

## FRANCHISE DISCLOSURE DOCUMENT



FOOT SOLUTIONS, INC.  
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(WEB SITE)

We offer a franchise for a business using the “**FOOT SOLUTIONS**” service mark and trade name offering foot care services, including computer foot scanning, custom, upgrade accommodative insoles, orthotics, arch supports and a line of specialty shoes and foot care products. Although we are not a medical type of facility, some of our stores do work with Medicare and the medical community. If this is an area of our business model you are interested in, we suggest you also review the current requirements in your state.

The total investment necessary to begin operation of a FOOT SOLUTIONS franchise for a single Foot Solutions business location is approximately \$145,800 to \$204,300 which includes opening inventory as well as \$40,000 which must be paid to the Franchisor. If we agree to sell you the right to develop multiple Foot Solutions businesses, you must sign our Multi-Unit Development Agreement and pay a Development Fee of \$95,000 for the rights to develop 3 Stores, calculated as \$40,000 for the first Store, \$30,000 for the second Store, and \$25,000 for the third Store. Each additional store shall be \$20,000. The total initial investment necessary for a 3-store Development is between \$412,400 and \$597,900. We also offer a franchisor-managed model to qualified applicants. The total initial investment single Foot Solutions Franchisor-Managed business location is approximately \$150,800 to \$209,300. We also offer a conversion model to owners of existing stores engaged in a similar business to ours (a “Conversion Franchise”). The total investment necessary to begin operation of a Conversion Franchise for a single location is approximately \$25,000 to \$164,300 which includes between \$5,000 and \$8,000 for opening inventory which may be paid to the Franchisor.

This Disclosure Document summarizes certain provisions of the Franchise Agreements 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.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact our Accounting Department at 223 Roswell St., Suite 202, Alpharetta, Georgia 30009, [erik.saterbo@footsolutions.com](mailto:erik.saterbo@footsolutions.com) at 888-348-3668.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, such as 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising. It is also recommended that you have an attorney familiar with franchising review these documents and that you also check with an accountant or business advisor.

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

Issuance Date: October 7, 2024

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

| QUESTION                                                                                 | WHERE TO FIND INFORMATION                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in item 20 or Exhibit C . |
| <b>How much will I need to invest?</b>                                                   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.                                                                   |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit A includes financial statements. Review these statements carefully.                                                                                                                                                                     |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                               |
| <b>Will my business be the only Foot Solutions business in my area?</b>                  | Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                              |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                       |
| <b>What’s it like to be a Foot Solutions franchisee?</b>                                 | Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                            |
| <b>What else should I know?</b>                                                          | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                    |

## **What You Need To Know About Franchising *Generally***

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit E.

Your state may also have laws that require special disclosure or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of contents for the location of the State Specific Addenda.



### **Special Risks to Consider About *This* Franchise**

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Georgia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Georgia than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's ability to provide services and support to you.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**FOOT SOLUTIONS, INC.**  
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**FOOT SOLUTIONS, INC.**  
**FRANCHISE DISCLOSURE DOCUMENT**

**ITEM 1.**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

**The Franchisor**

In this Disclosure Document, “we,” “us,” “our,” “Foot Solutions”, and “FS” means Foot Solutions, Inc., the Franchisor. “You” means the person, partnership or corporation or other entity that purchases the Franchise and includes your owners.

We are a Georgia corporation, with our principal place of business located at 223 Roswell St., Suite 202, Alpharetta, Georgia 30009. We were founded on August 21, 2000. We and our franchisees conduct business under the trade names and service marks, “FOOT SOLUTIONS”.

We began offering franchises in September 2000. We are not engaged in any other business activities and have not offered franchises in any other line of business. We have offered an FS License Agreement for a business component within an existing business practice, but this license is no longer offered.

In February 2020, Foot Solutions, Inc. was purchased from the original owner of 20 years by a private investor group consisting of high net worth individuals and a family office investment fund.

Our agents for service of process are listed in Exhibit D.

