franchisee will incur to attend our training program in San Diego, California for 7 days. The low end of the range is for a franchisee located in California within driving distance, who pays only for a hotel room and meals, while the high end of the range is for 2 people traveling by plane to and from California and includes hotel rooms and meals. The required amount depends on a number of factors, including the distance you must travel and the type of accommodations you choose.

17. **Miscellaneous (Licenses, Permits, etc.).** Various permits and licenses from health, labor, or fire departments, sales tax bureaus, and other similar state or local governmental agencies are required by governmental regulations as either isolated or recurring expenditures. Those fees are determined by governmental authorities and are paid to them directly.

18. **Grand Opening.** New Good Feet franchisees need to spend money for television, radio, and newspaper advertising, or promotional items through other media, during the first 120 days of operation to generate initial consumer awareness and patronage. You must spend no less than \$10,000 for advertising and promotion items to be used before you open the Store and during the first 4 months of operation.

19. **Additional Funds.** This estimates the funds needed to cover your initial expenses for the first 3 months of operation. It includes payroll costs (but not any draw or salary for you), utilities, and miscellaneous supplies. However, this is only an estimate, and it is possible that you will need additional working capital during the first 3 months you operate your Store and for a longer time period after that. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Store will break even. We cannot guarantee when or if your Store will break even. Your costs will depend on your management skill, experience, and business acumen; local economic conditions; the prevailing wage rate; competition; and your Store's sales during the initial period.

All of the estimates in this Item 7 have been based on costs and expenses that could be incurred by a franchisee to establish a Good Feet Store of approximately 900 to 1,200 square feet in an average cost area in a free-standing location, strip mall, or enclosed mall. Should you choose a

territory in a high cost area, such as a major urban center, your investment may be significantly higher. Stores located in an enclosed mall can increase your required investment. These estimates vary with the size of the Good Feet Store, its location, economic conditions, local conditions of the site, the landlord's contribution to leasehold improvements, if any, local code or other requirements, availability of materials and labor, freight and delivery cost, taxes, interest rates, and other items. In addition, in a free-standing building, there may be additional signage and construction costs for exterior portions of the Good Feet Store.

We have prepared these estimates based on DOI's experience in establishing and operating Good Feet Stores and licensing third parties to operate Good Feet Stores selling the Products. We also have relied on the experience of one of our principals, who was involved in GFW's previous franchising activities. We have never developed, opened, or operated a Good Feet Store. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Products

Good Feet Stores sell only Products purchased from DOI and approved suppliers. The Products are not intended to be medical products. During the franchise term, you must buy from DOI all of the types of Products that DOI manufactures and/or sells. If DOI manufactures and/or sells a particular type of Product, you may purchase that type of Product only from DOI and from no other source. All of your Product purchases from DOI will be made on DOI's then current terms and conditions of sale, including DOI's then current prices. DOI's current price list is included in the Operations Manual ("Manual") and will be made available to you when you sign the Franchise Agreement. DOI has the right throughout the franchise term to revise its terms and conditions of sale and price list for future orders effective upon notice to you. You cannot be in default of the Franchise Agreement if you want to place an order **(this includes both payment and operational defaults). DOI may refuse to sell Products to you if you are in default of the Franchise Agreement. In addition, DOI may refuse to sell Products to you for your Store if you (or any of your affiliates) owe money to us or DOI (meaning that payment has not been made by the date due) under any other franchise or other agreement for the operation of any other Good Feet Store. If DOI takes this action due to your (or any affiliate's) default, you have no right to sell unapproved replacement products at the Store. Your only course of action is to cure, or cause your affiliate to cure, the particular default so that DOI once again will sell Products to you.** You must at all times provide an adequate inventory and selection of Products to meet potential customer demand. You must at all times have in inventory at your Store each Product and at least one of each arch support. You must offer at your Store all Products and services and Customer Benefits. You may not offer any products or services not authorized in writing. We have the right to modify, cancel, withdraw, and substitute Products, and to add new arch supports and related foot products to the Products, at any time we deem best.

