EXHIBIT A

FINANCIAL STATEMENTS

Combined Financial Statements and Report of Independent Certified Public Accountants

Curves International, Inc. and Curves for Women II, L.C.

Three years ended December 31, 2009

Curves International, Inc. and Curves for Women II, L.C.

COMBINED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Three Years Ended December 31, 2009

Contents

Grant Thornton

Report of Independent Certified Public Accountants

Audit • Tax • Advisory
Grant Thornton LLP
1717 Main Street, Suite 1500
Dallas, TX 75201-4667
T 214.561.2300
F 214.561.2370
www.GrantThornton.com

Board of Directors
Curves International, Inc. and Curves for Women II, L.C.

We have audited the combined balance sheets of Curves International, Inc. and Curves for Women II, L.C. (together the Company) as of December 31, 2009 and 2008, and the related combined statements of income, owners' equity and comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Curves International, Inc. and Curves for Women II, L.C. for the year ended December 31, 2007 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated March 26, 2008.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Curves International, Inc. and Curves for Women II, L.C. as of December 31, 2009 and 2008, and the combined results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining balance sheet as of December 31, 2009 and combining statement of income for the year ended December 31, 2009, are presented for the purpose of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements as of and for the year ended December 31, 2009 and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Grant Thornton LLP

Dallas, Texas
March 24, 2010

Curves International, Inc. and Curves for Women II, L.C.

COMBINED BALANCE SHEETS

December 31,

ASSETS	2009	2008
Current assets		
Cash and cash equivalents	$24,543,888	$14,136,945
Short-term investments	273,870	356,366
Accounts and notes receivable, net	7,425,234	4,516,420
Amounts due from related parties, net	3,347,587	-
Inventories	18,871,953	21,408,535
Deferred income taxes	149,607	76,179
Prepaid expenses	2,011,095	7,532,925
Total current assets	56,623,234	48,027,370
Notes receivable, less current portion	1,314,493	259,030
Property and equipment, net	17,855,509	18,430,788
Other assets, net	1,643,040	2,323,504
Total assets	$77,436,276	$69,040,692
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,288,037	$ 5,734,873
Amounts due to related parties, net	-	162,989
Accrued expenses and other	2,422,277	2,054,436
Federal, state, foreign and other taxes payable	815,994	713,130
Deferred revenue	3,225,402	4,238,961
Total current liabilities	8,751,710	12,904,389
Commitments and contingencies		
Owners' equity		
Common stock	23,939	23,939
Member interests	20,632	20,632
Retained earnings	68,382,883	55,757,904
Accumulated other comprehensive income	257,112	333,828
Total owners' equity	68,684,566	56,136,303
Total liabilities and owners' equity	$77,436,276	$69,040,692

The accompanying notes are an integral part of these combined financial statements.

Curves International, Inc. and Curves for Women II, L.C.

COMBINED STATEMENTS OF INCOME

Years ended December 31,

	2009	2008	2007
Revenues:			
Sales of franchises	$ 8,511,981	$ 13,364,109	$ 17,616,665
Royalties	35,118,094	41,328,255	44,181,327
Product sales	22,801,751	40,633,748	45,857,690
Curves Smart equipment sales	6,636,340	22,023,801	5,368,936
Other	11,050,938	11,356,446	11,800,975
Total revenues	84,119,104	128,706,359	124,825,593
Cost of revenues:			
Sales of franchises and royalties	3,236,849	6,278,784	7,131,570
Product sales and other	18,098,990	32,958,086	29,990,392
Curves Smart equipment sales	4,220,488	16,241,839	3,441,448
Total cost of revenues	25,556,327	55,478,709	40,563,410
Gross profit	58,562,777	73,227,650	84,262,183
Operating expenses and costs:			
General and administrative expenses	38,389,608	52,360,498	48,161,639
Depreciation and amortization	4,735,889	4,243,395	2,855,972
	43,125,497	56,603,893	51,017,611
Income from operations	15,437,280	16,623,757	33,244,572
Other income (expense):			
Interest income	139,659	125,691	701,425
Other income (expense), net	950,672	(1,716,753)	993,482
	1,090,331	(1,591,062)	1,694,907
Income before income taxes	16,527,611	15,032,695	34,939,479
Income tax expense (benefit)	142,240	(2,140,209)	(2,060,194)
Net income	$16,385,371	$ 17,172,904	$ 36,999,673

The accompanying notes are an integral part of these combined financial statements.

Curves International, Inc. and Curves for Women II, L.C.

