



FRANCHISE DISCLOSURE DOCUMENT

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DEPT OF CORPORATION
SAN FRANCISCO

CURVES INTERNATIONAL, INC.

a Texas corporation
100 Ritchie Road
Woodway, Texas 76712
254-399-9285
254-399-9731 (fax)
sales@curves.com
www.curves.com

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The franchisee will operate a thirty minute fitness and weight-loss center to offer instruction to the general public on weight reduction and fitness.

The total investment necessary to begin operation of a Curves franchise is \$31,825 to \$39,100. This includes \$24,900 that must be paid to the franchisor or affiliate. This sum does not include any real estate costs.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: **March 25, 2010**

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STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in Your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Attachment A for information about the franchisor, or about franchising in Your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before You buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION OR LITIGATION ONLY IN TEXAS. OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO MEDIATE OR LITIGATE WITH US IN TEXAS THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT TEXAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

The franchise seller is Curves International, Inc., 100 Ritchie Road, Woodway, Texas 76712, 254-399-9285.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist Us in selling Our franchise. A franchise broker or referral source represents Us, not You. We pay this person a fee for selling Our franchise or referring You to Us. You should be sure to do Your own investigation of the franchise.

Effective Date:

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Exhibits

- A. Financial Statements
- B. Franchise Agreement
- C. Promissory Note and Security Agreement
- D. Bank Draft Authorization Form
- E. Transfer of Service Agreement
- F. Sample Copy of Termination of License Agreement and Mutual Release Document

Attachments

- A. List of State Administrators
- B. List of Our Current Franchise Locations
- C. List of Our Agents for Service of Process
- D. List of Franchisees Who Have Left the System

Item 1.

The Franchisor and any Parents, Predecessors, and Affiliates

To simplify the language in this Disclosure Document, "We", "Us" or "Our" means CURVES INTERNATIONAL, INC., the Franchisor. "You" means the person who buys the Franchise. If You are a corporation or partnership, "You" includes the owners of the Franchise. We are a Texas corporation that was incorporated in October 1995. We maintain Our principal place of business at 100 Ritchie Road, Woodway, Texas 76712. We do not have any parent companies. We do business under our corporate name and under the names *Curves®* and *Curves for Women®*. We do not engage in any other business activity. Our agents for service of process are listed on Attachment C.

Our predecessor was Curves for Women, Inc., a Texas corporation incorporated in August 1992. Curves for Women, Inc. began the development of procedures and systems which were to form the foundation for Us. Curves for Women, Inc. owned and operated 2 aerobics and weight loss centers in Texas from August 1992 to October 1995 when they were sold. Curves for Women, Inc. has never offered any franchises for this business or franchises in any other lines of business. Unless stated in this Disclosure Document to the contrary, information for Us and Curves for Women, Inc. are the same. Curves for Women, Inc. is not active. The business address of Curves for Women, Inc. is 100 Ritchie Road, Woodway, Texas 76712.

Curves for Women II, L.C., a Texas limited liability company formed in August 1994, is Our affiliate. The principal business address of Curves for Women II, L.C. is 100 Ritchie Road, Woodway, Texas 76712. Curves for Women II, L.C. owned and operated a *Curves for Women®* fitness center from August 1994 to April 1997 when it was sold. Curves for Women II, L.C. offers for sale to *Curves®* franchisees products, including check drafts used for members, and extra equipment. Curves for Women II, L.C. does not and has never offered any franchises for this business or franchises in any other lines of business.

Heavin Ideas In Action, Inc., a Texas corporation formed September 24, 1993, is Our affiliate. The principal address of Heavin Ideas In Action, Inc. is 100 Ritchie Road, Woodway, Texas 76712. Heavin Ideas In Action, Inc. sells *Curves®* products and extra equipment. Heavin Ideas In Action, Inc. does not and has never offered any franchises for this business or franchises in any other lines of business. Heavin Ideas In Action, Inc. does not operate any businesses similar to the *Curves®* and *Curves for Women®* franchises.

CFW Spain, Inc., a Nevada corporation formed in December 2002, is Our affiliate. The principal business address of CFW Spain, Inc. is 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89109. Since its origin, CFW Spain, Inc. has offered and continues to offer for sale *Curves®* and *Curves for Women®* franchises in the country of Spain. CFW Spain, Inc. does not and has never offered any franchises in any other lines of business.

CFW Group, Inc., a Nevada corporation formed in February 2002, is Our affiliate. The principal business address of CFW Group, Inc. is 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89109. Since February 2002, CFW Group, Inc. has offered and continues to offer for sale *Curves®* and *Curves for Women®* franchises internationally. CFW Group, Inc. does not

and has never offered any franchises in any other lines of business.

CFW Mexico, Inc., a Nevada corporation formed in February 2002, is Our affiliate. The principal business address of CFW Mexico, Inc. is 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89109. Since February 2002, CFW Mexico, Inc. has offered and continues to offer for sale *Curves®* and *Curves for Women®* franchises in the country of Mexico. CFW Mexico, Inc. does not and has never offered any franchises in any other lines of business.

CFW Latin America, Inc., a Nevada corporation formed in March 2003, is Our affiliate. The principal business address of CFW Latin America, Inc. is 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89109. Since March 2003, CFW Latin America, Inc. has offered and continues to offer for sale *Curves®* and *Curves for Women®* franchises internationally. CFW Latin America, Inc. does not and has never offered any franchises in any other lines of business.

Member Dues for Curves, Inc., a Nevada corporation formed in April 2004, is Our affiliate. The principal business address of Member Dues for Curves, Inc. is 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89109. Since April 2004, Member Dues for Curves, Inc. has offered and continues to offer electronic fund transfer services to franchisees. Member Dues for Curves, Inc. does not and has never offered any franchises in any lines of business. Member Dues for Curves, Inc. does not operate any businesses similar to the *Curves®* and *Curves for Women®* franchises.

CFW Australasia/Southeast Asia, Inc., a Nevada corporation formed in May 2006, is Our affiliate. The principal business address of CFW Australasia/Southeast Asia, Inc. is 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89109. Since May 2006, CFW Australasia/Southeast Asia, Inc. continues to provide operational support to franchisees of CFW Group, Inc. CFW Australasia/Southeast Asia, Inc. does not and has never offered any franchises in any lines of business. CFW Australasia/Southeast Asia, Inc. does not operate any businesses similar to the *Curves®* and *Curves for Women®* franchises.

Curves Operations Northern Europe Limited, an England/Wales corporation formed in March 2006, is Our affiliate. The principal business address of Curves Operations Northern Europe Limited is 35 Vine Street, London EC3N 2AA. Since March 2006, Curves Operations Northern Europe Limited continues to provide operational support to franchisees of CFW Group, Inc. Curves Operations Northern Europe Limited does not and has never offered any franchises in any lines of business. Curves Operations Northern Europe Limited does not operate any businesses similar to the *Curves®* and *Curves for Women®* franchises.

JSB, LLC, a Texas limited liability company formed in March 2006, is Our affiliate. The principal business address of JSB, LLC is 100 Ritchie Road, Woodway, Texas 76712. Since March 2006, JSB, LLC has and will sometimes own and operate *Curves®* franchises for temporary periods of time until they can be sold to a third party. JSB, LLC does not and has never offered any franchises in any lines of business.

We are in the business of granting and providing services to Our franchisees consisting of the opportunity to open and operate a thirty minute fitness and weight-loss center under the *Curves®* and *Curves for Women®* trade names, trademarks and system of operating procedures. References to either *Curves®* or *Curves for Women®* within this Disclosure Document are the

same. We have offered *Curves for Women*® franchises since October 1995. We do not own or operate any franchises for an extended period of time. We do not sell franchises in other lines of business.

We will grant You the right to operate 1 *Curves*® thirty minute fitness and weight-loss center at a location specified in the Franchise Agreement found in this Disclosure Document as Exhibit B. You will offer thirty minute fitness and weight reduction instruction to the general public as an independently owned and operated entity using Our system of operations, logos and trademarks. We will advise and assist You in the following areas to enhance Your ability to open and operate a *Curves*® thirty minute fitness and weight loss center: site selection; the hiring of staff; training of You and Your staff; designing and laying out an efficient center; and operation of the center.