Sourcing Requirements Generally

If we designate a product or service to be purchased or obtained from one or more suppliers, you must source the product or service only from those suppliers; if we specify brands and types of goods or services to be used or sold at your Store, you must purchase for use and resale at the Store only those brands and types of goods or services; and if we identify specifications for goods or services for use or sale at the Store, you must purchase only goods and services that meet those specifications and requirements.

Information System

Because information and communications are critical to operating each Good Feet Store, we will specify and update guidelines for an information system to be installed at the Store (the "Information System"). You may acquire, install, and maintain the Information System of your choice if the system meets our minimum reporting guidelines. (See Item 11 for more detailed information on the Information System)

Supplier Approval

Besides required purchases from DOI, we periodically may designate other suppliers for Good Feet Stores. We may designate a single supplier for any category or item and a supplier only as to certain categories of items. We may concentrate purchases with one or more suppliers to obtain lower prices, the best advertising support, and/or the best services for any group of Good Feet Stores. For goods and services other than Products that may be obtained only from DOI, we will entertain your proposals to approve additional suppliers. If you propose to purchase goods or services from any supplier that we have not previously approved, you first must send us all information, specifications, and samples that we request. Upon your request, we will provide our standards and specifications and other approved supplier criteria to a supplier you propose, but if we determine that these standards, specifications, or criteria contain confidential information, we may require the proposed supplier to execute a confidentiality agreement as a condition of evaluating the supplier. Our representatives have the right, at your expense, to inspect the proposed supplier's facilities and to take samples from the proposed supplier for evaluation and testing. (See Item 6) We have the sole right to decide whether or not to approve any supplier. Due to required review and testing procedures, we normally will review, inspect, and approve or disapprove a suggested supplier within 6 months after the request. Supplier approval may be conditioned on frequency of delivery, standards of quality and service, including prompt attention to complaints, other criteria, work environment, and concentration of purchases; may be conditioned on the supplier's giving us adequate insurance protection, signing reasonable license, indemnity, and confidentiality agreements, and paying us and our affiliates fees for the right to do business with our system; and may be temporary or conditional pending our further evaluation of the supplier. We reserve the right to re-inspect a supplier's facilities, products, and/or services and to revoke our approval if the supplier no longer meets our then current criteria. Good Feet Stores are arch support stores, not shoe stores. The number of shoes and shoe styles is limited to a few shoe lines and styles outlined in the Manual. We have established relationships with shoe manufacturers that will offer you shoes; however, your Store's shoe inventory may not occupy more than 25% of showroom display area at any time.

Negotiations with Approved Suppliers

We may negotiate agreements with suppliers to provide products and services to all Good Feet Stores. Certain agreements may be negotiated with our affiliates, and those affiliates may profit from the agreements. These agreements may provide that revenue be paid to us and our affiliates for services rendered, license fees, or the like, and that we and our affiliates may collect monies from these suppliers. We will negotiate these agreements to promote the overall interests of the Good Feet System and our interests as the franchisor. We make no representation or warranty that these agreements will provide any specific Good Feet Store with the lowest cost products or services available or that any individual Good Feet Store will benefit proportionately from any arrangement with any supplier. We are not responsible if a supplier fails to perform its obligations to you.

The Good Feet Store

You must send us for approval your lease, purchase, or other occupancy agreement for the Store before you sign it. The occupancy agreement must contain the following types of provisions: (i) requiring that we receive a copy of any written notice of default and granting us the right (but not the obligation) to cure any default within 30 business days after the expiration of your cure period; (ii) evidencing your right to display the Marks according to our standards; (iii) granting us the right (but not the obligation) to replace you under the occupancy agreement if the Franchise Agreement expires or is terminated for any reason; and (iv) allowing the Store to be used only for the operation of a Good Feet Store.

Except for Store Décor Package (see Item 7), we must approve any additional signage before you use it. The printed or written copy for all signs displayed inside and outside the Store must be sent to us for approval before use.