COMBINED STATEMENTS OF OWNERS' EQUITY AND COMPREHENSIVE INCOME

	Common stock	Member Interests	Accumulated other comprehensive income	Retained earnings	Total
Balances at January 1, 2007	$23,939	$20,632	$ 541,985	$ 41,399,015	$ 41,985,571
Distributions to owners	-	-	-	(28,192,373)	(28,192,373)
Net income	-	-	-	36,999,673	36,999,673
Foreign currency translation	-	-	128,213	-	128,213
Unrealized gain on available-for-sale securities	-	-	636,327	-	636,327
Total comprehensive income	-	-			37,764,213
Balances at December 31, 2007	23,939	20,632	1,306,525	50,206,315	51,557,411
Distributions to owners	-	-	-	(11,621,315)	(11,621,315)
Net income	-	-	-	17,172,904	17,172,904
Foreign currency translation	-	-	(24,366)	-	(24,366)
Unrealized loss on available-for-sale securities	-	-	(948,331)	-	(948,331)
Total comprehensive income					16,200,207
Balances at December 31, 2008	23,939	20,632	333,828	55,757,904	56,136,303
Distributions to owners	-	-	-	(3,760,392)	(3,760,392)
Net income	-	-	-	16,385,371	16,385,371
Foreign currency translation	-	-	5,780	-	5,780
Unrealized loss on available-for-sale securities	-	-	(82,496)	-	(82,496)
Total comprehensive income					16,308,655
Balances at December 31, 2009	$23,939	$20,632	$ 257,112	$ 68,382,883	$ 68,684,566

The accompanying notes are an integral part of these combined financial statements.

Curves International, Inc. and Curves for Women II, L.C.

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2009	2008	2007
Operating activities			
Net income	$16,385,371	$ 17,172,904	$ 36,999,673
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,735,889	4,243,395	2,855,972
(Income) losses from foreign currency transactions, net	746,239	(473,021)	(277,498)
Deferred income taxes	(71,411)	424,162	(165,008)
Impairment of short-term investments	-	1,768,634	-
Gain on sale of short-term investments	-	(43,822)	(266,673)
Provision for doubtful accounts	1,123,111	1,562,005	893,992
Rent expense recognized for buildings owned by a stockholder	480,000	480,000	460,000
Changes in operating assets and liabilities:			
Accounts and notes receivable, net	(5,819,781)	141,918	(2,803,113)
Inventories	2,539,458	(9,402,648)	(2,147,420)
Prepaid expenses and other assets	5,530,379	5,832,934	(9,338,139)
Accounts payable, accrued expenses, and other	(2,992,389)	(138,294)	591,403
Amounts due to/from related parties, net	(3,499,926)	651,826	(80,455)
Federal, state, foreign and other taxes payable	100,783	(2,709,465)	(2,042,629)
Deferred revenue	(1,020,065)	(3,578,726)	(2,577,193)
Net cash provided by operating activities	18,237,658	15,931,802	22,102,912
Investing activities			
Purchases of property and equipment	(3,497,483)	(4,710,324)	(7,101,473)
Sale of property and equipment	15,223	184,025	15,373
Purchase of short-term investments	-	(8,870)	(2,521,040)
Sale of short-term investments	-	832,255	1,932,250
Purchase of other assets, net	-	(500,000)	(792,149)
Net cash used in investing activities	(3,482,260)	(4,202,914)	(8,467,039)
Financing activities			
Distributions paid to owners	(4,240,392)	(12,101,315)	(28,652,373)
Payments of capital lease obligations	(100,356)	(108,288)	(88,674)
Net cash used in financing activities	(4,340,748)	(12,209,603)	(28,741,047)
Exchange rate effects on cash balances held in foreign currencies	(7,707)	(48,821)	306,895
Net increase (decrease) in cash and cash equivalents	10,406,943	(529,536)	(14,798,279)
Cash and cash equivalents, beginning of year	14,136,945	14,666,481	29,464,760
Cash and cash equivalents, end of year	$24,543,888	$ 14,136,945	$ 14,666,481
Supplemental cash flow information			
Taxes paid	$ 241,989	$ 153,427	$ 565,430
Interest paid	$ 7,635	$ 13,020	$ 53,750

The accompanying notes are an integral part of these combined financial statements.

NOTE 1 - BASIS OF PRESENTATION

Curves International, Inc. and Curves for Women II, L.C. (together with their subsidiaries and affiliates, the "Company" or "Curves") is a franchisor of fitness clubs designed specifically for women. At December 31, 2009, there were 8,670 Curves franchisees operating under the name *Curves* and *Curves for Women*. These franchises are located in every state in the United States and in 76 foreign countries, including Canada, Australia, Brazil, United Kingdom, France, Ireland, Mexico, Spain, South Africa and Japan. In addition to selling franchises and providing a base level of operating support to franchisees, the Company sells promotional and retail products and equipment to franchisees. Curves International, Inc. is a Texas corporation with authorized capital of 100,000 shares of no par value common stock, of which 10,002 shares are outstanding at December 31, 2009. Curves for Women II, L.C. is a limited liability company, with two membership interests outstanding, which was organized in the state of Texas with a finite term of existence ending on May 15, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Principles of Combination

The accompanying combined financial statements include the accounts of the Company and its direct or indirect wholly owned subsidiaries as of December 31, 2009. Through June 1, 2005, these subsidiaries, with the exception of Heavin Ideas in Action, Inc., ("Ideas"), were wholly owned, directly or indirectly, by the Company's Chief Executive Officer ("CEO"), Gary Heavin and his wife, Diane. Five new companies were formed in 2006, and one was formed in 2008, all of which are wholly owned, directly or indirectly, by the Company's current stockholders. On June 1, 2005, the Company purchased Ideas, which has served as the marketing/logistics provider of fitness-related products and equipment to the Curves franchisees. Prior to the acquisition, Ideas was owned 100% by the brother and sister-in-law of the CEO. In connection with the acquisition of Ideas, the former stockholders of Ideas received 4.45% of the outstanding shares of Curves International, Inc., and $6.2 million in cash. In 2006, the CEO and his wife granted a 4.45% special membership interest allocation in Curves for Women II, L.C. to the former stockholders of Ideas. In July 2007 the CEO and his wife personally purchased all of the outstanding stock and membership interests in Curves International, Inc. and Curves For Women II, L.C., respectively, held by the CEO's brother and sister-in-law. All companies are now wholly owned by the CEO and his wife.