**Parents and Predecessors**

We are wholly owned by Foot Solutions Holdings Corp., (“FS Holdings”) a Delaware corporation formed on January 2, 2020. FS Holdings’ business address and telephone number is 223 Roswell St. Suite 202, Alpharetta, Georgia; (706) 525-8492. FS Holdings is engaged in no other business activities.

We have no predecessor.

**Affiliates**

Foot Solutions Canada, Inc. (“FSC”) FSC was incorporated on April 19, 2004. Its business address and telephone number is 90 Sparks St., 4<sup>th</sup> Floor, Ottawa, Canada K1p1E2, (706) 525-8492. F S C sold its Canadian Franchise Agreements as well as the rights to develop the Canadian territory to Talus Ortho Medical, Inc (TOM) in July 2023. TOM now offers Foot Solutions franchises in Canada. FSC no longer offers franchises and is engaged in no other business activities. We have no other affiliates that offer franchises in any line of business or that provide products or services to Foot Solutions franchisees.

We have no other affiliates that are required to be disclosed in this disclosure document.

**The Franchises Offered**

We offer a franchise for a storefront retail specialty store (a “Store”) that sells accommodative inserts and

shoes designed to fit your feet properly for work, dress, and play. FOOT SOLUTIONS Stores also offer a range of foot care products and access to knowledgeable foot fitting consultants that use a combination of shoes, inserts and products to help people reduce and eliminate pain in their feet, knees, hips and back. The business model is an advanced technological footwear specialty store focusing on proper fit and support for the millions of customers needing these services. Each Store operates using our proprietary Foot Solutions System and our FOOT SOLUTIONS trademarks and service marks (the “Names and Marks”). It is required that each of our Stores have a Foot Solutions certified shoe fitter on its staff and available during normal FS working hours. All training required to become a certified shoe fitter is provided by the FS training center and is free to all franchisees and their staff. We also offer owners of similar shoe store businesses to convert to a Foot Solutions Store for a trial period of one (1) year, with an option to extend for the full initial 10-year term of the Franchise Agreement. These Conversion franchisees must sign a Conversion Addendum to our standard Franchise Agreement.

We offer a model in which we or an affiliate of ours will manage the FOOT SOLUTIONS franchised business on behalf of a Franchisee pursuant to a Shared Services and Management Agreement in the form of Exhibit “G”. Under the Shared Services and Management Agreement the Franchisee will pay us a Management Fee of 5% only after the Franchisee has recouped its initial capital expenditure in developing the Foot Solutions business. Our focused market is the baby boomer and senior markets, as well as athletes and people experiencing foot discomfort, as well as the millions that stand on their feet 4 or more hours per day at work. The market for our products is highly fragmented and developing. At this time in the custom orthotic market, our competition is limited primarily to companies offering non-custom orthotics and some medical practitioners. In footwear, our principal competition includes comfort and running shoe stores (including independent stores and other national and regional chains) major department stores, as well as medical and/or orthopedic shoe stores.

For any FS businesses that want to get certified as pedorthists and promote specific medical type applications such as Medicare, they are subject to general laws which regulate businesses. In some states, including Arkansas, Alabama, Florida, Illinois, New Jersey, Ohio, Oklahoma, and Tennessee, pedorthists must be licensed. State requirements and laws are continually changing, and it is recommended that you validate any special requirements in your individual state, especially if you are interested in pursuing the Medicare or medical side of the business. This is not a requirement to operate a Foot Solutions business, but one we recommend our franchisees pursue over the first year of business. Approximately 80% of our locations in North America have at least one certified pedorthist.

### **Regulatory Matters**

You must comply with all federal, state and local laws and regulations that apply to your business. You must obtain and maintain any related permits, licenses, certifications or other indications of authority necessary for the operation of your Franchised Business. You are responsible for investigating the availability and requirements for obtaining all licenses in your state. We may require you to obtain particular permits, licenses, accreditations or certifications that might not be required by law but which we deem necessary in our sole discretion.