Our prior business experience includes 4 years of the operation of *Curves for Women*® fitness centers. We have additionally allowed 15 independently owned and operated fitness centers to utilize the basic *Curves for Women*® fitness program and equipment since 1992.

Your competitors include other national fitness chains and local fitness centers. You will offer Your services in a developed market. We believe the fitness program We provide for You will give You a distinctive product in comparison to Your competition and thus provide You with a competitive edge in the fitness industry for women.

There are no specific national standards regulating the fitness industry or the franchise. Many states have laws regulating fitness center contracts, weight loss instruction, weight loss products, operations and licenses. These regulations vary from state to state and could affect Your operations.

Item 2.

Business Experience

Unless otherwise noted, all of Our personnel are based in Woodway, Texas.

Chief Executive Officer and Director: Howard Gary Heavin

Mr. Heavin has served as Our Chief Executive Officer and Our Chairman of the Board of Directors since October 1995. He served as Our President from March 2004 to November 9, 2005 and from October 1995 to April 1997. He was President and Chairman of the Board of Directors of Curves for Women, Inc. from 1992 until 1995. Mr. Heavin has been in the health and fitness industry for approximately 25 years, including the development of Woman's World, a chain of fitness facilities, the manufacture of exercise equipment, counseling weight loss clients and providing consulting services for club owners internationally. Mr. Heavin was Chief of Operations for Powercise, and a Director of Sales for Maxxim Medical.

Executive Vice President and Director: Diane M. Heavin

Ms. Heavin has served as Our Executive Vice President since August 2005. She held the position of Vice President from October 1995 to June 2004. She has and continues to be a Director for Us since October 1995. Ms. Heavin was an operating officer of Curves for Women, Inc. from August 1992 to October 1995. In addition she has been a supervisor of a *Curves for Women®* center in Harlingen. Ms. Heavin also has 5 years of experience as a newspaper advertising representative and has been responsible for assisting in the development of advertising for *Curves®* and *Curves for Women®*.

President: Mike Raymond

Mr. Raymond has served as Our President since November 10, 2005. He served as Our Senior Vice President of Marketing and Advertising from August 2005 to November 10, 2005. He served as Our Director of Marketing from May 2002 to July 2005. Mr. Raymond was previously employed as Director of Marketing at Arthur Andersen, LLP in St. Louis, Missouri from April 1999 to April 2002.

Senior Vice President of Legal Affairs and Chief General Counsel: Roger N. Schmidt

Mr. Schmidt has served as Our Senior Vice President of Legal Affairs since August 2005 and as Our Chief General Counsel since August 2001. Mr. Schmidt served as Our Vice President from June 2004 to August 2005. He served as Our Secretary from January 2002 to June 2004. Mr. Schmidt was employed by The Olajuwon Group, a multi-franchisee in the food industry, as general counsel for the year prior to being Our Chief General Counsel. He has owned and managed a successful civil litigation firm in Houston, Texas for over 20 years.

Vice President and Chief Operations Officer: Jim Johnson

Mr. Johnson has served as Our Chief Operations Officer since October 2008 and as Our Vice

President since October 2007. Mr. Johnson has served as Our International Director since May 2007. Based in Woodway, Texas, he served as an independent sales representative for CFW Group, Inc., Our affiliate, from November 2002 to May 2007.

Treasurer and Chief Financial Officer: Ronnie Glaesmann

Mr. Glaesmann, a CPA, has served as Treasurer and Chief Financial Officer since January 2006. He also served as Our Controller from December 2004 to December 2005. From March 2004 to December 2004, Mr. Glaesmann was Vice President of National Stage Equipment Co. in Waco, Texas. He served in various executive roles during the last 7 years of his 11 year tenure with Hillcrest Health Systems in Waco, Texas, which spanned the period from September 1993 to February 2004.

Vice President/Secretary and General Counsel: Kevin D. Ayers

Mr. Ayers has served as Our Vice President since January 2009, Our Secretary since June 2004, and Our General Counsel since April 1997. He was employed by The Dwyer Group, Inc, a conglomerate of franchise companies, for 2 years prior to working for Us. Mr. Ayers had previously worked in the fitness industry for over 8 years.

Vice President of Information: Bob Kerr

Mr. Kerr has served as Our Vice President of Information since January 2009. Mr. Kerr has served as Our Chief Information Officer since April 2005. Mr. Kerr has more than 25 years of experience in all facets of technology, including serving as Director of Enterprise Management for Southwest Airlines from 2000 to 2005. In 1983, Mr. Kerr founded RJK Consulting, Inc. and served as its President until 1997.

Vice President of International: Joanna Dase

Ms. Dase has served as Our Vice President of International since January 2009. She has also served as the Regional Director of Operations since September 2008 and the Regional Director of Operations for Europe since March 2006 for CFW Group, Inc., Our affiliate. From June 2005 to 2006, Ms. Dase served as an Area Director for CFW Group, Inc. Ms. Dase has been an owner of at least 1 Curves franchise since June 2003.

Vice President of Wellness: Mark English

Mr. English has served as Our Vice President of Wellness since January 2009 and Our Director of Wellness since April 2005. Prior to joining Us, Mr. English served as Director of Operations for Insurors of Texas from 2002 to 2005 and the Managing Board Member for the Insurors Group, LLC, a conglomerate of 10 Texas healthcare and group benefits firms, from 2003 to 2005.

Item 3.

Litigation

Marie Hammill v. Lunaco, Inc. d/b/a Curves for Women and Ecological Services International, Inc. and Curves International, Inc. No. 05-14887; filed in Montgomery County, Pennsylvania. On 10/25/06, a third-party action for indemnification was filed against Us by Ecological Services. Plaintiff, a member of a Curves® franchise, is seeking damages in excess of \$50,000 for alleged strict liability and breach of warranty resulting from an alleged injury on a piece of equipment. As of the date of this Disclosure Document, this case is still pending.

Lita Ford v. Lin Vinicky, Kellie Punklett, Curves for Women d/b/a Curves, Pee Vee Inc. d/b/a Curves for Women in Chicagoland, Higher Ground Management Inc., Curves International, Inc. and Ecological Services International, Inc. Case No. 2005 L 010716; filed in Cook County, Illinois. On 9/29/05, an action was filed against Us by a member of a Curves® franchise seeking monetary damages and any other relief the court deems fit for alleged negligence in excess of \$50,000 and strict liability in excess of \$50,000 resulting from injuries allegedly sustained on a piece of equipment. Ecological Services has filed a counterclaim against Us and the franchisee for indemnification. As of the date of this Disclosure Document, this case is still pending.

Momentum Marketing Sales & Service, Inc., et al. v. Curves International, Inc. and Howard Gary Heavin. Civil Action No. W07CA048; filed in U.S. District Court, Western District of Texas, Waco Division. On 2/14/07, an action was filed against Us by former/current franchisees seeking actual and compensatory damages, treble damages, punitive damages and attorneys' fees for alleged breach of contract, breach of implied covenant of good faith and fair dealing, fraudulent inducement, concealment, negligent misrepresentation and omission, rescission, violations of the Texas Deceptive Trade Practices and Consumer Protection Act, violation of Illinois Franchise Disclosure Act, violation of Missouri Merchandising Practices Act, violation of Massachusetts Unfair Trade Practices Act, violations of Ohio Consumer Sales Practices Act, violation of Pennsylvania Unfair Trade Practices/Consumer Protection Law, violation of Minnesota Franchise Act, violation of Michigan Franchise Investment Law, violation of Connecticut Unfair Trade Practices Act, violation of Maryland Franchise Registration and Disclosure Law, violation of Maryland Consumer Protection Act, violation of New Hampshire Consumer Protection Act, violation of Georgia Fair Business Practice Act, violation of Wisconsin Franchise Investment Law, violation of North Carolina Unfair Trade Practices Act, violation of Arkansas Franchise Practices Act, violation of Arkansas Deceptive Trade Practices Act, violation of Indiana Franchise Practices Act, violation of Indiana Deceptive Trade Practices Act, violation of Colorado Consumer Protection Act, violation of Florida Franchise Act and violation of Iowa Franchise Act for Our alleged failure to provide ongoing franchise support, placing franchise locations too close together and misstatements on Our Disclosure Document.