All intercompany accounts and transactions have been eliminated in the combined financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Revenue Recognition

The Company's revenues consist primarily of franchise sales, continuing monthly royalty fees (royalties) from franchisees, promotional and retail product sales to franchisees, and sales of Curves Smart equipment.

Sales of Franchises - Revenues recognized from the sales of franchises are derived from two different franchising methods: direct sales and master franchise agreements.

Direct Sales - The Company recognizes revenues from the initial franchise fee received from a franchisee when it has performed substantially all initial services required by the franchise agreement, which is generally upon the opening of the club. Until such time, the initial fees received are reflected as deferred revenue on the combined balance sheets. In consideration for the initial franchise fee, the Company provides a specified number of units of circuit equipment, initial training, operational materials and manuals, and other operational support and training prior to and during the opening. At the time of the franchise sale, the Company pays a commission to independent contracted salesmen of approximately 15%-20% of the initial franchise fee. The costs associated with the commissions and circuit equipment released and shipped to the franchisee are deferred and included in prepaid expenses until the date the club opens.

Master Franchise Agreements - The Company has entered into master franchise agreements for the marketing and development of franchises in certain countries within the continents of South America, Europe, Africa, and Asia. At December 31, 2009, there were approximately 1,460 Curves franchisees operating through a master license agreement. In consideration of the rights granted, the Company receives license fees and a portion of all income derived from the sales of franchises, royalty fees and other associated revenues. The Company has limited specific obligations as defined within these agreements, which include training the master licensee and providing developmental guidance. Revenues are recognized over the period, generally one to two years, during which the Company is required to perform the services specified in the agreements.

Royalties - Under the terms of the direct sales franchise agreements, franchisees pay a monthly royalty fee to the Company, which may be a fixed rate per month or a percentage of the franchisee's gross club sales subject to a minimum and maximum amount. The royalties are recognized in revenue as earned.

Promotional and Retail Product Sales - The Company sells promotional products to franchisees for use primarily as workout incentives for members, retail products for resale to members, and extra equipment for replacement or expansion. The Company recognizes revenues and costs associated with such sales at the time of shipment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Curves Smart Equipment - In 2006, the Company entered into an exclusive, perpetual license agreement with an electronic component manufacturer for hardware, software, and non-exclusive use of trademarks associated with the design, production and distribution of an advanced fitness training system known as *Curves Smart.* Sales of this equipment began in the United States and Canada in the fall of 2007 and in select international markets in the latter part of 2008. The Company sells this equipment upgrade for a fee to the franchisees for cash, through purchase agreements with payments over periods no longer than 24 months, and through an independent leasing company which finances the transaction through a low cost lease with the franchisee over terms of 24-36 months. The Company recognizes revenues and costs associated with such sales at the time of installation. The manufacturer bears the obligation of replacing warrantable components.

Other - The Company receives revenues from commissions under licensing agreements for the use of the *Curves* brand name on products produced and sold by third parties; and, through May 2009, commissions on sales of third-party club management software to franchisees; sales of advertising in Company publications; fees paid by franchisees in connection with the resale of franchises; and transactional membership processing fees earned from the administration of wellness partnership agreements with major insurance providers and employers. The Company recognizes these revenues as earned. Other revenues are summarized as follows:

	2009	2008	2007
Commissions	$ 3,470,603	$ 4,305,129	$ 3,739,315
Advertising	702,692	1,346,861	1,505,571
Franchise resale fees	3,825,554	3,955,999	5,179,003
Wellness partnership agreements	2,431,700	1,106,808	642,864
Other	620,389	641,649	734,222
	$11,050,938	$11,356,446	$11,800,975

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less at the date of purchase. Cash equivalents consist primarily of money market funds and are carried at cost, which approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Notes Receivable

The Company occasionally provides partial financing to franchisees for their initial franchise fee. The terms of the related notes generally require monthly payments of principal and interest at rates ranging from 5% to 15% with terms from 24 to 36 months. The Company also offers partial financing to franchisees for the purchase of *Curves Smart* equipment. The terms of the related agreements require monthly payments of principal and interest at rates ranging from 0% to 10%, with terms varying from 12 to 24 months. Interest income, in aggregate, on notes receivable recognized during the years ended December 31, 2009 and 2008 approximated $107,000 and $1,000, respectively. As of December 31, 2009 and 2008, the Company recorded an allowance for doubtful notes of approximately $74,000 and $16,000, respectively, to reduce the carrying amount of notes receivable to their estimated collectible amounts. The Company recognizes interest income on doubtful notes as payments are received.

The Company has issued a series of short-term notes at an aggregate amount of approximately $180,000 with terms of 6 to 12 months and 0% interest unless default is made on the note. No reserve has been provided against this amount.