Advertising and Promotion

Your advertising activities must satisfy our standards (see Item 11). Before you begin using them, graphics and a copy of all advertising, marketing, or promotional materials or a description of all marketing plans not prepared, licensed, or previously approved by us must be submitted to us for approval by receipted mail. If we do not grant approval in writing within 10 business days after we receive the items, they will be deemed approved. You must use proper copyright and other proprietary notices on all materials. You may not use the Internet in any sales or marketing capacity, including websites, e-commerce sites, referrals, or any other computer-aided sales or advertising tool, except under programs we offer. You may not engage in mail order marketing except under programs we offer and may not engage in mail order marketing outside your Territory.

Insurance

You must purchase at your own expense and maintain in effect at all times during the franchise term all insurance we require (including at least \$1 million in general liability insurance), naming us and our affiliates (and certain related parties) as additional insureds, from an "A" or better rated insurance company registered in the jurisdiction where the Territory is located. We periodically may increase the amounts of coverage required and require different or

additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. If you do not maintain required insurance, we may (but are not required to) obtain that insurance for you through our agents and insurance companies. (See Item 6) You must send us certificates of insurance no later than 10 days before the Store opens and all replacement policies upon issuance. We do not represent that any insurance will adequately cover you. Insurance requirements are to protect us and the other named insureds. You should consult with your own insurance agents, brokers, and attorneys to determine what level of insurance protection you need and desire (besides the coverage we require).

Development of Standards

We will develop our standards and specifications in consultation with our affiliates, suppliers, and the Advisory Board discussed in Item 11. We will issue standards and specifications for the Store and information on approved suppliers through the Manual and other communications. We will make our approved supplier criteria available to franchisees and to prospective suppliers of any product or service other than the Products.

Revenues from Sourcing Activities Generally

We did not receive any revenue from selling or leasing products or services to the Good Feet System in 2005. Based on internal records, our affiliate, Dr.'s Own, Inc., received \$6,767,762 from selling Products directly to Good Feet franchisees during 2005. Currently, ~~no supplier makes payments to us or any of our affiliates based on franchisee purchases, leases, or licenses. However, we have the right to receive these payments, as described earlier in this Item~~ **8-suppliers pay us and/or Dr.'s Own anywhere from 2% to 5% of the purchases made from them by our franchisees.**

Extent of Your Commitment

We estimate that your required purchases of Products and other goods and services from us or our affiliates will be between 65% and 70% of your total purchases and leases to establish, and between 65% and 70% of your total purchases and leases to operate, your Store. We do not provide material benefits to you (for example, renewal or granting additional franchises) for using designated or approved sources. There currently are no purchasing or distribution cooperatives.

The Development Rights Rider does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or real estate. You must give us information and materials we request concerning each site at which you propose to operate a Store so that we can assess that site. You must comply with the requirements described above at each Good Feet Store that you develop under the Development Rights Rider.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	Sections 1.1, 4.1, and 4.4 of Franchise Agreement and Section 6 of Development Rights Rider	7, 8, 11, and 12
b. Pre-opening purchases/leases	3.2 and 4	5, 7, 8, and 11
c. Site development and other pre-opening requirements	1.2, 3.2, 4, and 5.4	7, 8, and 11
d. Initial and ongoing training	3.1, 3.4, 5.9, and 5.10	6, 7, and 11
e. Opening	Section 1.2. of Franchise Agreement and Section 3 of Development Rights Rider	11 and 12
f. Fees	Sections 2.2, 3.1, 3.4, 3.7, 3.10, 5.7, 7, 8, 9.2, 9.3, 10, 12.2E, 12.6, and 16.11 of Franchise Agreement; Section 5 of Development Rights Rider; and Sections 2, 3, and 4 of Addendum to Franchise Agreement for Additional Stores in Territory – Converting Dealer	5, 6, and 7
g. Compliance with standards and policies/ Operating Manual	3.3 and 5	8, 11, and 15
h. Marks and proprietary information	3.3, 3.10, 5.14, 5.15, and 6	13 and 14
i. Restrictions on products/services offered	1.3, 1.5, 3.2, and 5	8, 11, 12, and 16
j. Warranty and customer service requirements	5.1 and 5.6	1 and 11
k. Territorial development and sales quotes	Sections 2, 3, and 6 of Development Rights Rider	12
l. Ongoing product/services requirements	1.3, 1.5, 3.2, 5.3, 5.4, 5.5, and 5.13	6 and 8
m. Maintenance, appearance and remodeling requirements	5.1 and 5.2	8, 11, 16, and 17
n. Insurance	10	7 and 8
o. Advertising	8	6, 7, 8, and 11
p. Indemnification	9.2 and 9.3	6
q. Owner's participation/management/staffing	5.9	11 and 15
r. Records/reports	11	None
s. Inspections/audits	3.6 and 11	6 and 11
t. Transfer	Section 12 of Franchise Agreement and Section 9 of Development Rights Rider	17
u. Renewal	2.2	17
v. Post-termination obligations	14	17
w. Non-competition covenants	15	15 and 17
x. Dispute resolution	16.3 through 16.8	17