A confidential settlement between Us and plaintiffs, Lori Brickel and Jill Kalatucka, was reached in which We paid \$3,000 in full settlement of all claims filed by these plaintiffs, and their claims were dismissed from this lawsuit by the Court on 2/7/08. A confidential settlement between Us and plaintiff, Jo-Ann Garvey, was reached in which We paid \$10,000 in full settlement of all claims filed by this plaintiff, and her claims were dismissed from this lawsuit by the Court on 2/7/08. A confidential settlement between Us and plaintiff, Jan Santagate, was reached in which

We paid \$20,000 in full settlement of all claims filed by this plaintiff, and her claims were dismissed from this lawsuit by the Court on 4/29/08. A confidential settlement between Us and plaintiffs, Diana L. Dahlin and Peggy Matson, was reached in which We paid \$20,000 in full settlement of all claims filed by these plaintiffs, and their claims were dismissed from this lawsuit by the Court on 5/14/08. A confidential settlement between Us and plaintiff, Catherine Maser, was reached in which We paid \$20,000 in full settlement of all claims filed by this plaintiff, and her claims were dismissed from this lawsuit by the Court on 3/13/08. A confidential settlement between Us and plaintiff, Angeline Bednar, was reached in which We paid \$17,500 in full settlement of all claims filed by this plaintiff, and her claims were dismissed from this lawsuit by the Court on 3/20/08. A confidential settlement between Us and plaintiffs, Carol L. Rooney and Jaclyn A. Rooney, was reached in which We paid \$7,500 in full settlement of all claims filed by these plaintiffs, and their claims were dismissed from this lawsuit by the Court on 5/14/08. A confidential settlement between Us and plaintiff, Jamey Kirchner, was reached in which We paid \$25,000 in full settlement of all claims filed by this plaintiff, and her were dismissed from this lawsuit by the Court on 5/14/08. A confidential settlement between Us and plaintiff, Sheree Corde Carter, was reached in which We paid \$5,500 in full settlement of all claims filed by this plaintiff, and her claims were dismissed from this lawsuit by the Court on 6/11/08. A confidential settlement between Us and plaintiffs, Denise Alabach and Diane Schneck, was reached in which We paid \$5,000 in full settlement of all claims filed by these plaintiffs, and their claims were dismissed from this lawsuit by the Court on 5/8/08. A confidential settlement between Us and plaintiffs, Judith Haddad and Tringo, Inc., was reached in which We paid \$10,000 in full settlement of all claims filed by these plaintiffs, and their claims were dismissed from this lawsuit by the Court on 6/27/08. A confidential settlement between Us and plaintiff, Sandra L. David, was reached in which We paid \$3,500 in full settlement of all claims filed by this plaintiff, and her claims were dismissed from this lawsuit by the Court on 5/13/08. A confidential settlement between Us and plaintiff, Karen Wilson, was reached in which We paid \$7,900 in full settlement of all claims filed by this plaintiff, and her claims were dismissed from this lawsuit by the Court on 3/11/09. A confidential settlement between Us and plaintiff, Pauline Snowberger, was reached on 2/25/09 in which we paid \$8,000 in full settlement of all claims filed by this plaintiff, and an order of dismissal was sent to the Court on 3/11/09. A confidential settlement was reached between Us and 11 of the plaintiffs in which We did not pay any monetary amount, and their claims have been dismissed from the lawsuit by the Court. A confidential settlement between Us and plaintiffs, Gloriously Fit, Inc., Janet McTier and Russell McTier, was reached in which We paid \$1,500 in full settlement of all claims filed by these plaintiffs and their claims were dismissed from the lawsuit by the Court on 5/19/09. A confidential settlement between Us and plaintiffs, Akute, LLC, Royce Makil and Gracy James, was reached in which We paid \$6,000 in full settlement of all claims filed by these plaintiffs and their claims were dismissed from the lawsuit by the Court on 6/24/09. A confidential settlement between Us and plaintiffs, Doobly Ventures, LLC, Doobly Ventures III, LLC, and Deborah B. Myers, was reached in which We paid \$7,000 in full settlement of all claims filed by these plaintiffs and their claims were dismissed from the lawsuit by the Court on 6/24/09. Plaintiffs' claims against Defendant Howard Gary Heavin were dismissed from this action on 7/28/09. A confidential settlement between CII and plaintiffs Carol Riedel and Marie Fitness, Inc., was reached in which CII paid \$12,000 in full settlement of all claims filed by these plaintiffs and their claims were dismissed from the lawsuit by the Court on 11/20/2009. A confidential settlement between CII and Betty J. Boyd was reached in which CII paid \$2,500 in full settlement of all claims filed by this plaintiff and her claims were dismissed from the lawsuit on 1/8/2010. A confidential settlement between CII and plaintiffs Geralin, Inc., Linda Coughlin

and Geraldine McClary, was reached in which CII paid \$4,500 in full settlement of all claims filed by these plaintiffs and their claims were dismissed from the lawsuit by the Court on 2/2/2010. A confidential settlement between CII and plaintiffs S&P Wolf, Inc., Peter Wolf and Sarah Wolf, was reached in which CII paid \$3,000 in full settlement of all claims filed by these plaintiffs and their claims were dismissed from the lawsuit by the Court on 2/24/2010. A confidential settlement between CII and plaintiff Karen Costner Leighton was reached on 3/5/2010 in which CII paid \$24,000 in full settlement of all claims filed by this plaintiff and her claim has not yet been dismissed by the Court. A confidential settlement between CII and plaintiff Melinda Rowe was reached on 3/5/2010 in which CII paid \$2,500 in full settlement of all claims filed by this plaintiff and her claim has not yet been dismissed by the Court. A confidential settlement between CII and plaintiff Keeno Lampman was reached on 3/5/2010 in which CII paid \$5,000 in full settlement of all claims filed by plaintiff and the claims have not yet been dismissed by the Court. A confidential settlement between CII and Fitness etc, LLC and Yvonne Samuels was reached on 3/5/2010 in which CII paid \$2,500 in full settlement of all claims filed by these plaintiffs and their claims have not yet been dismissed by the Court. A confidential settlement between CII and RM&R Fitness, Inc. and Mary Stark was reached on 3/5/2010 in which CII paid \$2,000 in full settlement of all claims filed by this plaintiff and their claims have not yet been dismissed by the Court. A confidential settlement between CII and plaintiffs Elaine Taylor and Ronald Taylor was reached on 3/5/2010 in which CII paid \$2,000 in full settlement of all claims filed by these plaintiffs and their claims have not yet been dismissed by the Court. A confidential settlement between CII and plaintiff Sandy Harrington was reached on 3/5/2010 in which CII paid \$1,500 in full settlement of all claims filed by this plaintiff and her claims have not yet been dismissed by the Court. A confidential settlement between CII and plaintiffs Treetoad, LLC and Teresa Soderberg was reached on 3/12/2010 in which CII paid \$2,000 in full settlement of all claims filed by these plaintiffs and the claims have not yet been dismissed by the Court. A confidential settlement was reached between CII and 2 of the plaintiffs in which CII did not pay any monetary amount, and their claims have been dismissed from the lawsuit by the Court on 2/5/2010. A confidential settlement was reached between CII and 4 of the plaintiff in which CII did not pay any monetary amount, and their claims have not yet been dismissed from the lawsuit. CII retained counsel to represent its interests in this matter. As of this date, this case is still pending with 81 plaintiffs groups remaining

Healthy Directions Northwest, Inc. v. Curves International, Inc., George Blaine and Sandy Blaine d/b/a Curves. Cause No. 2006-3005-5; filed in McLennan County, Texas. On 8/23/06, an action was filed against Us by a former franchisee seeking recovery of alleged lost profits, diminution in value of facility, mental anguish and reasonable expenses in selling the franchise resulting from alleged fraudulent inducement, breach of third-party beneficiary contract, DTPA violations, negligent misrepresentations and malice in connection with a *Curves*® club location. A confidential settlement between the parties and this case was dismissed by the court on 4/9/09 in which We paid \$5,000 in full and complete settlement of all claims.