Accounts Receivable

The Company's accounts receivable are primarily due from franchisees for monthly royalty fees and for amounts due under Master Franchise Agreements. The allowance for doubtful accounts receivable represents the Company's estimate of potential accounts receivable write-offs associated with recognized revenue based on historical trends and factors surrounding the credit risk of specific franchisees. The Company writes off accounts receivable when franchises are terminated and other means for collection have been exhausted. Payments subsequently collected are credited back to provision for doubtful accounts in the period the payments are received.

Allowances for doubtful accounts were approximately $2,017,000 and $1,922,000 as of December 31, 2009 and 2008, respectively.

Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance costs are expensed as incurred. Depreciation expense is provided using the straight-line method over the estimated useful lives of the related assets. Equipment recorded under capital leases is amortized over the estimated useful life of the asset or the term of the lease, whichever is shorter. Estimated useful lives (in years) are as follows:

Building and improvements	15-39
Furniture, fixtures, and equipment	3-5
Vehicles	5
Software	3

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Impairment of Long-Lived Assets

Finite-lived intangible assets and property and equipment are evaluated for impairment whenever the Company identifies indicators of impairment. An asset is considered to be impaired if the related future undiscounted cash flows are less than the carrying value of the asset, at which time the asset is written down to fair value based on the discounted cash flows. In 2007, the Company, in determining an impairment in the carrying value of goodwill associated with one of its foreign subsidiaries, recorded a charge of $88,000. The Company was aware of no impairment indicators in 2009 and 2008.

Income Taxes

The Company, except for certain foreign subsidiaries, is treated as a flow-through entity for federal income tax purposes. Accordingly, a large portion of the Company's income and deductions is reported on the tax returns of its stockholders and members for federal income tax purposes. Certain subsidiaries are subject to foreign income taxes. In addition, the Company is subject to income taxes in various states.

The Company accounts for income taxes under the liability method. Deferred income taxes result from differences in the bases of assets and liabilities for financial reporting and income tax purposes.

The Company evaluates the probability of being able to realize the future benefits of the deferred tax assets. A valuation allowance is provided for a portion or all of the deferred tax assets when it is more likely than not that such portion or all of such deferred tax assets will not be realized.

The Company has adopted accounting guidance related to accounting for uncertain income tax positions. As required by the guidance, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. All tax positions taken related to the Company, for which the statute of limitations remain open have been reviewed, and management is of the opinion that most positions taken by the Company would more likely than not be sustained upon examination. The Company recorded a liability at December 31, 2009 of approximately $123,000 for uncertain tax positions, of which approximately $48,000 relates to penalties and interest. As of the date of adoption of accounting guidance related to uncertain tax positions, the Company believed the liability for uncertain tax positions was immaterial, and therefore did not record an adjustment to retained earnings. The tax years that are still subject to examination are 2006 through 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Accumulated Other Comprehensive Income

Accumulated other comprehensive income includes unrealized gains and losses on available-for-sale marketable securities and foreign currency translation adjustments. The following table presents the components of accumulated other comprehensive income, net of tax, as of December 31:

	2009	2008
Foreign currency translation adjustments	$339,608	$333,828
Unrealized losses on available-for-sale securities	(82,496)	-
	$257,112	$333,828

Foreign Currency Translation

All balance sheet accounts of the Company's foreign subsidiaries are translated from their functional currency, the Euro, into United States dollars at the year-end rate of exchange, and income statement items are translated at the weighted average exchange rate for the year. Foreign currency translation adjustments are included as a component of other comprehensive income for each period.

Shipping And Handling Fees

Shipping and handling fees billed to customers are included in sales of franchises, product sales and Curves Smart equipment revenues with related shipping and handling costs associated with outbound and inbound freight included in each respective cost of revenues.

Taxes Collected from Customers

In the course of doing business, the Company collects taxes from customers including, but not limited to, sales taxes and other taxes associated with international business transactions. It is the Company's policy to record these taxes on a net basis in the consolidated statements of income; therefore, the Company does not include these taxes as a component of revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Concentrations of Credit Risk and Fair Value of Financial Instruments

Financial instruments that potentially subject the Company to concentrations of credit risk include cash and cash equivalents, accounts and notes receivable and accounts payable. The Company maintains its cash and cash equivalents as deposits with major commercial banks and in money market funds. At times, the cash and cash equivalents may be uninsured or in accounts that exceed the Federal Deposit Insurance Corporation insurance limit. The Company has not experienced any losses on these deposits. Accounts receivable are generally from individual customers and are not concentrated in any specific geographic region.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts and notes receivable and accounts payable approximate their fair values due to the short term nature of the instruments.

A majority of all accounts and notes receivable are from franchisees. One account represented 7% of total accounts receivable at December 31, 2009 and 2008, respectively, and was substantially collected after each year end. No other franchisee account or note accounted for more than 1% of total accounts and notes receivable at December 31, 2009 or 2008. The Company performs ongoing credit evaluations of its franchisees and generally does not require collateral. Historically, credit losses have been insignificant.

