

expenditures described below (but in addition to your required Advertising Fund contributions described above).

If the Area Cooperative's members cannot agree on any aspect of the Area Cooperative's formation, administration, or operation, and the disagreement continues for 20 days after written notice to us that a disagreement exists, we have the authority to resolve the matter. Our decision will be final and binding on all members of the Area Cooperative.

You must send us and the Area Cooperative any reports that we require, including information to confirm your compliance with your minimum contribution obligations. The Area Cooperative will operate only for the purpose of advertising and promoting Good Feet Stores located in the DMA. The Area Cooperative and its members may not use any advertising or promotional plans or materials without our prior written consent. We also may change, dissolve, or merge an Area Cooperative.

### **Programs**

We will grant you a license for the franchise term to use the initial Infomercial Programs discussed in Item 7 above. We periodically will offer licenses for other Programs at then current charges. (See Item 6) DOI retains all ownership right, title, and interest in the Programs, including all copyright ownership. Neither you nor anyone under your control or on your behalf may produce or broadcast, by television or radio, any program that is substantially similar to or identical to the Programs. The Programs may not be copied, edited, modified, or altered in any manner. We will arrange for all Programs, except loop tapes, to be delivered directly to the cable television, broadcast television, and/or radio stations you select. No loop tape may be distributed to any other party and must be returned to us when the franchise ends.

Advertising agencies must be approved to represent franchisees and must agree to sign covenants not to compete with us and/or franchisees for the term of their representation of any Good Feet Store (as consultant/agent) and for 6 months after the relationship ends (for any reason). Agencies may not represent, consult, or become employees of any direct competitor during the agreement term and for 6 months afterward. The agency must have a clean business record with Better Business Bureau, credit agencies, and media outlets and not have any late or non-payment history with any media outlets. Agencies must agree to use the creative materials we provide and/or approve and may not air or run unauthorized, unapproved advertising. You will pay stations directly, in advance, and pay agencies commissions only. You may advertise only in the DMA in which the Territory is located.

In addition to your Advertising Fund contributions, you must:

- spend not less than \$10,000 for advertising and promotional items to be used before and during the Store's first 4 months of operation. These advertising and promotional items are to be designated "Grand Opening" advertising and promotion. You must obtain our approval of all advertising and promotion.
- You must spend at least 2% of the Store's monthly Gross Sales to advertise in your DMA. This does not include Yellow Page advertising, which you must pay for separately.

- You must send us for approval before use all sales promotion materials and advertising that you plan to use.
- You must use the ® and © registration marks or the ™ designation where applicable.
- You agree to make available for use by other parties in the Good Feet System all advertising, marketing, and other promotional materials that you develop. We require all other franchisees to share developed advertising, marketing, and other promotional concepts in the same manner.
- You may create (or have created) for your Store print, radio, and TV advertising for the Products. Any advertising agency you hire to create advertising must meet the criteria outlined above. All programs and advertising created by you or your advertising agencies will be deemed works made-for-hire for us and our sole property. You must take all action (or cause your advertising agency to take all action) necessary to confirm our ownership of all copyrights in the programs and advertising. For example, you must make sure that your contracts with advertising and other agencies state that we will, without any required payment, own all materials they create related to the Good Feet System and that those materials are deemed to be works made-for-hire for us. You also are not entitled to any compensation for those materials.

In addition to the Programs discussed above, we will give you printed product brochures, displays, packaging, and sales tools, some at no charge and some at a nominal cost. These may not be duplicated, changed, or altered in any way. No other manuals, sales training aids, product literature, or any other document not provided or approved by us may be used in selling Products. When these materials are changed or updated, you must use the new materials immediately.

### **Franchise System Website**

At our option, we may establish one or more Franchise System Websites. If we do so, we may give you a webpage on the Franchise System Website that references your Store. You must give us the information necessary to develop, update, and modify your webpage. This information must be accurate and not misleading and not infringe any other party's rights. We will own all intellectual property and other rights in the Franchise System Website, your webpage, and all information they contain.

We will maintain the Franchise System Website (including your webpage) and may use the Advertising Fund's assets to do so. If we do not use the Advertising Fund to maintain the Franchise System Website, we may charge you a fee for doing so. (See Item 6) You must notify us whenever any information on your webpage changes or is inaccurate. At your request, we will update or add information that we approve to your webpage. System standards may regulate the Franchise System Website. If you are not complying with the Franchise Agreement or any Good Feet System standards, we may temporarily remove your webpage from the Franchise System Website until you are in full compliance. You may not develop, maintain, or authorize any other Website that mentions or describes you or your Store or displays the Marks. (Section 3.10)

**Training Programs**

Before the Store opens, the following individuals must attend and satisfactorily complete our Initial Training Program:

For New Franchisees	You, if you are an individual and will be the general manager; if you are an individual and will not be the general manager, then you and your general manager; and if you are an entity, your general manager and one of your owners who will be actively involved in managing and operating your Good Feet Store. {If you already are a franchisee of one or more Good Feet Stores, then you (if an individual) or your owner (if you are an entity and your owner already went through training) need not attend the initial training program again.}
For Existing Dealers Converting Their Dealership	Your general manager, if the General Manager has not already attended and completed training on the Products provided by DOI or received training from a DOI corporate trainer.