Linda G. Woodward, Susan Taylor Harper, Lydia S. Romero, Jeffrey P. Kalbfleisch and Stephanie Kalbfleisch v. Curves International, Inc. Cause No. 2007-1065-4; filed in the 170th Judicial District Court, McLennan County, Texas. On March 20, 2007, an action was filed against Us by former and current franchisees seeking recovery of actual and compensatory damages, treble damages, punitive damages and attorneys' fees in undisclosed amounts for alleged breach of contract, fraudulent inducement and concealment, negligent misrepresentation and omission, rescission and violation of the Texas Deceptive Trade Practices and Consumer

Protection Act. A confidential settlement was reached between Us and plaintiff, Linda G. Woodward, in which We paid \$3,500 in settlement of all claims filed by said plaintiff, and her claims were dismissed from this lawsuit by the Court on 2/13/08. Confidential settlements have been reached between the 4 remaining plaintiffs and Us in this lawsuit. As of the date of this Disclosure Document, execution of the settlement documents and dismissal motions are pending.

Bonnie Plumb, Next Friend to Ruby Erdely v. Curves International, Inc. Case No. 07-731493 NO; filed in Wayne County, Michigan. On November 28, 2007, an action was filed against Us by a member of a Curves® franchise seeking recovery of monetary damages in whatever amount the jury determines to be fair for injuries allegedly sustained on a piece of equipment resulting from alleged negligence and breach of warranty. As of the date of this Disclosure Document, this case is still pending.

Sam Hance, Don Buster, Robert Findley, Charles William Cunningham, David Mesmer, Cathy Reardon and Darrel Payne v. Curves International, Inc., Howard Gary Heavin and Roger Schmidt. Cause No. 2005-760-4; filed in the 170th Judicial District Court, McLennan County, Texas. On March 10, 2005, an action was filed by Our former independent sales representatives against Us, Howard Gary Heavin and Roger Schmidt seeking recovery of damages for alleged fraud, breach of fiduciary duty, declaratory judgment, breach of contract, rescission, and tortious interference with contract. A confidential settlement agreement between the parties was reached in which We paid the plaintiffs additional amounts in proportion to the number of Curves franchises each plaintiff sold. All alleged claims were declared to have no matter and were withdrawn.. On 10/19/05, the Court dismissed this case.

Curves International, Inc. v. Hyong C. Chung, Mi Chung, Soon Chung and Gromit Fitness, LLC. Case No. 2008-3472-4; filed in the 170th Judicial District Court, McLennan County, Texas. On 9/23/08, We filed an action against former franchisees seeking recovery of damages for breach of contract, including future monthly royalty fees totaling \$28,620 and future monthly advertising fees totaling \$14,220 resulting from said former franchisees' abandonment of the franchise. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Greg Lendaruzzi. Case No. 2008-3136-4; filed in the 170th Judicial District Court, McLennan County, Texas. On 8/27/08, We filed an action against a former franchisee seeking recovery of damages in undisclosed amounts for breach of contract, including delinquent monthly royalties totaling \$1,580 and monthly advertising fees totaling \$390, future monthly royalties totaling \$14,200 and monthly advertising fees totaling \$7,020, resulting from said former franchisee's abandonment of the franchise. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Brian Franklin. Cause No. 2007-996-4; filed in the 170th Judicial District Court, McLennan County, Texas. On 6/1/07, We filed an action against a former franchisee seeking temporary injunction, permanent injunctive relief and recovery of damages in an undisclosed amount for breach of contract, conversion, quantum merit/unjust enrichment resulting from nonpayment of monthly royalties and advertising fees. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Dorothy C. vonFrielwalde. Cause No. 2008-3137-4; filed in the 170th Judicial District Court, McLennan County, Texas. On 8/27/08, We filed an action against a

former franchisee seeking recovery of damages for breach of contract, including future monthly royalties totaling \$28,440 and monthly advertising fees totaling \$14,040, resulting from said former franchisee's abandonment of the franchise. As of the date of this Disclosure Document, this case is still pending.

Margaret Dolce and Raymond Dolce v. Curves and/or ABC Corporation, Curves International and/or DEF Corporation, Jane and/or John Doe, Aetna US Healthcare and/or GHI Corporation. Docket No. L-5244-08; filed in Superior Court, Law Division, Camden County, New Jersey. On 11/4/08, an action was filed against Us by a member of a *Curves*® franchise seeking recovery of "general" damages, including negligence, in an undisclosed amount for alleged injury from a piece of equipment. As of the date of this Disclosure Document, this case is still pending.

Laura Brown v. Curves International, Inc., New Bastle GBC, Ltd., Brandywine Plaza III Associates, L.P., Altra Lawn Care & Landscaping Services, Inc. and Altra, Inc. Case No. 08C-11-059RRO; filed in Superior Court, New Castle County, Delaware. On 11/7/08, an action was filed against Us by a former member of a *Curves*® franchise seeking recovery of damages in an undisclosed amount for alleged negligence resulting from an injury she allegedly sustained when she slipped and fell outside said *Curves*® franchise on or about March 2007. As of the date of this Disclosure Document, this case is still pending.

Vicki D. Langan v. Curves International, Inc. Case No. 2008-44625; filed in the 414th Judicial District Court, McLennan County, Texas. On 12/18/08, an action was filed against Us by a former employee seeking recovery of \$212,500 in lost deferred compensation and \$900,000 in lost severance pay for an alleged breach of an employment contract. As of the date of this Disclosure Document, this case is still pending.

Janet M. Robertson v. Darlene Hegwer & Dean Hegwer, individually and dba Curves for Women Oroville; James M. Guderian and Scott S. Kirschbaum as Trustees of the James M. Guderian Living Trust dated May 7, 2002 and of the Scott S. Kirschbaum Living Trust, dated May 7, 2002; Curves International, Inc. and Does 1 to 100. Case No. 145703; filed in Superior Court, Butte County, California. On 1/14/09, an action was filed against Us by a former member of a *Curves*® franchise seeking recovery of damages exceeding \$25,000 for alleged negligence and premises liability resulting from an injury she allegedly sustained when she slipped and fell outside said *Curves*® franchise on or about 1/15/07. As of the date of this Disclosure Document, this case is still pending.

Kareen Lay v. Curves International, Inc. Cause No. 2009-986-5; filed in the 414th Judicial District Court, McLennan County, Texas. On 3/20/09, an action was filed against Us by a franchisee seeking recovery of damages in an undisclosed amount for alleged breach of the franchise agreement by an alleged failure to mediate. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Julie Cabral. Case No. W09CA203; filed in the U.S. District Court for the Western District of Texas, Waco Division. On 8/17/09, We filed an action against a former franchisee who continued to operate the franchise after termination of her rights and interests in said franchise. We are seeking a temporary and permanent injunction against the former franchisee to cease operation of the franchise, as well as recovery of past/future monthly

royalty fees totaling \$18,960, past/future monthly advertising fees totaling \$9,360, damages for breach of contract, breach of covenant not to compete, federal trademark infringement, false designation and misrepresentation of origin. As of the date of this Disclosure Document, this case is still pending.

Jeannette Dubois v. Mary Hall dba Curves of New Orleans, DEF Insurance Company, Curves International, Inc., GHI Insurance Company, ABC Manufacturers and JKL Insurance Company. Case No. 09-4516; filed in the Civil District Court for the Parish of Orleans, Louisiana. On 5/1/09, an action for alleged negligence was filed against Us by a former member of a franchise seeking recovery of damages in an undisclosed amount resulting from alleged injuries sustained on a piece of equipment. As of the date of this Disclosure Document, this case is still pending.

Go Figure v. Curves International, Inc. Case No. 4:09-cv-02930; filed in the U.S. District Court for the Southern District of Texas, Houston Division. On 9/9/09, a declaratory relief action was filed against Us by a former business partner seeking to have the right to sell key tags bearing Our trademark and logo. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Lori K. Berg and Allan V. Berg. Case No. 2009-3651-5; filed in the 414th Judicial District Court, McLennan County, Texas. On 10/27/09, We filed an action against a former franchisee seeking recovery of damages totaling \$47,532.16 for breach of contract (non-payment of fees) and quantum meruit/unjust enrichment. As of the date of this Disclosure Document, this case is still pending.