The Company's revenues in 2009 and 2008 by geographic region are as follows:

	2009	2008
North America	64%	76%
Central and South America	2	1
Europe	14	11
Oceania	10	6
Asia	8	5
Africa	2	1
	100%	100%

The Company purchases all of the circuit equipment and Curves Smart equipment sold to franchisees from two separate suppliers.

NOTE 3 - INVESTMENTS

The Company's short-term investments include marketable securities classified as available-for-sale. Available-for-sale securities are stated at fair value with any unrealized gains or losses included as a component of accumulated other comprehensive income until realized. Realized gains and losses on sales are computed based upon initial cost, using the specific identification method, adjusted for other than temporary declines in fair value. Unrealized losses are recognized in income when a decline in value is considered to be other than temporary.

Marketable securities at December 31 were as follows:

	Cost	Unrealized gains/(losses)	Fair value
2009			
Equity securities	$ 356,366	$ (82,496)	$ 273,870
	$ 356,366	$ (82,496)	$ 273,870

	Cost	Unrealized gains/(losses)	Fair value
2008			
Equity securities	$ 356,366	$ -	$ 356,366
	$ 356,366	$ -	$ 356,366

On December 22, 2006, the Company purchased 170 shares of common stock in the entity licensed as the master licensee for Japan at a cost of $230,965. This 5% ownership was sold on July 31, 2007. A gain of $3,500 was realized from this sale.

On September 26, 2007, the Company purchased 2,000,000 shares of common stock, a less than 2% ownership, at a cost of $2,500,000 in the publicly traded parent of the entity which previously was licensed as the master licensee for Japan. During 2007 the Company sold 275,000 shares and recognized a realized gain of $147,500. In January 2008, the Company sold 25,000 shares and recognized a gain of approximately $7,000. Subsequent to that date, the stock's value began to decline as various events negatively impacted this parent entity. This was further impacted by the global economic crisis. In December 2008 the Company chose to permanently write down this investment upon receiving additional information indicating a continued weakening of the parent entity's financial position and a less than favorable forecast for 2009. As a result, the Company recorded a loss from write down of approximately $1,769,000, which is included in other income (expense) on the combined statements of income, and results in a reduction in the cost basis of the investment by that amount. The stock's value declined further in 2009. The Company has chosen to not permanently adjust the value of this investment at December 31, 2009.

NOTE 3 - INVESTMENTS - Continued

All shares held by the Company in equity mutual funds were sold in 2008 at an aggregate gain of approximately $37,000.

In total, absent the result of the permanent write down, the Company recognized realized gains of $44,000 and $267,000 for 2008 and 2007, respectively. No gains were realized during 2009.

Effective January 1, 2008, the Company adopted FASB ASC Topic 820. ASC Topic 820 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either level 1 or level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities
Level 2 – Inputs other than level 1 inputs that are either directly or indirectly observable
Level 3 – Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures periodically and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Company expects that changes in classifications between different levels will be rare.

	December 31, 2009		
	Level 1	Level 2	Level 3
Equity securities	$273,870	$ -	$ -
Total assets	$273,870	$ -	$ -

	December 31, 2008		
	Level 1	Level 2	Level 3
Equity securities	$356,366	$ -	$ -
Total assets	$356,366	$ -	$ -

NOTE 4 - ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable, net, at December 31 were as follows:

	2009	2008
Accounts receivable:		
Franchisee	$ 4,919,125	$ 4,763,536
Other	2,518,106	1,568,415
	7,437,231	6,331,951
Notes receivable:		
Franchisee	3,138,377	82,604
Other	255,524	299,000
	3,393,901	381,604
Total accounts and notes receivable	10,831,132	6,713,555
Less long-term portion of notes receivable	(1,314,493)	(259,030)
	9,516,639	6,454,525
Less allowance for doubtful accounts and notes	(2,091,405)	(1,938,105)
Accounts and notes receivable, net	$ 7,425,234	$ 4,516,420

NOTE 5 - INVENTORIES

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Inventories, net of estimated reserves for excess, slow-moving, and obsolete inventory, at December 31 were as follows:

	2009	2008
Retail products	$ 5,289,417	$ 8,186,660
Equipment	1,347,901	1,581,169
Promotional and other	1,991,866	2,894,767
Curves Smart	10,242,769	8,745,939
	$18,871,953	$21,408,535

Retail products are products sold to franchisees for resale, generally consisting of vitamins, supplements, and Curves brand-name apparel, while promotional products generally include those items sold to franchisees for use as rewards and incentives for club members. Curves Smart inventory includes the electronic components, sensors, computers, and kiosks that are part of each installation package. In 2009, inventory valued at approximately $1.8 million was traded to a company for advertising trade credits. The credits, which are to be used for media purchases, were subsequently transferred to the National Advertising Fund for $800,000 cash.

NOTE 6 - PREPAID EXPENSES

Prepaid expenses at December 31 were as follows:

	2009	2008
Prepaid commissions	$ 536,731	$ 618,182
Cost of equipment provided to franchisees	131,527	74,115
Advances on purchases	628,390	6,180,386
Other	714,447	660,242
	$2,011,095	$7,532,925

The Company has advanced approximately $100,000 and $3.5 million against manufacturing orders for the production of Curves Smart components as of December 31, 2009 and 2008, respectively.