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligations.

ITEM 11

FRANCHISOR'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you.

Before you open the Store, we or DOI (as applicable) will:

- Grant you a franchise to open and operate a Good Feet Store utilizing the Good Feet System and the Marks and identify the Territory (Section 1.1).
- Approve your Store's lease (Section 4.4).
- Sell you an initial inventory of Products (Sections 3.2 and 4.3).
- As discussed below under the heading Training, provide the Initial Training Program (Section 3.1).
- Give you our specifications for the building, equipment, furnishings, décor, layout, and signs of a Good Feet Store (Sections 3.2 and 4.2).
- Loan you 1 copy of our Manual to use during the franchise term (Section 3.3).
- Designate a specific number of Stores that you may open at approved locations within your development area (Sections 2, 3, and 6 of Development Rights Rider) (See Item 12)

Most of the services described above will not apply to an existing Good Feet dealer who converts to the franchise program.

During your operation of the Store, we or DOI (as applicable) will:

- As discussed below under the heading Advertising and Promotion, provide advertising support (Section 8).
- Provide the Initial Training Program to newly-hired general managers and additional individuals associated with you throughout the franchise term (Section 3.1) (see Item 6).
- Provide additional training programs or seminars at our principal offices or other locations (Section 3.4).

- Issue and modify standards, specifications, and operating procedures for the Store, including modifying the Manual. Changes to the Manual will be effective upon notice. You must operate the Store according to the Good Feet System and all mandatory systems, procedures, policies, methods, and requirements (Section 3.3) The Manual's current table of contents appears at Exhibit G.
- Inspect the Store as often as we deem necessary; make our staff available for consultation and guidance in operating and managing the Store; make available to you all changes, improvements, and additions to the Good Feet System to the same extent we make them available to other franchisees; and give you all supplements and modifications to the Manual (Sections 3.5 and 3.6).
- At your request, and subject to the availability of personnel, provide additional guidance and assistance to you (Section 3.7) (see Item 6).
- Let you use our Confidential Information (Section 5.15).
- Let you use the Marks (Section 6).
- Continue to sell you Products (Section 5.3).
- Form an Advisory Council, the purpose of which is to give us advice and guidance on various aspects of the Good Feet System and its development and to perform other functions we specify. The Advisory Council will be governed by bylaws adopted by the Council, although we have the right to modify them. The Advisory Council will have 7 franchisees elected annually according to the bylaws. Members will serve 1-year terms. No franchisee may serve more than 5 consecutive terms. Our then current Chief Operating Officer or another appointed individual will chair the Council. Franchisees participate in the Advisory Council at their own expense. The Advisory Council will not have any decision-making authority (Section 3.8).
- Establish one or more websites to advertise, market, and promote Good Feet Stores, the Products, and/or the Good Feet franchise opportunity (a "Franchise System Website") (Section 3.10) (see below).