The Initial Training Program will take place at our principal offices in California or at an alternate place we designate. We also will provide the Initial Training Program to your newly-hired general managers and additional individuals associated with you throughout the franchise term. (See Item 6) All related expenses are your responsibility. No person may be a Store's general manager unless he or she has satisfactorily completed the Initial Training Program. {However, we may exempt an experienced manager who has had at least 1,000 hours of experience serving customers in a Good Feet Store and received at least 7 days of training from someone who has attended our official 7-day training course.} The Store must be under your direct, on premises supervision, or that of a trained and competent employee acting as a full-time general manager, during all hours we specify.

Our training program will be 5 days of classroom training and 2 days of on-the-job training at a Good Feet Store. We contemplate conducting training programs on a regular basis and at least once per month. Our current classroom training is outlined below. We plan to continue expanding our training program, so the training you receive may be considerably more extensive and require more days.

Our training is conducted under the supervision of Debi Lee Winterhalder. Ms. Winterhalder has been affiliated with Good Feet since 2002 when she was hired as a corporate trainer. Ms. Winterhalder became an independent contractor in 2003. She continues to supervise and conduct initial and ongoing training for us, although Leigh Woeller (see Item 2) is our corporate officer responsible for training. We use our Manual and other materials during training.

## TRAINING PROGRAM

### DAY 1 MONDAY

8:00a.m. – Noon (Classroom):

- The Good Feet Products, Packaging and Literature

1:00 – 5:00p.m. (Classroom):

- Good Feet Policy and Procedures
- Presenting Without Diagnosing or Prescribing
- Bio Mechanical Balancing/Sizing Techniques
- The 3 Step Process

### DAY 2 TUESDAY

8:00a.m. – Noon (Classroom):

- Combining Products/Selling Packages
- Up Selling/Add On/Multiple Sales
- Shoe Sales

1:00 – 5:00p.m. (Classroom):

- Foot Anatomy
- Role-Play: Steps of Selling

### DAY 3 WEDNESDAY

8:00 a.m. – 1:00 p.m. (Classroom):

- Operate in Compliance With Your Agreement
- How Store Décor Helps You Make Big Sales
- Coordinating with Your Local Doctors
- Foot Dynamics and Foot Problems
- How Good Feet Arch Supports Work With the Feet

2:00 – 5:00 p.m. (Sales Room):

- Observe Sales Techniques

### DAY 4 THURSDAY

8:00 a.m. – Noon (Classroom):

- Discussion of Sales Techniques
- Role-Play: Steps of Selling
- Increase Sales and Visibility with Outside Sales
- Media and Information Systems
- Shadowing Sales Person

1:00 – 5:00 p.m. (Sales Room):

### DAY 5 FRIDAY

8:00 a.m. – Noon (Classroom):

- Customer Service
- Overcoming Objections – Questions
- Role-Play: Steps of Selling and Overcoming Objections

1:00 – 5:00 p.m. (Sales Room):

- Shadowing Sales Person

### DAY 6 SATURDAY

8:00 a.m. – Noon (Sales Room):

- Selling to Customers

### DAY 7 SUNDAY

11:00 a.m. – 2 p.m. (Sales Room):

- Selling to Customers

2 – 4 p.m. (Classroom):

- Final Exam: Presentation of Training

## Certificates

We have the right to terminate the Franchise Agreement if you or the individuals required to attend and complete the Initial Training Program fail to do so.

We may require that previously trained and experienced franchisees (or, if entities, their owners) or their managers attend and successfully complete additional training programs or seminars conducted at our principal offices or other locations we choose. You (or your owners) and/or your employee(s) must attend these programs or seminars at your expense. (See Item 6) Additional training programs and/or seminars will not exceed one per year unless presented as part of the Annual Convention.

If we determine that additional guidance and assistance is required due to the Store's failure to operate according to the Good Feet System, we may require that you (or your owners) and/or your managers and employees undergo a retraining program or we may provide other remedial assistance. (See Item 6)

### Information System

Because information and communications are critical for each Good Feet Store, we will specify and update guidelines for an information system to be installed at and used by each Good Feet Store (the "Information System"). You may acquire, install, and maintain the Information System of your choice if it meets our minimum reporting guidelines. We currently require a basic computer system and cash register system, the primary purposes of which are to have internet access to place orders for Products through DOI's website, to communicate with us, and to manage your Store. We do not require you to use any particular system or supplier if the system of your choice performs the basic required functions (including monthly sales reporting, inventory tracking and management, and POS system). Recommended hardware, software, and components, which we put together through purchasing programs, are as follows:

Product	Function
Desk Computer	Computer operating system. Word Processing, e-mail, presentations, data management and analysis software.
Intel® Pentium® 4 Processor, 2.26GHz	For printing documents.
256MB/RAM	Protects computer equipment from electrical surges.
40GB Hard Drive	Computer Virus and E-mail Protection.
32MB Graphics Card	Average yearly cost for internet and a-mail services
Sound Card	
10/100 NIC Card	
56K Data/Fax Modem	
Mouse	
Mouse Pad	
Keyboard	
Computer Speakers	
17 Inch Monitor	
Microsoft® Windows® XP Professional SP1	
Microsoft® Office XP Small Business	

<p>HP 1200 Laser Printer Surge Protector</p> <p>Norton Antivirus® 2005, 12-month subscription</p> <p>High speed Internet Access: DSL, Cable, Wireless Network</p>	
<p>Basic Cash Register</p>	<p>A machine that tabulates the amount of sales transactions, prints receipts and has a drawer in which cash can be kept.</p>
<p>Quick POS Hardware &amp; Software</p> <p>Receipt Printer</p> <p>Bar Code Scanner</p> <p>Card Reader</p> <p>Cash Drawer</p>	<p>Integrated hardware/software package updates inventory, scans bar codes, processes credit card transactions, records customer information, and prints detailed sales receipts. Includes cash drawer, receipt printer, credit card reader.</p> <p>Prints receipt when a sales transaction is completed.</p> <p>Scan item bar codes.</p> <p>Used to process major credit cards directly from a PC.</p> <p>Locking cash drawer.</p>
<p>Retail Pro Software or Microsoft Retail Management Solutions or Intuit Quickbooks</p> <p>Software set up fees.</p> <p>Cash Drawer</p> <p>Receipt Printer</p> <p>12 Months unlimited phone support included.</p>	<p>Integrated software package updates inventory, scans bar codes, processes credit card transactions, records customer information, and prints detailed sales receipts. In addition, this software can be scheduled to upload the franchisee's inventory and sales data to the franchisor for automatic data processing.</p> <p>Set up software and connection between the franchisor and franchisee.</p> <p>Locking cash drawer.</p> <p>Prints receipt when a sales transaction is completed.</p> <p>Phone support provided by software provider.</p>

This Information System has been recommended for the Good Feet System since approximately 2003. None of this hardware or software is our proprietary property. It belongs to the component manufacturers and software creators. Neither we nor any affiliate will provide maintenance, repair, or upgrades. The suppliers will do so if you purchase a service contract, the cost of which will depend on the supplier. We will have access to your Information System and may download all data and files in your Information System when we deem appropriate.

## ITEM 12

### TERRITORY

#### Franchise Agreement

You will operate the Store at a specific location that we first must approve within the Territory described in the Franchise Agreement. You may not relocate the Store without our approval. Before signing the Franchise Agreement, we and you will determine your Territory. The Territory's size and description will depend upon area demographics, including population, number of homes in the Territory, and general media markets. While there is no required minimum or maximum size, we expect that a standard Territory will be an area with approximately 250,000 population in either a county or city limit (based upon demographic figures obtained from government census reports). The Territory will be described by streets, roads and highways, zip codes, and/or city and county lines. During the franchise term, we will not establish or operate, or franchise or license a third party to establish or operate, a Good Feet Store the physical premises of which are located in the Territory as long as you honor the Franchise Agreement's terms.

We (and our affiliates) reserve all rights not expressly granted to you under the Franchise Agreement, including all rights in and to the Marks, the Good Feet System, Products, Good Feet Stores, and their associated goodwill. Our reserved rights include:

- operating and granting others the right to operate a Good Feet Store the physical premises of which are located outside the Territory and any other type of business under the Marks or any other marks in any geographical location outside the Territory, on any terms and conditions we deem appropriate; and
- offering, selling, licensing, marketing, delivering, or otherwise distributing Products or other items to customers or potential customers located within and outside the Territory, whether such Products or other items are identified by the Marks or other trademarks or service marks, through any distribution channels we deem best (including advertising, mail order and the Internet), wherever such distribution channels are located or operating (including within the Territory), except not through Good Feet Stores (other than your Store) the physical premises of which are located within the Territory.

You have the right to sell Products only by retail sale through your Store at its premises and at trade and home shows within your DMA. You have no right to sell, market, or otherwise distribute the Products through any other trade or distribution channel, including at wholesale, by

on-line computer sales (for example, the Internet) or other computer sales methods, by direct response sales methods, by mail order marketing, for re-distribution through third parties, or by specialty sales on the premises of third parties. You may not sell Products outside the Territory or to any other franchisee, licensed dealer (whether or not of Products), retailer, or military or governmental entity without our prior written consent. You must conduct the Store's business only from its physical location, except you may participate in trade shows and home shows in the DMA in which the Territory is located. Your participation in trade shows, home shows, or any other off-premises promotion must be approved in advance by us. If we receive multiple requests for approval from franchisees in any DMA to attend a trade show or home show, requests will be considered in the order we receive them.