Weight Watchers International, Inc. v. Curves International, Inc. Civil Action No. 09 civ 8972; filed in the U.S. District Court for the Southern District of New York. On 10/23/09, an action was filed against Us seeking injunctive relief and an unspecified amount in damages arising from Our alleged unauthorized use of plaintiff's trademarks/service marks. Plaintiff alleges trademark infringement, trademark dilution, false advertising, unjust enrichment and unfair competition. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Tiffany Margaret Jensen, Dorothy Jean Browning and Nicole Denise Fousek. Case No. 2009-3906-4; filed in the District Court of McLennan County, Texas in the 170th Judicial District. On 11/18/09, We filed an action against three former franchisees seeking recovery of damages totaling \$28,733.47 for breach of contract resulting from said former franchisee's abandonment of the franchise. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Bidwantie Maya McNulty. Case No. W09CA265; filed in the U.S. District Court for the Western District of Texas, Waco Division. On 11/10/09, We filed an action against a former franchisee who continued to operate the franchise after termination of her rights and interests in said franchise. We are seeking a temporary and permanent injunction against the former franchisee to cease operation of the franchise, as well as recovery of past/future monthly royalty fees totaling \$18,960.00, past/future monthly advertising fees totaling \$9,360, damages for breach of contract, breach of covenant not to compete, federal trademark infringement, false designation and misrepresentation of origin. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Gwendolyn E. Stoddard and Angie (Mullins) Bledsoe. Case No. 2010-15; filed in the 414th Judicial District Court, McLennan County, Texas. On 01/6/2010, We filed an action against two former franchisees seeking recovery of damages totaling \$49,560.00 for breach of contract (non-payment of fees) resulting from said former franchisee's abandonment of the franchise. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Allan Desilva. Case No. 2010-230; filed in the 414th Judicial District Court, McLennan County, Texas. On 01/25/2010, We filed an action against a former franchisee seeking recovery of damages totaling \$28,560.00 for breach of contract (non-payment of fees) resulting from said former franchisee's abandonment of the franchise. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. United Leasing Associates. Case No. 2010-369-4; filed in the 170th Judicial District Court, McLennan County, Texas. On 2/10/2010, We filed an action against this leasing agent seeking to recover an undisclosed amount in damages for breach of contract and conversion in connection with the leasing of CurvesSmart equipment to Our franchisees. As of the date of this Disclosure Document, this case is still pending.

Curves International, Inc. v. Fred M. Yamrus, Jr. Case No. 2010-86604; filed in the 170th Judicial District court, McLennan County, Texas. On 3/10/10, We filed an action against a former franchisee seeking recovery of damages totaling \$21,240.00 for breach of contract (non-payment of fees) resulting from said former franchisee's abandonment of the franchise. As of the date of this Disclosure Document, this case is still pending.

Kinnie Gibson v. Curves International, Inc. Case No. 50 114 T 00158 10; filed before the American Arbitration Association. On March 9, 2010, an action was filed against Us by a former master franchisee for Germany seeking an unspecified amount of damages for breach of oral contract, breach of contract and violation of the Texas Deceptive Trade Practices and Consumer Protection Act regarding the master franchise relationship. As of the date of this Disclosure Document, this case is still pending.

Other than these 28 actions, no litigation is required to be disclosed in this Disclosure Document.

Item 4.

Bankruptcy

No person previously identified in Items 1 or 2 of the Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or any cases, actions or other proceedings under the laws of any foreign nations relating to bankruptcy required to be disclosed in this Item.

Item 5.

Initial Franchise Fee

You must pay Us an initial franchise fee of \$24,900.00 for the grant of a franchise which includes the equipment system used in *Curves*® franchises with 20 stations (including 10 pieces of equipment) and 1 stretching machine. This one-time fee is uniformly applied to new franchises and provides the grant of the franchise for the term of the franchise period in accordance with the terms and conditions of the Franchise Agreement. The initial franchise fee is not refundable in whole or in part. The total amount of the initial franchise fee is due and payable upon the signing of the Franchise Agreement. You are required to pay for the costs of delivering the equipment system, including shipping, crating and handling upon the signing of the Franchise Agreement. The exact amount of the delivery fee is primarily, but not solely, determined by the actual costs of the delivery and handling of the equipment. The delivery fee is not refundable. You may be able to finance the initial franchise fee through Us. See Item 10 for more information on financing the initial franchise fee through Us. We may not grant a franchise to an area with a population less than 10,000 based on the latest census statistical data provided by the U.S. Department of Commerce Bureau of the Census. We have the sole right to determine whether or not to grant a franchise to an area depending upon population using some of the following factors, although We do retain the right to consider other factors as well: demographics of territory, size of territory, location of surrounding *Curves*® franchises, proposed rent amount of location site (if available) and any experience You may have working in or owning a *Curves*® franchise. You cannot open Your franchise if We have not approved the location site of Your franchise.

Item 6.

OTHER FEES

(1) Type of fee	(2) Amount	(3) Due Date	(4) Remarks
Monthly Royalty Fee (See Note 1)	5% of the previous month's gross sales (see Note 5 for definition) for Your franchise as outlined and subject to the limitations set out in Note 2 below (See Note 2)	On or before the first or fifth day of each month (See Note 2)	(See Note 2)
Monthly Advertising Fee (See Note 1)	3% of the previous month's gross sales (see Note 5 for definition) for Your franchise as outlined and subject to the limitations set out in Note 3 below (See Note 3)	On or before the 20 th day of each month (See Note 3)	(See Note 3)
Training Fee (See Note 1)	(See Note 4)	(See Note 4)	(See Note 4)
Re-Location Fee (See Note 1)	\$500.00	Prior to any relocation of Your franchise location site	You must pay this fee to Us and receive written approval from Us prior to relocating Your franchise location site.
Delay of Opening Fee (See Note 1)	\$1,000.00	On demand	Applies if You change the date of opening Your franchise after the date has already been approved by Us.
Indemnification (See Note 1)	Will vary depending upon loss	On demand	You must indemnify Us if We incur losses arising out of the operation of Your business.
Fee for Our Audit of Your Franchise (See Note 1)	Cost of audit if You understated gross sales by more than 2% and any unpaid fees owed to Us	Within 7 days of being invoiced by Us	You must pay any unpaid fees and the costs of the audit if You understated gross sales by more than 2%.

Transfer Fee (See Note 1)	\$5,000.00	Prior to the transfer	You must pay this fee to Us when Your franchise is sold. There is a \$1,000 fee if the transfer is to a corporation owned solely by You.
Escrow Fee	\$1,800.00	Prior to the transfer	You must pay this fee to Us in escrow to pay for any unpaid amounts owed to Us during the process of the transfer.
Assignment Fee (See Note 1)	\$1,000.00	Prior to the assignment	You must pay this fee to Us when You assign Your franchise to any entity owned by You.
Monitoring Fee (See Note 1)	\$200.00 per month	On demand	Only assessed if You do not comply with the requirements We establish for the operation of Your franchise.
Brand Protection Fee (See Note 1)	\$200.00 per month per item of non-compliance	On demand	Only assessed when You are not in compliance for damages caused to the Curves brand.
Late Fee (See Note 1)	\$35.00	On demand	Applies to any fee owed under the Franchise Agreement that is more than 5 days late.
Interest (See Note 1)	The highest rate allowable by law on any balance unpaid by more than 30 days	On demand	Payable on all overdue amounts.
Non Compliance Damages (See Note 1)	The lesser amount between \$28,620.00 or the remaining months on Your Franchise Agreement multiplied by \$795.00	On demand	Payable if Your Franchise Agreement is terminated due to Your default or breach.

Notes:

1. All fees are imposed by Us and are payable to Us unless We tell you otherwise. All fees are non-refundable. All fees imposed by Us are uniformly imposed on all franchisees

subject to the offering in this Disclosure Document; however, We reserve the right to waive or reduce any such fees as circumstances warrant.