Constructing and Opening the Good Feet Store

You must select your Store's site, which we have the right to approve or disapprove. (See Item 12) Our approval of a site is not a representation that it will be successful. If you have selected the Store's premises before signing the Franchise Agreement, it will be listed on Exhibit A to the Franchise Agreement. If not, you must propose a site in the Territory. You must send us your Store's lease, purchase, or other occupancy agreement for approval before you sign it. The occupancy agreement must contain the provisions we require. (See Item 8 above) You must find the location and have it ready to open within 120 days after the Franchise Agreement's date. Otherwise, we may terminate the Franchise Agreement.

We expect most Good Feet Stores to be located in strip malls or free standing locations and to be between 900 and 1200 square feet in size, although Good Feet Stores may be somewhat smaller or larger depending upon real estate availability and the nature of your Territory's population. You also may locate your Good Feet Store in an enclosed shopping mall. For all new Good Feet Stores, you must construct and develop the Store using our design and layout specifications and the Store Décor Package. After securing rights to the premises, you must prepare and send us for approval a site survey and any modifications to our basic plans and specifications (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs, and decorating) required to develop the Store at the premises (the "Plans"). We may disapprove the Plans or condition approval as we deem appropriate. Based on approved Plans, you must (i) obtain all required zoning changes and all required building, utility, health, sanitation, sign, and other permits and licenses; (ii) purchase or lease and install the Store Décor Package and all equipment, fixtures, furniture, and signs required in the Plans or the Manual; (iii) decorate the Store according to the Plans and all applicable ordinances, building codes, and permit requirements; (iv) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services; and (v) otherwise complete development and have the Store ready to open within 120 days after the Franchise Agreement's effective date. You also must develop the Store in compliance with applicable laws. As discussed in Items 5, 7, and 8 above, you must purchase much of the Store's initial Product inventory only from DOI.

Depending upon the availability of suitable real estate, economic conditions, and your diligence, we estimate that you should be able to develop and open the Store within 120 days after signing the Franchise Agreement.

If you are an existing Good Feet dealer converting to the franchise program, you likely will not incur many of the above costs. However, within 3 years after converting to the franchise program, it might be necessary to redecorate your Store to meet the specifications of all Good Feet Stores, including requirements for exterior appearance, color schemes, interior design and layout, furniture, signs, and decorations.

Advertising

Media Advertising

During the franchise term, we will develop and implement a media advertising program to promote the Products and all franchised Good Feet Stores through the Advertising Fund. We plan to use television, prime cable, radio, and other media. Advertising produced and placed through the Advertising Fund will contain "800" numbers to an answering and referral service we maintain. This service will refer customer calls to Good Feet Stores according to our then current policies and procedures.

Advertising Fund

During the term of the Franchise Agreement, we may maintain and administer an Advertising Fund for Good Feet Stores and the Products. We may cause the Advertising Fund to be formed as or operated through a separate entity, and this entity will have all of our rights described here. New franchisees will contribute 3% of all monthly Gross Sales into the

Advertising Fund (see Item 6). Original converting dealers of DOI (before 2005) do not pay this fee during their existing initial franchise terms but must pay 1% on any new Good Feet Stores they develop in their territories. DOI dealers who converted to the franchise program in 2005 will not pay this fee on their existing Good Feet Stores until September 10, 2010 but, like the original converting dealers, must pay 1% on any new Good Feet Stores they develop in their territories.

We will direct all marketing and advertising programs financed by the Advertising Fund, with sole control over the creative concepts, materials, and endorsements used and the geographic, market, and media placement and allocation of the marketing and advertising. The Advertising Fund may pay the costs of the media advertising program, maintaining the advertising and referral service, and other costs of preparing and producing video, audio, and written advertising materials; developing, maintaining, and implementing an electronic commerce website and/or related strategies; administering local, regional, multi-regional, and national advertising programs, including purchasing direct mail and other media advertising; employing advertising, public relations, and media buying agencies to assist in these activities; supporting public relations, market research, and other advertising and marketing activities; and reimbursing us or our affiliates for expenditures we or our affiliates have made or may make for advertising and marketing to be used by the Advertising Fund. All advertising, marketing, and other programs and material financed by the Advertising Fund may include DOI's suggested retail prices and references to our offer and sale of franchises, although the Advertising Fund will not be used to fund any materials or programs that are solely to solicit prospective franchisees. Advertising, marketing, and programs, including the media advertising program, may be placed through our affiliates, and those affiliates will charge the Advertising Fund for their standard commissions, fees and other charges (currently 15%). The Advertising Fund may give you marketing, advertising, and promotional formats and sample materials without additional charge or give you multiple copies of these at its direct cost of producing them, plus related shipping, handling and storage charges.