All Good Feet Stores (whether owned, licensed, or franchised by us or our affiliates or otherwise) may solicit and service at their Good Feet Stores customers from any geographic location, and otherwise advertise and offer the Products and services of their respective Stores to any customers, except as otherwise described in the Franchise Agreement and this Offering Circular.

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 (a) mail order marketing except through programs we offer, (b) mail order marketing outside your Territory, or (c) off-premises advertising that advertises any price for Products other than our suggested retail price.

Continuation of your exclusivity in the Territory (as described above) does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Territory. Except as discussed below under "Development Rights Rider," you have no options, rights of first refusal, or similar rights to acquire additional franchises in your Territory or contiguous territories.

### **Development Rights Rider**

You may (if you qualify) develop and operate a number of Good Feet Stores within a specified area (the "Area"). We and you will identify the Area in the Development Rights Rider before signing it. The Area typically is a city, cities, or other political subdivisions. We base the Area's size primarily on the number of Good Feet Stores that you agree to develop, demographics, and site availability. We and you will negotiate the number of Stores that you must develop to keep your development rights and the dates by which you must develop them. We and you then will complete the schedule in the Development Rights Rider before signing it. While the Development Rights Rider is in effect, we (and our affiliates) will not establish, or allow other franchise owners to establish, Good Feet Stores the physical premises of which are located within the Area. There are no other restrictions on us (or our affiliates) within the Area. You may not develop or operate Good Feet Stores outside the Area. We may terminate the Development Rights Rider if you do not satisfy your development obligations when required.

Despite your development schedule under the Development Rights Rider, we may delay your development of an additional Good Feet Store within the Area for the time period we deem appropriate if we believe, when you apply for that next Store, that you are not yet operationally, managerially, or otherwise prepared (due to the short time that has elapsed since the



development and opening of your most recent Good Feet Store) to develop, open, and/or operate the additional Store according to our standards and specifications. We may delay the additional development as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

Except as described above, continuation of your exclusivity in the area does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Area.

### ITEM 13

#### TRADEMARKS

You may use certain Marks in operating the Store. The principal marks are described below. DOI currently owns all Marks and has licensed us to use them and to sublicense them to our franchisees in operating Good Feet Stores (see agreement described below).

- The mark “The Good Feet Store and design®” (with the large foot design) was registered on the Principal Register of the United States Patent and Trademark Office (the “PTO”) on December 16, 1997 (Registration No. 2,121,116). All affidavits of use have been filed and accepted.
- The mark “The Good Feet Store and Design®” was registered on the PTO’s Principal Register on August 19, 2003 (Registration No. 2,751,904). No affidavits of use are due.
- The mark “The Good Feet Store®” was registered on the PTO’s Principal Register on August 19, 2003 (Registration No. 2,751,905). No affidavits of use are due.
- The “Good Feet and Design®” mark was registered on the PTO’s Principal Register on August 19, 2003 and June 15, 2004 (Registration Nos. 2,751,886 and 2,852,408). No affidavits of use are due.
- The “Good Feet®” mark was registered on the PTO’s Principal Register on August 19, 2003 and June 15, 2004 (Registration Nos. 2,751,902 and 2,852,411). No affidavits of use are due.
- The “G and Design®” mark was registered on the PTO’s Principal Register on March 5, 2002 and September 23, 2003 (Registration Nos. 2,545,069 and 2,766,190). No affidavits of use are due.
- The “Your Arch Support Store®” mark was registered on the PTO’s Principal Register on November 26, 2002 (Registration No. 2,653,895). No affidavits of use are due.

- The mark identified as “Miscellaneous Logo®” (which we refer to as the “3 Square Design”) was registered on the PTO’s Principal Register on November 2, 2004 (Registration No. 2,899,463). No affidavits of use are due. The same mark is the subject of pending applications on the Principal Register in other classes (Serial No. 78/260,490, filed on June 10, 2003 in international class 10 on the basis of intent to use, and Serial No. 78/260,488, filed on June 10, 2003 in international class 25 on the basis of intent to use). Notices of Allowance have issued, and DOI intends to file a statement of use. By not yet having a Principal Register federal registration for the Miscellaneous Design (3 square logo) in international classes 10 and 25, DOI does not yet have certain presumptive legal rights granted by a registration.
- The “Dr.’s Own®” mark was registered on the PTO’s Principal Register on January 20, 1998 and July 29, 2003 (Registration Nos. 2,130,530 and 2,742,104). Affidavits of use have been filed and accepted for the 1998 registration.

No registration identified above is due for renewal.

Under our license agreement with DOI dated December 29, 2004, DOI has licensed us to use the Marks and related intellectual property and to sublicense them to franchisees to use in operating Good Feet Stores. The initial term of the license agreement is 20 years with 3 successive renewal terms of 10 years each as long as we are not in default of our obligations. DOI may not terminate the license agreement unless we are in default and fail to cure the default within not less than 30 days. If DOI’s license to us expires or is terminated, your rights under your Franchise Agreement will not be affected. You will have the right to operate your Store during the remaining franchise term, and during the term of any permitted renewal franchise agreement, as long as you comply with all of your obligations. No other agreement limits our right to use or sublicense the Marks.