NOTE 7 - OTHER ASSETS

Other assets consist primarily of amounts paid for the license agreement with the manufacturer of the Curves Smart components. The fair value of the license agreement acquired in the amount of $2,500,000 is being amortized approximately on a straight-line basis over the expected useful life of five years. Accumulated amortization was $1,222,000 and $711,000 at December 31, 2009 and 2008, respectively. Amortization expense was $511,000, $511,000, and $200,000 for the years ended December 31, 2009, 2008, and 2007, respectively.

Also included are amounts paid to purchase the Company's Internet address. The fair value of the intangible in the amount of $975,000 is being amortized on a straight-line basis over the expected useful life of seven years. Accumulated amortization was $673,000 and $534,000 at December 31, 2009 and 2008, respectively. Amortization expense was $139,000 for each of the years ended December 31, 2009, 2008, and 2007, respectively.

Remaining amounts relate to a license agreement related to the production of charts and other aids and software maintenance support agreements at an aggregate fair value of approximately $134,000, which are being amortized over three to fifteen years. Accumulated amortization was $77,000 and $55,000 at December 31, 2009 and 2008, respectively. The amortization expense was $22,000, $22,000, and $19,000, for the years ended December 31, 2009, 2008, and 2007, respectively.

NOTE 7 - OTHER ASSETS - Continued

The following table presents the Company's estimate of future amortization expense for these assets as of December 31, 2009:

2010	$ 659,054
2011	655,553
2012	283,770
2013	5,000
2014	5,000
Thereafter	27,083
	$1,635,460

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment, net, at December 31 were as follows:

	2009	2008
Land	$ 1,013,332	$ 1,013,332
Buildings and improvements	8,139,727	8,176,994
Furniture, fixtures, and equipment	8,606,050	8,310,308
Vehicles	795,843	836,420
Software	9,831,116	6,900,030
Construction in progress	4,124,583	3,859,024
	32,510,651	29,096,108
Less accumulated depreciation and amortization	(14,655,142)	(10,665,320)
Property and equipment, net	$ 17,855,509	$ 18,430,788

Office equipment under capital leases of $85,000 and $322,000 as of December 31, 2009 and 2008, respectively, is amortized using the straight-line method over the term of the lease, generally three years.

Construction in progress at December 31, 2009, consists of amounts expended toward capital projects which are not yet complete, with completion expected in 2010. The amount includes approximately $4.1 million for systems software upgrades and related E-commerce, website programming, and other information system applications and $32,000 of production costs for creation of DVD training aides for multiple languages.

Depreciation expense on property and equipment, including amortization of equipment under capital lease, was approximately $4.1 million, $3.6 million, and $2.4 million in 2009, 2008, and 2007, respectively.

NOTE 9 - ADVERTISING

The Company has the right under the franchise agreements to charge a monthly advertising fee to franchisees, which may be a fixed rate per month or a monthly amount based on a percentage (generally 3%) of the franchisee's gross club sales. As fees are collected, they are deposited and accounted for separately in accounts called the National Advertising Fund and International Advertising Fund (the "Funds"). The Funds are used by the Company, with consideration of input and direction by marketing personnel and franchisees, for market research, direct advertising occurring primarily through television, radio and print, sales promotions and public relations, advertising material production and internal administrative costs associated with marketing and advertising. Any excess not spent for the agreed upon purposes in any given year is carried forward to subsequent years. Franchisees currently charged for advertising are those in the United States, Canada, the Republic of Ireland, Australia, New Zealand, England, Wales, Scotland, and Spain. Balances in the Funds, net of costs incurred but not reimbursed by the Funds, are restricted for the use and benefit of franchisees. Restricted cash balances on hand at the end of each year are recorded as advertising fund assets, restricted, with a corresponding liability in advertising fund liabilities. Payments of advertising costs out of the Funds are therefore not included in the combined statements of income and totaled $19.0 million, $21.7 million, and $23.9 million in 2009, 2008, and 2007, respectively.

Advertising costs, excluding amounts paid from the Funds, primarily relating to advertising incurred, placed, and paid for by the Company for the benefit of the franchisees, are expensed as incurred and were $1.4 million, $1.8 million, and $2.9 million for 2009, 2008, and 2007 respectively. A $1.0 million contribution to the National Advertising Fund in 2007 is included in the $2.9 million above, and was fully expended that year by the National Advertising Fund.

NOTE 10 - INCOME TAXES

The differences between the tax provision computed based on the United States federal statutory income tax rate of 35% and the Company's combined provision for income taxes are summarized as follows:

	2009	2008	2007
Federal income tax provision based on the statutory rate	$ 5,784,664	$ 5,261,443	$ 12,228,818
Effect of income taxable directly to stockholders and members	(5,798,214)	(5,452,923)	(12,446,837)
State and local income taxes, net of related federal benefit	185,848	28,781	214,016
Release of reserve previously provided for tax contingencies	-	(2,584,819)	(2,109,202)
Valuation allowance account related to foreign net operating losses	(42,907)	568,571	-
Other	12,849	38,738	53,011
	$ 142,240	$(2,140,209)	$ (2,060,194)

NOTE 10 - INCOME TAXES - Continued

The tax contingencies released in 2008 and 2007 related to a tax matter identified with respect to Ideas for which the applicable tax years were no longer subject to examination.