2. The Monthly Royalty Fee shall commence either upon the opening of Your franchise to the general public or the expiration of 180 days from the execution of the Franchise Agreement, whichever occurs first. You must open Your franchise no later than 180 days from the date of execution of Your Franchise Agreement. Monthly Royalty Fees shall be paid by electronic funds transfer initiated by Us from Your bank account or in any other form that We require in accordance with the Franchise Agreement. Regardless of the previous month's gross sales for Your franchise, in no event will the Monthly Royalty Fee be less than \$195.00 or more than \$795.00.
3. The Monthly Advertising Fee shall commence either upon the opening of Your franchise to the general public or the expiration of 180 days from the execution of the Franchise Agreement, whichever occurs first. You must open Your franchise no later than 180 days from the date of execution of Your Franchise Agreement. Monthly Advertising Fees shall be paid by electronic funds transfer initiated by Us from Your bank account or in any other form that We require in accordance with the Franchise Agreement. Regardless of the previous month's gross sales for Your franchise, in no event will the Monthly Advertising Fee be less than \$95.00 or more than \$395.00. All advertising fund contributions and interest, dividends and other amounts earned thereon shall be used exclusively on national, regional or local media or other marketing techniques or programs designated to communicate the services of the franchises to the public in Our sole discretion, as well as for any creation and production costs incurred by Us and for any reasonable accounting, administrative and legal expenses associated with the advertising fund and for other purposes deemed appropriate by Us to enhance and promote the general recognition of Our franchises. The allocation of the advertising fund between national, regional and local expenditures and administrative expenditures will be made by Us in Our sole business judgment.
4. We do not charge You any additional fee for the training program, except that We do charge You \$1,000 for the training program if You purchase an already opened franchise from one of Our franchisees. You are required to attend a mandatory 2 to 5 day training class at a time We designate. Training will be held in Woodway, Texas. Your expenses and Your personnel's expenses incident to attendance at the training class, including travel, lodging, meals, transportation, and other incidental expenses, shall be paid by You.
5. The term "Gross Sales" means all sums received or receivable by You in and from the operation of Your franchise, including all revenues generated from all sources at or from Your franchise.

Item 7.

Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

(1) Type of expenditure	(2) Amount		(3) Method of Payment	(4) When Due	(5) To Whom Payment is to Be Made
	Lowest Estimated Amount	Highest Estimated Amount			
Initial Franchise Fee	\$1924,900 (See Note 1)	\$24,900 (See Note 1)	(See Note 1)	(See Note 1)	Us
Travel and Living Expenses While Training (See Note 2)	\$1,000	\$2,000	As Arranged	As Incurred	Independent Vendor
Real Estate and Improvements	(See Note 3)	(See Note 3)	(See Note 3)	(See Note 3)	(See Note 3)
Education Requirements	(See Note 4)	(See Note 4)	(See Note 4)	(See Note 4)	(See Note 4)
Furniture and Equipment (See Note 5)	\$500	\$1,500	As Arranged	When Arranged	Independent Vendors
Supplies (See Note 6)	\$200	\$400	As Arranged	As Incurred	Independent Vendors
Computer	\$500	\$1,500	As Arranged	When Arranged	Independent Vendors
Signs	\$625	\$1,100	As Arranged	When Arranged	Independent Vendor
Advertising (See Note 7)	\$300	\$600	Cash	As Incurred	Independent Vendors
Deposits (See Note 8)	\$500	\$1,000	As Arranged	As Incurred	Independent Vendors
Insurance (See Note 9)	\$300	\$600	As Arranged	When Arranged	Independent Carrier

Delivery Fee	\$1,500	\$2,500	Cash	On Delivery of Equipment	Us
Additional Funds - 3 Months (See Note 10)	\$1,500	\$3,000	Cash	As Incurred	Various Payees
Total	\$31,825	\$39,100			

(Does not include real estate costs.)

Notes:

1. See Item 5. The franchise has an Initial Franchise Fee of \$24,900. You must pay the total amount of the Initial Franchise Fee upon the signing of the Franchise Agreement. All payments for the Initial Franchise Fee must be paid by a cashier's check, or any other method as required by Us in accordance with the Franchise Agreement, payable to Us in Woodway, Texas. The Initial Franchise Fee is not refundable. Financing of the Initial Franchise Fee may be available to You. Please refer to Item 10 for information on financing.
2. You should allow at least \$1,000 for travel, lodging, food and other miscellaneous living expenses incurred during training. Your actual cost will vary, depending on the distance to be traveled, Your method of travel, and Your personal circumstances.
3. If You do not own building space for Your franchise, You must lease or purchase the business premises for the franchise. Too many variables exist, such as buying versus renting and Your personal preference as to space and accessories, to ascertain an exact cost for real estate. If renting, We suggest using a building with minimum amount of space to keep Your monthly costs as low as possible. Rent will vary depending on factors such as size, condition and location of the leased premises. We recommend the size of Your building for Your franchise to be approximately 1,000 to 1,500 square feet. We recommend Your building for Your franchise be located in a secondary rent location to reduce Your monthly rent. We must approve Your location site before You sign a lease and open the franchise.
4. You or the person managing Your franchise must satisfactorily complete and obtain a certification in the field of health and wellness.
5. You may purchase any type of furniture or miscellaneous items You prefer. The equipment is covered by Your Initial Franchise Fee.
6. Includes any supplies or materials you deem as necessary to operate efficiently, such as any forms, writing material, writing utensils, posters, weight information devices, etc.
7. You will need to advertise locally in the initial start-up phase to help establish name recognition in Your locality.

8. Includes security deposits, utility costs, incorporation fee, or any requirements by Your locality as to any type of permits or licensing.
9. You will need to purchase and maintain in effect at all times during the term of the Agreement a policy or policies of insurance, naming Us as an additional insured on the face of each policy, public liability in no less than the following amounts: bodily injury - \$1,000,000 each person; \$1,000,000 each accident, and property damage - \$1,000,000 each accident. You must also purchase workers' compensation and automobile liability insurance as required by state law.
10. We recommend that you have additional funds available during the start-up phase of Your franchise. These amounts are Our estimates of the amount needed to cover Your expenses for a 3 month period from the date You open for business. These figures are only estimates. We cannot assure You that You will not have additional expenses starting Your franchise. We based these cost estimates on Our experience with assisting Curves franchisees in the opening of Curves franchises and over 10 years of experience working with Curves franchises. Your actual costs will vary according to Your approach to the franchise; Your management skill, experience and business acumen; local economic conditions; the local market for the franchise's services; the prevailing wage rate in Your market; and, competition and the rate of growth of Your franchise.

There are no other direct or indirect payments to Us for the purchase of the franchise.

Item 8.

Restrictions on Sources of Products and Services

You must purchase only exercise equipment and health and fitness products and inventory from Us or from a source We designate as We require from time to time to keep Your franchise current within Our system and to provide the maximum amount of quality in Your franchise. Required purchases in the on-going operation of Your franchise are minimal. We may receive revenue or material considerations on any required purchases in the event We require You to purchase any additional equipment or products. Since We have started franchising in October 1995, We have not required any purchase of additional exercise equipment or any health and fitness products. Our revenue from the sale of required equipment would be based on an increase to the cost of manufacturing the equipment. At the current time, We have not derived any revenue from the sale of required purchases of equipment. You must purchase a phone, fax machine, and stereo from independent vendors for the operation of Your franchise. We may require You to purchase or acquire certain computer hardware and/or software as We from time to time deem necessary for the operation of Your franchise within Our system. We require You to provide to Us an e-mail address for communication purposes. We may provide you an e-mail address for which You would be responsible for all communications from Us. In the year ending December 31, 2009, We derived no revenue from the sale of required equipment, supplies and products. We do not have any purchasing or distribution cooperatives.

You can only purchase products and/or supplies with Our trademark or logo from Our affiliates Heavin Ideas In Action, Inc. and Curves For Women II, L.C., which is owned by Howard Gary Heavin and Diane Heavin (both individuals are listed in Item 2). You are not required to purchase products and/or supplies with Our trademark or logo. In the year ending December 31, 2009, Heavin Ideas In Action, Inc. and Curves For Women II, L.C. derived \$25,425,572 in revenue from the sale of these products and/or supplies with Our trademark or logo to franchisees. Your purchase of these products and/or supplies with Our trademark or logo will represent a varied percentage of your overall purchases in operating the franchise depending on how much You want to spend. We do not consider alternative suppliers for products and/or supplies with Our trademark or logo.