You must follow our rules when you use the Marks, including giving proper notices of trademark registration and obtaining fictitious or assumed name registrations required by law. You may not use any Mark in your corporate or legal business name; with modifying words, terms, designs, or symbols; in selling any unauthorized services or products; or as part of any unauthorized website.

There are no currently effective material determinations of the PTO, the Trademark and Trial Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

Your unauthorized use of the Marks will breach the Franchise Agreement and infringe our and DOI’s rights. All your use of the Marks, and any goodwill established by that use, will be our and DOI’s exclusive property. You may not contest the validity, or our and DOI’s ownership, of the Marks.

You must immediately notify us in writing of any apparent infringement or challenge to your use of, or any claim by any person of any rights in, the Marks or our other intellectual

property of which you become aware. You must not directly or indirectly communicate with any person other than us and DOI, and our counsel, regarding any infringement, challenge, or claim. We and our affiliates have the right to take the action we deem best (including no action) and control any litigation, PTO proceeding, or other administrative proceeding arising from the infringement, challenge, or claim. You must sign any and all documents and take any other action that, in our counsel's opinion, is necessary or advisable to protect and maintain our and DOI's interests in any litigation or administrative proceeding or otherwise to protect and maintain our interests in the Marks and other intellectual property.

We and DOI need not protect your right to use the Marks or protect you against claims of infringement or unfair competition arising from your use of the Marks. The Franchise Agreement does not require us or DOI to take action against reported infringers, to participate in your defense, or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Mark, even if the proceeding is resolved unfavorably to you.

If we determine that it is advisable for us and/or you to modify or discontinue the use of any Mark, and/or to use one or more additional or substitute Marks, then upon notice from us, you must at your own expense immediately make such changes to the Marks and their use at the Store. We need not reimburse you for these costs.

#### ITEM 14

#### PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Although DOI has patents for certain Products, no patent will be material to your operation of the Store. You must maintain the patent marking on all Products as required by applicable patent marking laws, including retaining patent marking stickers and visible patent marks on Products and all related advertising and promotional materials.

We and DOI claim copyrights in the Manual (which contains our trade secrets), printed product brochures, displays, packaging, sales tools, and other advertising and promotional material used in operating the Store. On March 8, 2004, a copyright registration issued for the Good Feet Operations Manual (Registration No. TX 5-949-383). DOI also has copyright registrations with the United States Library of Congress for certain of the Programs:

<u>TELEVISION AUDIO VISUAL</u>	<u>REGISTRATION NO.</u>	<u>ISSUED</u>
The Good Feet Challenge V.7	PA 1-217-931	2/10/04
Flex Challenge V.3	PA 1-207-268	2/10/04
Flex Challenge V.4	PA 1-207-267	2/10/04
The Power of Balance V.1	PA 1-217-806	2/10/04
The Power of Balance V.5	PA 1-207-265	2/9/04
The Power of Balance V.7	PA 1-219-704	2/10/04
Arch Classic V.5.1	PA 1-219-306	2/9/04
Whistle	PA 1-219-433	2/10/04
Ballerina	PA 1-219-705	2/10/04

<u>TELEVISION AUDIO VISUAL</u>	<u>REGISTRATION NO.</u>	<u>ISSUED</u>
Push Over	PA 1-217-808	2/10/04
Baby	PA 1-217-928	2/9/04
Hug	PA 1-219-250	2/9/04
Starts With Your Feet	PA 1-219-251	2/10/04
Cowboy	PA 1-207-266	2/9/04
Wheel Feel	PA 1-219-365	2/9/04
Why Would You	PA 1-219-364	2/9/04
Why Should You <i>SPANISH</i>	PA 1-219-247	2/9/04
Choices	PA 1-207-263	2/9/04
Cinderella	PA 1-217-572	2/9/04
Cinderella <i>SPANISH</i>	PA 1-225-612	2/9/04
Get Stronger	PA 1-217-927	2/9/04
Santa	PA 1-217-929	2/9/04
Look Down	PA 1-226-657	2/9/04
Feet Facts for the 90's	PA-807-631	7/31/96
Walk Right Into Success	VA-923-999	5/19/98
Fit Feet 2000		
Fit Feet 2000	PA-913-551	9/2/98

DOI intends to renew these copyrights if they still are important for the Good Feet System. You may use these items only as we specify while operating your Store (and must stop using them if we so direct you). You may not duplicate the Manual.

DOI retains all ownership right, title, and interest in the Programs, including all copyright ownership. Neither you nor any persons under your control or on your behalf may produce or broadcast, by television or radio, any program that is substantially similar or identical to the Programs. The Programs may not be copied, edited, modified, or altered in any manner.

There currently are no effective adverse determinations of the PTO, the Copyright Office (Library of Congress), or any court regarding the copyrighted materials. Our license agreement with DOI (see Item 13) gives us the right to use the copyrighted materials and Confidential Information. No other agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our and DOI's copyrights that could materially affect your use of copyrighted materials in any state.