The components of the combined provision (benefit) for income taxes are as follows:

	2009	2008	2007
Federal income tax benefit	$ -	$(2,584,819)	$(2,098,155)
State and local income taxes	185,848	28,781	214,016
Foreign income taxes (benefit)	(43,608)	415,829	(176,055)
	$142,240	$(2,140,209)	$(2,060,194)

Income tax expense (benefit) is presented net of deferred tax expense (benefits), before consideration of changes in the valuation allowance account, of approximately $(73,000), $424,000, and $(165,000) for the years ended December 31, 2009, 2008 and 2007, respectively.

The significant components of net deferred income tax assets are as follows at December 31:

	2009	2008
Deferred tax assets:		
Deferred revenue	$ 149,607	$ 76,179
Foreign net operating loss carryforward	525,664	568,571
	675,271	644,750
Valuation allowance account for net operating losses	(525,664)	(568,571)
Total deferred tax assets	$ 149,607	$ 76,179

The Company determined that, based upon available information, a valuation allowance of approximately $526,000 and $569,000 was needed at December 31, 2009 and 2008, respectively, to adjust the deferred tax assets to their estimated net realizable value. At December 31, 2009, the Company had net operating loss carryforwards related to foreign taxes totaling $1,502,000, which expire beginning in 2022 through 2023.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Company leases office copier equipment under capital leases, which are generally for terms of three to four years. Obligations from capital leases are included in accrued expenses and other on the combined balance sheets.

Future minimum rental commitments on all leases are as follows:

	Capital leases
2010	$ 62,824
2011	2,340
	65,164
Less amounts representing interest	(971)
	64,193
Less current maturities	(61,875)
Capital lease obligations, net of current maturities	$ 2,318

The Company obtains letters of credit from a bank primarily to collateralize payments to certain vendors. Outstanding letters of credit issued at December 31, 2008, approximated $1,711,000. No outstanding letters of credit existed at December 31, 2009.

The Company was a party to a contract with a university to research the impact of the new advanced training equipment and to further study the impact of exercise and diet on weight loss and enhancing fitness and health. This contract was terminated in 2008. In 2009, negotiations with another university were finalized. During the years ended December 31, 2009, 2008, and 2007, the Company recognized expenses of approximately $432,000, $421,000, and $715,000, respectively, related to these research studies.

In July 2006 a suit was filed against the Company by several franchisees alleging certain actions. Four additional claims were brought against the Company in early 2007, alleging similar claims. Subsequently, one suit was dismissed with prejudice and the four remaining suits were consolidated into one action in Texas federal court. After this consolidation, a substantial number of the claims were dismissed. The Company intends to defend these claims. Though some amount of discovery and mediation has occurred, a conclusion has not been reached as to the probability or estimation of potential costs of defending these claims and as such, no liability has been accrued in these combined financial statements.

In December 2008 a suit was filed by a former employee seeking specified damages as a result of an alleged breach of employment contract. The Company is defending this claim. As of this date, the case is still pending and a conclusion has not been reached as to the probability or estimation of potential costs of defending this claim and as such, no liability has been accrued in these combined financial statements.

NOTE 11 - COMMITMENTS AND CONTINGENCIES - Continued

The Company is a party to other litigation and claims, as well as examinations by taxing authorities arising in the normal course of operations. In many instances, the Company is named in claims made by customers of franchisees. Franchisees are required to maintain a specified level of insurance to cover claims and to indemnify the Company from such claims. The Company also maintains insurance to cover certain types of claims. In management's opinion, these matters, individually, and in the aggregate, will not have a significant adverse impact on the financial condition of the Company.

NOTE 12 - RELATED PARTY TRANSACTIONS

In addition to the distributions to owners summarized in the combined statements of owners' equity, the combined statements of income include compensation expense related to owners and family members, all of whom are employees, totaling approximately $637,000, $1.1 million, and $1.7 million for 2009, 2008, and 2007, respectively.

The Company has an agreement for use of an aircraft owned by HAALO, Ltd., a company owned by the CEO. For the years ended December 31, 2009, 2008, and 2007, the Company paid operating costs of approximately $359,000, $869,000, and $849,000, respectively, for use of the aircraft. Additionally, the Company expensed lease costs of $375,000 for this aircraft in 2009 and $1.7 million for this and prior aircraft in 2008. Amounts due to/from related parties, net, includes amounts due to HAALO, Ltd. of $-0- and $1,173,000 at December 31, 2009 and 2008, respectively. Future minimum obligations under this agreement as of December 31, 2009, are summarized as follows:

2010	$ 375,000
2011	375,000
2012	375,000
2013	62,500
	$1,187,500

Ideas uses office and warehouse space in an 112,000 square foot building owned by the CEO. Ideas pays all operational costs associated with the building, including taxes, insurance, utilities, and maintenance, and recognized rent expense and a contribution by the owners of $336,000, $336,000, and $316,000 during the years ended December 31, 2009, 2008, and 2007, respectively.