You must purchase a sign for Your franchise specifically approved by Us. Our approval is based upon Our desire to provide the public with consistency in the design and appearance of Our trademark. You may purchase Your sign from Our approved supplier of signs, Jackson Signs. You are not required to purchase Your sign from Jackson Signs. Jackson Signs pays Us approximately 10% of purchases of signs by Our franchisees. The cost of a sign represents approximately 3% of Your total purchases in connection with the establishment of Your franchise. We grant approval to alternative suppliers, other than for products and/or supplies with Our trademark or logo, based on the quality and value of the product provided by the alternative supplier. Since We do not require You to purchase from the suppliers in this paragraph, We do not actively consider additional suppliers for approval and, as a result, do not have any procedures for approving alternate suppliers or products. An approval may be revoked if the product or service does not meet the quality We deem as necessary for Our franchisees or if We can provide to Our franchisees a better product or service. We do not issue specifications and standards to our franchisees or approved suppliers. We currently have not negotiated purchase arrangements with suppliers, including price terms, for the benefit of Our franchisees. We do not provide any benefits to Our franchisees based on Our franchisees' purchases of

particular products or services or use of particular suppliers.

You may purchase Your check drafts directly from Our affiliate Curves for Women II, L.C. Curves for Women II, L.C. acquires revenues from the sale of check drafts to franchisees. In the year ending December 31, 2009, Curves for Women II, L.C. derived \$316,092 in revenue from the sale of check drafts to franchisees. You may purchase electronic transfer fund services directly from Our affiliate Member Dues for Curves, Inc. Member Dues for Curves, Inc. acquires revenue from the sale of electronic transfer fund services to franchisees. In the year ending December 31, 2009, Member Dues for Curves, Inc. derived \$150,890 in revenue from the sale of electronic transfer fund services to franchisees.

Your estimated proportion of all required purchases and leases to all of Your purchases and leases necessary to establish and operate Your franchise is 3 to 5%.

Item 9.

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

<i>Obligation</i>	<i>Section in Agreement</i>	<i>Disclosure Document Item</i>
a. Site selection and acquisition/lease	Section 4 of Franchise Agreement	Items 7 and 11
b. Pre-opening purchases/leases	Section 4 of Franchise Agreement	Item 7
c. Site development and other pre-opening requirements	Section 4 of Franchise Agreement	Items 7 and 11
d. Initial and ongoing training	Sections 9 of Franchise Agreement	Item 11
e. Opening	Section 5 of Franchise Agreement	Item 6
f. Fees	Sections 3, 4D, 5C, 6B, 10, 16 and 22L of Franchise Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	Sections 6 and 9 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Section 12A of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 6 and 7 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Section 6 and 7 of Franchise Agreement	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Section 6 of Franchise Agreement	Item 11

n. Insurance	Section 14A of Franchise Agreement	Items 7 and 8
o. Advertising	Sections 10B of Franchise Agreement	Items 6 and 11
p. Indemnification	Section 14B of Franchise Agreement	Items 6, 13 and 14
q. Owner's participation/management/staffing	Sections 6H and 9D of Franchise Agreement	Items 11 and 15
r. Records and reports	Section 11 of Franchise Agreement	Item 6
s. Inspections and audits	Section 6J and 11C of Franchise Agreement	Items 6 and 11
t. Transfer	Section 16 of Franchise Agreement	Item 17
u. Renewal	Section 2 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 19 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 20B of Franchise Agreement	Item 17
x. Dispute resolution	Section 21 of Franchise Agreement	Item 17

Item 10.

Financing

If We approve financing, We will finance up to 50% of the initial franchise fee for a period not to exceed 24 months at an interest rate of whichever is less between 10% per annum or the highest rate allowed by law. Note payments must be made by electronic funds transfer. We require a security interest usually secured by the equipment, any real estate, stocks and bonds, or other collateral as We deem appropriate. In Our Note, security agreement and guaranty, You must waive Your rights to certain notices of a collection action whereby We can immediately seek payment of outstanding balances if You default on the Note but You do not waive any defenses in any Note, security agreement or guaranty. If You are a corporation, Your principal shareholders must personally guarantee the debt. You may prepay the Note at any time without penalty. If You default, We can accelerate the payments on the Note calling the full amount of the Note due. If We call the Note, the remaining principal and any accrued, unpaid interest will become due and payable to Us. If You do not pay the entire balance, You may be responsible for court costs and attorneys' fees We incur in collecting the debt. We may terminate Your franchise if You do not pay Us. We have not nor do We intend to sell, assign or discount to a third party any part of Our financing arrangements with You or Our franchisees. We do not receive any payments from any person for the placement of financing with such person. We do not guarantee any notes, leases or obligations. An example of Our Note is attached as Exhibit C.

Item 11.

Franchisor's Assistance, Advertising, Computer Systems, and Training

Except as listed below, We are not required to provide You with any assistance.

Before You open Your business, We will:

1. Designate Your territory (Franchise Agreement, Exhibit A).
2. You are solely responsible for site selection and securing a lease for the premises. Before You can open Your franchise, We must approve Your location site considering, among other factors, the location site in relation to Your territory and in relation to the distance from other Curves franchises. You must have the facility completed and furnished in accordance with Our specifications within 180 days of acceptance of the Agreement by Us unless otherwise approved in writing by Us. (Franchise Agreement, Section 4A). Unless otherwise approved in writing by Us, if You do not open Your franchise within 180 days from the date of execution of the Agreement, We have the right to terminate the Agreement without refunding any part of the Initial Franchise Fee. (Franchise Agreement, Section 3B).
3. Advise as to methods of training staff to work in and assist in operating a franchise (Franchise Agreement, Section 9D).
4. Assist in the plan or office design showing the location of equipment for an efficient use of equipment and utilization of space (Franchise Agreement, Section 6).
5. Provide You with the necessary equipment and manuals listed in the Franchise Agreement to open Your franchise (Franchise Agreement, Section 6A and Exhibit B). You may view the operating manual before you purchase Your franchise.
6. Advise as to promotion and advertising of Your franchise (Franchise Agreement, Section 7A).
7. Train You and Your designated general manager for 2 to 5 days consisting of the following: (Franchise Agreement, Section 9A)

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Curves Workout, Exercise Physiology and Special Populations	6-9	0	Woodway, Texas
Nutrition Education	1-3	0	Woodway, Texas
Marketing	4-8	0	Woodway, Texas

Sales	4-8	0	Woodway, Texas
Business Systems and Paperwork	2-4	0	Woodway, Texas
Equipment Training	1-3	0	Woodway, Texas

On-the- job training may be provided for each of these subjects if We, at Our discretion, send an independent contractor to assist You in the operation of Your franchise. Training will be held near Our corporate headquarters in Woodway, Texas, or any other place as We designate, and will last for 2 to 5 days. Training shall be held at a time designated by Us. You and Your designated manager are required to attend and complete the training to Our satisfaction. You must satisfactorily complete the initial training at least 6 weeks prior to opening Your franchise. You and Your designated manager may be required by Us to attend additional training necessary to the operations of Your franchise.

There is no additional fee for the initial training sessions other than the franchise fee You pay as described in Item 5. All expenses as to travel and living for the initial training and any additional training must be paid by You. The training program will usually be conducted monthly or bi-monthly. Our training materials consist of Our manuals and slides. Gary Heavin, instructing as to sales, has been with Us since October 1995 and has over 25 years experience in the fitness industry owning and operating several fitness facilities. Diane Heavin, instructing as to marketing, has been with Us since October 1995 and has been responsible for assisting in Our advertising programs since Our inception. Roger Schmidt, instructing as to the legal aspect of business systems, has been with us since August 2001 and has been practicing law since 1975. Cassie Findley, MS Ed., instructing as to the Curves workout, exercise physiology, special populations and equipment training, has been with Us since September 2004 and has over 30 years of experience in the fitness industry and 15 years teaching in higher education along with being the former Assistant Dean of Student Life at Baylor University. Mike Raymond, instructing as to marketing, has been with Us since May 2002 and has over 25 years of marketing experience for major marketers and advertising agencies. Nadia Rodman, RD, instructing as to nutrition education, has been with Us since September 2006 and has been a registered dietician since 2005 as well as an experienced weight management instructor. Rick Gore, instructing as to certain business systems, has been with Us since March 2006 and owned Curves franchises from 2000 to 2005 as well as assisting other Curves franchises as one of Our Area Directors. Janell Gilman, instructing as to business systems, has been with Us since August 2002 overseeing training programs and events for Us and has over 25 years experience in organizational development and process improvement. Krishea Holloway, instructing as to equipment training, sales and business systems, has been with Us since 2006 as an Area Director and was an owner of multiple Curves franchises starting in January 1998. Christina Crosby, instructing as to equipment training, sales and business systems, has been with Us since 2006 as an Area Director, currently works as Our Operations Coordinate and was an owner of multiple Curves franchises starting in 2000. Our Area Directors, individuals that assist franchisees in the operations of their franchises, may also assist in some training for guest production and sales. Additional information on Gary Heavin, Diane Heavin, Mike Raymond and Roger Schmidt may be found in Item 2 in this Disclosure Document.