We and DOI need not protect or defend copyrights, although we intend to do so if in the Good Feet System's best interests. We and DOI may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We and DOI need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

Any addition, modification, adaptation, improvement, refinement, discovery, invention, or innovation that you or your owners or employees make with the Products or a Good Feet Store, the Good Feet System, the Manual, the Confidential Information discussed below, the Programs, and any advertising, marketing, or other materials (an "Improvement") will be our and DOI's sole and exclusive property, will be part of the Good Feet System, will be deemed works made-for-hire for us, and will be deemed to be assigned to us. You and your owners and employees must sign any documents we request and take other action without compensation to perfect or protect our intellectual property rights in any Improvement.

The term "Confidential Information" includes site selection criteria; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Good Feet Stores; marketing and advertising programs for Good Feet Stores; knowledge of specifications for and suppliers of Products; any computer software or similar technology that is proprietary to us; knowledge of the operating results and financial performance of Good Feet Stores other than your Store; and graphic designs and related intellectual property. Confidential Information is our trade secret. You may not use Confidential Information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure and non-competition agreements with those having access. We may regulate the form of agreement that you use and will be a third party beneficiary of that agreement with independent enforcement rights.

## ITEM 15

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

You and your individual owners need not participate personally in the Store's direct operation, but we recommend that you or at least one owner actively participate in managing the Store. In addition, you must at all times honestly and diligently perform your obligations under the Franchise Agreement, use your best efforts to promote and enhance your Store, and not engage in any business or other activity that will conflict with your obligations under the Franchise Agreement.

Your Store must be under the direct, on premises supervision of a trained and competent individual acting as full time general manager (even if that is not you or an owner) who has completed our Initial Training Program. Otherwise, we do not impose any limitations on whom you may hire as a general manager. You need not give your general manager any equity interest. All employees having access to our Confidential Information must sign a confidentiality and non-competition agreement. We may regulate the form of agreement that you use and be a third party beneficiary of that agreement with independent enforcement rights.

If you are a legal entity, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. This "Guaranty and Assumption of Obligations" appears at the end of our Franchise Agreement.

## ITEM 16

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

Your Store may only sell Products purchased from DOI and other approved suppliers. Your Store must at all times carry a specified minimum inventory of each Product. We have the right to change, modify, or withdraw Products at any time. There are no limits on our right to do so. Your Store must offer all products and services and Customer Benefits that we periodically require and may not offer any products or services that we do not authorize for the Good Feet System. You must sell all Products according to the sales procedures we prescribe. We consider the sale of shoes in your Store to be an ancillary part, and not the primary focus, of your Store's operation. The number of shoes and shoe styles is limited. Your shoe inventory may not occupy more than 25% of showroom display area at any time.

You may not install or maintain at your Store any telephone booths, newspaper racks, video games, or other similar devices without our prior written approval. (See Item 1 regarding restrictions on your claims regarding the Products and Item 12 for territorial, marketing, and customer restrictions)

## ITEM 17

### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS OFFERING CIRCULAR.

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 2.1 of Franchise Agreement and Sections 2 and 3 of Development Rights Rider	5 years from date Franchise Agreement is executed.  Term of Development Rights Rider depends on development obligations.
b. Renewal or extension of the term	Section 2.2	Two additional 5-year renewal terms if you meet the conditions in (c) below.  No renewal or extension of Development Rights Rider.

Provision	Section in Franchise Agreement	Summary
c. Requirements for you to renew or extend	Section 2.2	Written notice at least 180 days before end of current term; compliance with all material terms and conditions during term; correction of any deficiencies in Store's operation that we identify and upgrade, remodel, and redecorate Store premises to conform to current image of Good Feet Store and Good Feet System; maintain possession of Store's premises or find replacement location we approve in writing for no less than renewal term; execute then-current franchise agreement and related agreements and guarantees we then require (which may contain materially different terms and conditions); sign mutual release (if state franchise law allows), except for monies then due from you and your then current indemnification obligations; and pay renewal fee for each 5-year renewal term.
d. Termination by you	None	Franchise Agreement does not contain this provision.
e. Termination by us without cause	None	We may not terminate your franchise without cause.
f. Termination by us with cause	Section 13 of Franchise Agreement and Section 8 of Development Rights Rider	We may terminate your franchise only if you or your owners commit one of several violations.
g. "Cause" defined – defaults which can be cured	Section 13.2(C)	5 days to discharge levy of execution; 10 days to cure monetary defaults, use of confusingly similar Marks, and failure to comply with applicable law or to maintain required bond, license, or permit; 30 days to cure operational defaults not identified in (h) below.
h. "Cause" defined – defaults which cannot be cured	Section 5.6, 5.7, 6.1, 13.1, 13.2(A) and (B) of Franchise Agreement and Section 8 of Development Rights Rider	<p>12 or more unresolved customer complaints annually; unauthorized use of the Marks; unauthorized use or disclosure of Confidential Information; abandonment or surrender of control of Store; danger to public health or safety; failure to operate Store for more than 5 consecutive days; repeated defaults (even if cured); our termination of other agreement with you for cause or your termination of that agreement without cause; insolvency; unsatisfied final judgment; commit crime or offense; termination of agreement material to Store's operation; seizure of Store; and information you gave us during application process is materially false, misleading, incomplete, or inaccurate.</p> <p>We may terminate Development Rights Rider if you do not meet development schedule or other obligations; if Franchise Agreement or any other franchise agreement between us and you (or your affiliated entity) is terminated for any reason; or we have sent notice of default to you (or your affiliated entity) under Franchise Agreement or any other franchise agreement (whether or not default is cured).</p>
i. Your obligations on termination/ non-renewal	Section 14	Obligations include paying outstanding amounts; complete de-identification; changing or assigning telephone and other numbers; and returning Confidential Information (also see and (r) below)
j. Assignment of contract by us	Section 12.1	No restriction on our right to assign; we may assign without your approval.