The Company uses 12,000 square foot of office space in a building owned by the CEO. The Company pays all operational costs associated with the building, including taxes, insurance, utilities and maintenance and recognized rent expense and a contribution by the owners of $144,000 for each of the years ended December 31, 2009, 2008 and 2007, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS - Continued

In September 2008 the Company sold its promotional products division to the previous promotional products manager for $300,000, receiving cash of $1,000 and accepting a promissory note for $299,000. This note earns interest at a 4.5% rate annually with principal and interest payments of $5,000 due monthly for twelve months beginning February 2009, thereafter increasing to $10,977 monthly for twenty-four months. This division was responsible for sales of promotional items to non-franchisee customers in the Rio Grande Valley of Texas. The note receivable balance of approximately $256,000 and $299,000 at December 31, 2009 and 2008, respectively is recorded as part of accounts and notes receivable, net and notes receivable, less current portion on the accompanying combined balance sheets.

NOTE 13 - DEFINED CONTRIBUTION PLAN

The Company offers a 401(k) profit sharing and savings plan which covers substantially all employees. Under the plan the Company has the discretion to make an annual contribution (up to 3%) to a participant's account, based on base salary. The 401(k) plan allows participants to make pre-tax contributions that are matched up to a specified amount. The Company recognized expense related to this plan for the years December 31, 2009, 2008, and 2007 of approximately $527,000, $605,000, and $793,000, respectively.

NOTE 14 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 24, 2010, the date the financial statements were available to be issued. The Company is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Other Financial Information

Curves International, Inc. and Curves for Women II, L.C.

COMBINING BALANCE SHEET

December 31, 2009

Assets	Curves International, Inc. and Subsidiaries	Curves for Women II, L.C.	Eliminations	Combined
Current assets:				
Cash and cash equivalents	$20,975,096	$ 3,568,792	$ -	$24,543,888
Short-term investments	273,870	-	-	273,870
Accounts and notes receivable, net	3,843,225	3,582,009	-	7,425,234
Amounts due from related parties, net	7,609,384	-	(4,261,797)	3,347,587
Inventories	921,643	17,950,310	-	18,871,953
Deferred income taxes	149,607	-	-	149,607
Prepaid expenses	1,349,427	661,668	-	2,011,095
Total current assets	35,122,252	25,762,779	(4,261,797)	56,623,234
Notes receivable, less current portion	248,818	1,065,675	-	1,314,493
Property and equipment, net	17,825,204	30,305	-	17,855,509
Other assets, net	1,643,040	-	-	1,643,040
Total assets	$54,839,314	$26,858,759	$(4,261,797)	$77,436,276
Liabilities and owners' equity				
Current liabilities:				
Accounts payable	$ 1,381,088	$ 906,949	$ -	$ 2,288,037
Amounts due to related parties, net	-	4,261,797	(4,261,797)	-
Accrued expenses and other	2,176,114	246,163	-	2,422,277
Federal, state, foreign and other taxes payable	719,702	96,292	-	815,994
Deferred revenue	3,225,402	-	-	3,225,402
Total current liabilities	7,502,306	5,511,201	(4,261,797)	8,751,710
Commitments and contingencies				
Owners' equity:				
Common stock	23,939	-	-	23,939
Member interests	-	20,632	-	20,632
Retained earnings	47,055,957	21,326,926	-	68,382,883
Accumulated other comprehensive income	257,112	-	-	257,112
Total owners' equity	47,337,008	21,347,558	-	68,684,566
Total liabilities and owners' equity	$54,839,314	$26,858,759	$(4,261,797)	$77,436,276

Curves International, Inc. and Curves for Women II, L.C.

COMBINING STATEMENT OF INCOME

Year ended December 31, 2009

	Curves International, Inc. and Subsidiaries	Curves for Women II, L.C.	Eliminations	Combined
Revenues:				
Sales of franchises	$ 8,515,567	$ (3,586)	$ -	$ 8,511,981
Royalties	35,118,094	-	-	35,118,094
Product sales	44,576	22,757,175	-	22,801,751
Curves Smart equipment sales	-	6,636,340	-	6,636,340
Other	17,478,896	2,392,042	(8,820,000)	11,050,938
Total revenues	61,157,133	31,781,971	(8,820,000)	84,119,104
Cost of revenues:				
Sales of franchises and royalties	3,172,765	64,084	-	3,236,849
Product sales and other	512,461	26,406,529	(8,820,000)	18,098,990
Curves Smart equipment sales	261	4,220,227	-	4,220,488
Total cost of revenues	3,685,487	30,690,840	(8,820,000)	25,556,327
Gross profit	57,471,646	1,091,131	-	58,562,777
Operating expenses and costs:				
General and administrative expenses	33,880,811	4,508,797	-	38,389,608
Depreciation and amortization	4,735,889	-	-	4,735,889
	38,616,700	4,508,797	-	43,125,497
Income (loss) from operations	18,854,946	(3,417,666)	-	15,437,280
Other income:				
Interest income	28,912	110,747	-	139,659
Other income, net	410,866	539,806	-	950,672
	439,778	650,553	-	1,090,331
Income (loss) before income taxes	19,294,724	(2,767,113)	-	16,527,611
Income tax expense	142,240	-	-	142,240
Net income (loss)	$19,152,484	$ (2,767,113)	$ -	$16,385,371