The Advertising Fund is accounted for separately from our other funds and will not be used for any of our general operating expenses, except for costs, salaries, travel expenses, administrative costs, and overhead we incur in activities reasonably related to administering the Advertising Fund and its marketing programs (including conducting market research, preparing advertising and marketing materials, general production costs, and accounting for contributions to and expenses of the Advertising Fund). We may spend in any fiscal year more or less than the total Advertising Fund contribution in that year, borrow from others (paying reasonable interest), and invest any surplus for future use. We may collect for remission to the Advertising Fund any advertising or promotional monies or credits offered by any supplier based upon your purchases. All interest earned on monies contributed to the Advertising Fund will be used to pay costs before the Advertising Fund's other assets are spent. We will have an annual, unaudited statement prepared by an independent firm of monies collected and costs incurred by the Advertising Fund and give you a copy upon written request. We may have the Advertising Fund audited annually, at the Fund's expense, by an independent certified public accountant. We received \$10,646 in contributions to the Advertising Fund in 2005, none of which was spent in 2005.

The Advertising Fund is to maximize recognition of the Marks and Products and patronage of all Good Feet Stores. Although we will try to use the Advertising Fund to develop advertising and marketing materials and programs, and to place advertising, that will benefit all Good Feet Stores, we have no obligation to ensure that Advertising Fund expenditures in or affecting any geographic areas will be proportionate or equivalent to the Advertising Fund contributions by franchisees operating in those geographic areas or that any franchised Good Feet Store will benefit directly or in proportion to its Advertising Fund contributions from Advertising Fund materials or the placement of advertising.

We may use collection agents and institute legal proceedings to collect Advertising Fund contributions at the Advertising Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Advertising Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Advertising Fund.

We may at any time defer or reduce a franchisee's Advertising Fund contributions and, upon 30 days' prior written notice to you, reduce or suspend Advertising Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Advertising Fund. If we terminate the Advertising Fund, we will distribute all unspent monies to franchisees, and to us and our affiliates, in proportion to their, and our, respective contributions during the preceding 12-month period.

Although we have the right to run advertising and marketing in any media, we plan initially to run infomercials and other programs in cable and other television media. Some media may be regional. The Advertising Fund has not yet collected contributions and does not yet have any operating history. There currently are no franchisee advertising councils or local or regional advertising cooperatives.

However, if the DMA in which your Store is located encompasses Good Feet Stores operated by at least 2 franchisees (including you and your Stores(s)), you must at our request, and with our advice and assistance, form a cooperative advertising association (an "Area Cooperative") with the other franchisees for the purpose of jointly advertising and promoting Good Feet Stores located in the DMA. Each Area Cooperative will be organized and governed in a form and manner and under the agreements, bylaws, and other documents, and begin operating on a date, that we determine. The Area Cooperative's members in the DMA will include all of the Good Feet Stores operating in that DMA (unless one or more Good Feet Stores in the DMA are not obligated by their franchise agreements to participate in the Area Cooperative and they choose not to participate). If an Area Cooperative has been established as of your Franchise Agreement's effective date for the DMA in which your Store is located, your Store automatically will become a member of that Area Cooperative when you sign your Franchise Agreement (although the contributions below will not begin until the Store opens for business).

If an Area Cooperative is or has been established in the DMA, you must (a) join, participate in, and actively support the Area Cooperative in compliance with its governing documents, and (b) contribute 2% of the monthly Gross Sales of your Stores in the DMA to the Area Cooperative. This contribution is in place of your required 2% local advertising