Provision	Section in Franchise Agreement	Summary
k. "Transfer" by you – definition	Section 12.2 (K)	Includes transfer of Franchise Agreement, sale of Store's assets, and ownership change in you.
l. Our approval of transfer by you	Section 12.2 of Franchise Agreement and Section 9 of Development Rights Rider	No transfer without our prior written consent.  Your development rights under Development Rights Rider are not assignable at all.
m. Conditions for our approval of transfer	Section 12.2	New franchisee qualifies; you are fully complying with all your obligations under Franchise Agreement and any other agreement with us; if transfer is of Franchise Agreement, substantial portion of Store's assets, or controlling ownership interest in you, transferee must assume your outstanding obligations under Franchise Agreement and sign our then-current form of Franchise Agreement (term of which will expire on original expiration date); owners of franchisee entity sign guaranty; you sign release (if state franchise law allows); transfer fee paid; we approve material terms of transfer; you subordinate amounts due to you; and you and transferee open an escrow to effect our approval (also see (r) below).
n. Our right of first refusal to acquire your business	Section 12.5	We may match any offer for your Store or an ownership interest in you.
o. Our option to purchase your business	None	We do not have this right.
p. Your death or disability	Section 12.6	Assignment of franchise to approved party within 90 days (if your surviving spouse or heirs do not take over within 30 days); we may manage Store during transfer process.
q. Non-competition covenants during the term of the franchise	Section 15.2	No ownership interest in, or performing services for, competitive business anywhere ("competitive business" means any business that derives more than 10% of its revenue from selling goods the same as or similar to Products; no diverting Store's business; no hiring our or any franchisee's employee.
r. Non-competition covenants after the franchise terminates or expires	Section 15.3	For 24 months, no direct or indirect ownership in, or performing services for, competing business within Territory or 3-mile radius from any other Good Feet Store then in existence or for any entity granting franchises or licenses or establishing joint ventures for the operation of competing businesses.
s. Modification of the Agreement	Section 16.13	No modifications generally, but we may change Manual and standards, specifications, and operating procedures of Good Feet System.
t. Integration/ merger clause	Section 16.14	Only terms of Franchise Agreement, including standards, specifications, and operating procedures in the Manual), are binding. Any other promises might not be enforceable.
u. Dispute resolution by arbitration or mediation	None	Franchise Agreement does not contain this provision.
v. Choice of forum	Section 16.4	Litigation generally must be in state or federal court closest to where our principal business address then is located (currently San Diego County, California) (subject to state law).



Provision	Section in Franchise Agreement	Summary
w. Choice of law	Section 16.3	California law generally governs (except that California Franchise Investment Law and California Franchise Relations Act apply only if their independent jurisdictional requirements are met); non-competition covenants are governed by law of state where your Store is located.

These states have statutes that might supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise: ARKANSAS [Ark. Code Sections 4-72-201 to 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000 to 20043], CONNECTICUT [Gen. Stat. Sections 42-133e to 42-133h], DELAWARE [Code Sections 2551 to 2556], HAWAII [Rev. Stat. Section 482E-6], IDAHO [Code Section 29-110], ILLINOIS [815 ILCS 705/1-44], INDIANA [Code Section 23-2-2.7], IOWA [Code Section 537A.10], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Sections 75-24-51 to 75-24-63], MISSOURI [Rev. Stat. Sections 407.400 to 407.410], NEBRASKA [Rev. Stat. Sections 87-401 to 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 to 56:10-12], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code Section 13.1-557 to 13.1-574], WASHINGTON [Code Section 19.100.180], and WISCONSIN [Stat. Sections 135.01 to 135.07]. These and other states might have court decisions that supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In addition to the provisions noted in the chart above, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a right to a jury trial, waiver of punitive, exemplary, or treble damages, and limitations on when claims may be raised. We recommend that you carefully review all of these provisions, and the entire contract, with a lawyer.

#### ITEM 18

#### PUBLIC FIGURES

We do not use any public figure to promote our franchise.