8. Though the time may vary, the typical length of time between the signing of the franchise agreement and the opening of Your franchise is approximately 180 days. Factors which may affect this time period are the following: Your completion of initial training; Your ability to locate a building and obtain a lease and Our approval of the location site; registration with state and/or local authorities for the opening of Your franchise; the delivery of Your equipment; the scheduling of Your opening date; and the scheduling, if provided, of Our independent contractor to assist You in the operation of the franchise.
9. Provide, at Our expense and at Our discretion, an independent contractor to assist in the operation of Your franchise. (Franchise Agreement, Section 7A).

During the operation of Your business, We will:

1. Assist with sales promotions for use in Your franchise (Franchise Agreement, Sections 7A and 10B)
2. Advise as to source of supply for equipment, services, supplies, products and materials (Franchise Agreement, Sections 6 and 7B).
3. Provide additional training, periodic seminars, advice and assistance to You that We may deem proper and advisable. (Franchise Agreement, Section 7A).

We provide national advertising to You through a national advertising fund ("Advertising Fund") in any of the following forms: print, online and electronic media. We use outside advertising agencies to create and place advertising in coordination with Our in-house advertising/marketing department. Neither We nor any of Our affiliates receive payments, other than reimbursements, from the Advertising Fund. We are not required to spend any amounts on advertising in the specific territory where You are located, however, We generally use the Advertising Fund for national advertising in an effort to benefit all *Curves*® franchises. The Advertising Fund is used to promote the products and services sold by *Curves*® franchises and is not used to sell additional *Curves*® franchises.

We also provide You with advertisements for use in local advertising. You may only use the advertisements that We approve in writing or that We provide to You.

The Advertising Fund is a separate fund which collects advertising fees from all franchisees according to each franchise agreement. If We own any *Curves*® locations, We will also contribute to the Advertising Fund on the same basis as the franchisees. All fees collected under the Advertising Fund must be used for advertising including all costs associated with the development of advertising, promotion, and marketing of goods and services provided to the public by *Curves*® franchises. Any advertising fees that are not spent in the same year that they accrue will be used in subsequent years for advertising. You must contribute the amounts described in Item 6, under the heading "Advertising Fees and Expenses". We do not have an advertising council composed of franchisees that advises Us on advertising policies.

The Advertising Fund is administered by Our accounting personnel through the direction of Our marketing personnel. An audited financial statement for the Advertising Fund is available to You upon written request after 120 days from the end of the last fiscal year. During the last fiscal

year of the Advertising Fund, the Advertising Fund spent 85% of its income on media placement, including agency commissions, 10% for the production of advertisements, websites and other promotional materials 5% for administrative expenses and all other expenses (fees for outside services, such as a telemarketing firm that routes 800 number calls to local clubs, a company that administers a help desk for Our *Curves*® franchisee website and costs associated with marketing research). We do not use any funds from the Advertising Fund principally to solicit new franchise sales.

You are required to have available in Your franchise the necessary computer hardware and software to carry on business with Us over the internet and online, as those terms are understood in the computer technology world, including an active email address which shall, at all times, be provided to Us. You are not required to have a specific brand or type of computer hardware, however, Your computer hardware and software must provide you sufficient access to the internet with the ability to download or upload reports as may be necessary from time to time. At this time, We do not require You to purchase Your hardware or software from a specific supplier, however, We reserve the right to require You to purchase hardware or software in the future from an approved supplier or Us. You are responsible for all costs necessary for regular maintenance of Your computer hardware and software, if necessary, which costs will vary depending on the quality of computer system that You have. We estimate Your costs associated with this computer system to be in the range between \$500 and \$1,500. Your costs could be greater than \$1,500 depending upon what computer system You choose to purchase. Your estimated potential upgrade or maintenance costs of Your computer system may be approximately \$100 to \$500 every 2 to 3 years based on the computer system You originally purchase. You are responsible for all communications We send to You to Your e-mail address. You are responsible for all communications We send to You to the e-mail address We provide. You are required to complete and send certain reports on the operation of Your franchise to Us through Our designated web site. In the event We approve a software program or an operating system for the operation of Your franchise, You must purchase and use the approved software program in the operation of Your franchise and purchase the necessary computer hardware to run the approved software program. We have no contractual limitations on the frequency and cost of requiring You to purchase and use a software program or hardware. Any software program or operating system will be used to record membership sales and provide Us with this information along with membership information. We will have the right to access this information without any contractual limits. (Franchise Agreement, Sections 6A and O).

Item 12.

Territory

You will receive territorial rights to operate 1 *Curves*® franchise at a specific location as specified in Exhibit A of the Franchise Agreement. The franchise area is based primarily on population. Your territory size should range anywhere from populations of 5,000 people to 40,000 people. You will operate from 1 location, and, before relocating, You must receive Our written approval, considering, among other factors, the location site in relation to Your area and in relation to the distance from other Curves franchises. We have no present intention to establish a company-owned facility using Our trademark or trade name within Your area. We have no restrictions regarding operating a company-owned store within Your area. We are restricted from granting a franchised outlet to anyone other than You within Your area. You cannot solicit customers, provide services or advertise outside of Your area. We reserve the right to use other channels of distribution or operate a company-owned unit under a different proprietary trademark or grant other franchises which sell or lease dissimilar products or services under a different proprietary trade name, trademark, service mark or other commercial symbol in Your territory while Your Franchise Agreement is in effect. We do reserve the right to sell products, with or without Our trademark, within Your area through other channels of distribution, such as the Internet or direct marketing sales.

You do not receive any options, rights to first refusal or any similar rights to acquire additional franchises. You will not receive an exclusive territory. You may face competition from other franchisees from outlets that we own, or from other channels of distribution or competitive brands that We control. We generally do not have the right to use other channels of distribution to make membership sales within Your territory using Our principal trademarks except that We do reserve the right to use other channels of distribution with the use of alternative proprietary marks or methods in connection with the operation of businesses which may be similar to Your franchise at any location on any terms and conditions. We are not required to pay You any compensation for any solicitation or acceptance of services from inside of Your territory when using other channels of distribution with alternative proprietary marks as described above.

Continuation of Your area or territory does not depend upon the achievement of any sales volume, market penetration or other contingency, and there are no circumstances under which We will alter Your area or territory without Your written consent.

Item 13.

Trademarks

We grant you the right to operate a franchise under the name *Curves®*. You may also use Our other current or future trademarks to operate Your franchise. By trademark We mean trade names, trademarks, service marks and logos designated by Us to identify Your franchise. We registered the following trademarks on the United States Patent and Trademark Office principal register:

Description	Registration Number	Registration Date
Curves for Women® with figurine	1996990	August 27, 1996
Curves for Women®	2946238	May 3, 2005
Curves®	2923501	February 1, 2005

We have filed all required affidavits concerning these marks. The Curves for Women® with figurine mark has been renewed.

You must follow Our rules when You use these marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which We license to You. You may not use Our registered marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by Us.

There are no currently effective determinations of the U.S. Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the marks that may significantly affect the ownership or use of any mark listed above.

No agreements limit Our right to use or license the use of Our marks.

You must notify Us immediately when You learn about an infringement of or challenge to Your use of Our marks. We will take the action We think appropriate although We are not required to take any affirmative action. We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by Us to You. We will indemnify You or reimburse You for Your liability and reasonable costs if there is a challenge to Your authorized use of Our marks provided You have notified Us immediately after You learned of the challenge and cooperate with Us in defending the challenge as required.

You must notify or discontinue the use of a mark if We modify or discontinue the mark. If this happens, You will be responsible for Your tangible costs of compliance (for example, changing signs or letterhead). You may not directly or indirectly contest the validity of Our ownership of the marks or Our right to use or license Our marks, trade secrets, confidential information or business techniques that are part of Our business.

We do not know of any infringing uses that could materially affect Your use of Our marks.