#### ITEM 19

#### EARNINGS CLAIMS

We do not furnish or authorize our salespersons (including officers and directors) to furnish any oral or written information concerning the actual or potential sales, costs, income, or profits of a Good Feet Store franchise. Actual results vary from unit to unit, and we cannot estimate the results of any particular franchise.

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ITEM 20

LIST OF FRANCHISED OUTLETS

SYSTEM-WIDE FRANCHISED STORE SUMMARY (U.S. ONLY)  
FOR YEARS ENDING 2005/2004/2003<sup>(1)</sup>

State	Transfers	Canceled Or Terminated	Not Renewed	Reacquired By Franchisor	Left The System Other	Total From Left Columns <sup>(2)</sup>	Franchises Operating At Year End <sup>(3)</sup>
Alabama	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	1/0/0	0/1/1
Arizona	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	5/4/1
California	1/2/0	0/0/0	0/0/0	0/0/0	0/0/0	1/2/0	19/14/9
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	8/7/2
Delaware	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Florida	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	1/0/0	7/7/7
Hawaii	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/4/1
Illinois	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	3/3/2
Indiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/2/0	3/3/2
Iowa	0/0/2	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2	3/4/2
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0

State	Transfers	Canceled Or Terminated	Not Renewed	Reacquired By Franchisor	Left The System Other	Total From Left Columns <sup>(2)</sup>	Franchises Operating At Year End <sup>(3)</sup>
Kentucky	0/1/0	0/0/0	0/0/0	0/0/0	1/0/0	1/1/0	2/3/3
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3
Massachusetts	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	5/4/2
Michigan	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0
Minnesota	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	6/4/1
Mississippi	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Missouri	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	3/2/0
Montana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Nebraska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Nevada	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	5/4/1
New Hampshire	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
New York	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/0/0
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/1/0
North Dakota	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	1/1/0

State	Transfers	Canceled Or Terminated	Not Renewed	Reacquired By Franchisor	Left The System Other	Total From Left Columns <sup>(2)</sup>	Franchises Operating At Year End <sup>(3)</sup>
Ohio	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/2/1
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/0/0
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	5/0/0
Washington	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	9/8/8
<b>Totals</b>	<b>1/8/2</b>	<b>2/1/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>2/0/0</b>	<b>5/9/2</b>	<b>117/85/50</b>

1/ All numbers are as of December 31 for each year.

2/ The numbers in the "Total" column might exceed the number of outlets affected because several events might have affected the same outlet. For example, the same outlet might have had multiple owners, or we might have reacquired a terminated outlet.

3/ For the 2004 fiscal year and beforehand, these franchises were originally granted by GFW, our predecessor. Virtually all of these franchises, and a substantial number of the franchises granted in 2005, originally were dealerships operating under dealer agreements that converted their businesses to franchises operating under franchise agreements.

**STATUS OF AFFILIATED-OWNED STORES  
FOR YEARS ENDING 2005/2004/2003<sup>(1)</sup>**

State	Stores Closed During Year	Stores Opened During Year	Total Stores Operating At Year End <sup>(2)</sup>
California	0/1 <sup>(3)</sup> /0	0/0/0	2/2/3
<b>Totals</b>	0/1/0	0/0/0	2/2/3

1/ All numbers are as of December 31 for each year.

2/ This chart covers GOOD FEET Stores owned and operated by DOI. We currently do not operate any Stores.

3/ This Good Feet Store was sold by DOI to a franchisee in February 2004.

**PROJECTED SYSTEM WIDE STORE OPENINGS FOR 2006**

State	Franchise Agreement Signed Before 12/31/05 but Store Not Opened as of 12/31/05	Projected New Franchised Stores in 2006 (not including those in previous column)	Projected New Company or Affiliate-Owned Stores in 2006
California	8	4	0
Massachusetts	1	1	0
Michigan	2	1	0
Minnesota	2	2	0
Oregon	2	1	0
Texas	16	3	0
<b>TOTALS</b>	31	12	0

Exhibit F is a list of (1) our franchisees as of December 31, 2005 and the addresses and telephone numbers of their GOOD FEET Stores, (2) the addresses and telephone numbers of affiliate-owned GOOD FEET Stores as of December 31, 2005, and (3) the home addresses and home telephone numbers (if available) of the franchisees who had outlets terminated, canceled, or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement, during 2005 or who have not communicated with us within 10 weeks of the application date.

**ITEM 21**

**FINANCIAL STATEMENTS**

Exhibit D is our audited financial statements for the fiscal year ended December 31, 2005. We were formed on December 20, 2004 and had no operations until 2005.

**ITEM 22**

**CONTRACTS**

The following agreements are exhibits to this Offering Circular:

- Exhibit B — Franchise Agreement
- Exhibit C — Development Rights Rider
- Exhibit E — State Franchise Agreement Riders
- Exhibit I — Addendum to Franchise Agreement for Additional Stores in Territory –  
Converting Dealer

**ITEM 23**

**RECEIPT**

Our and your copies of the Uniform Franchise Offering Circular Receipt are located at the last 2 pages of this Offering Circular.