## **ITEM 2. BUSINESS EXPERIENCE**

CEO & Chairman of the Board: John Prothro

Mr. Prothro has been our President and CEO since February 2020 in Alpharetta, Georgia. He served as President of Atlantic Pacific Equipment, Inc. from January 2017 through April 2019 in Roswell, Georgia. Mr. Prothro served as Managing Partner of IndustryPro, Inc. from May 2007 until December 2016 in Woodstock, Georgia.

Director: John Springthorpe, III

Mr. Springthorpe has been a Director since February 2020 through the present. He was retired from July 2017 until February 2020. From June 1989 through July 2017, he served as the President and CEO of SouthData, Inc. in Mt. Airy, North Carolina

Director: Jon Kushner

Jon Kushner has served on our Board of Directors since February 2020 and served as President of TACO Metals, Inc. in Miami, Florida since 1984.

Senior Vice President of Strategic Growth: Bryan Scott

Mr. Scott has been our Senior Vice President of Strategic Growth in Alpharetta, Georgia since February 2020. From February 2019 until February 2020, he served as a Service and Engagement Executive for Target Corp. in Milton, Georgia.

Controller: Erik Saterbo

Mr. Saterbo has been our Controller since February 2024. He is a Certified Public Accountant in Georgia with a master's degree in accounting. From February 2022 to February 2023, he served as Chief Financial Officer at Triangle Renovations, LLC. From April 2020 to December 2022, he served as Managing Member at SES Fund, LLC. From June 2017 to March 2020, he served as Director of Financial reporting for Asbury Automotive Group (NYSE:ABG).

Vice President of Business Development: Taylor Berry

Ms. Berry has been our Vice President of Operations in Alpharetta, Georgia since May 2020, having been promoted from Director of Operations. From June 2014 to May 2020, she served as Executive Team Leader at Target Corporation in Milton, GA.

**ITEM 3.  
LITIGATION**

There is no litigation required to be disclosed in this Disclosure Document.

**ITEM 4.  
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5.**  
**INITIAL FEES**

Franchise Fee

Franchisee-Managed Unit

You must pay us a nonrefundable initial franchise fee of Forty Thousand Dollars (\$40,000.00) when you sign a Franchise Agreement. The initial franchise fee is uniform and is fully earned by us when you sign the Franchise Agreement and is not refundable. Conversion Franchisees will not pay an initial franchise fee.

Franchisee-Managed Multi-Unit Development

If you and we agree that you will develop multiple franchises, then you will sign our Multi-Unit Development Agreement (“MUDA”) in the form of Exhibit C to this disclosure document. The Development Fee which you will pay in lieu of the Initial Franchise Fee is: (i) \$70,000 for 2 Stores, and (ii) \$95,000 for 3 Stores. Additional Territories purchased at that time will have an Initial Fee of \$20,000 each. You will pay the Development Fee at the time you sign the MUDA and your first franchise agreement. The Development Fee is not refundable under any circumstances.

Franchisor-Managed Unit

You must pay us a nonrefundable initial franchise fee of Forty-five Thousand Dollars (\$45,000.00) when you sign a Franchise Agreement and the Shared Services Addendum. The initial franchise fee is uniform and is fully earned by us when you sign the Franchise Agreement and Shared Services Addendum and is not refundable.

Franchisor-Managed Multi-Unit Development

If you and we agree that you will develop multiple franchises as Franchisor-Managed Stores, then you will sign our Multi-Unit Development Agreement (“MUDA”) and the Shared Services Addendum. The Development Fee which you will pay in lieu of the Initial Franchise Fee is: (i) \$85,000 for 2 Stores, and (ii) \$110,000 for 3 Stores. Additional Territories purchased at that time will have an Initial Fee of \$20,000 each. You will pay the Development Fee at the time you sign the MUDA and your first franchise agreement and Shared Services Addendum. The Development Fee is not refundable under any circumstances.

Except as described above, we do not require you to pay us or any affiliate of ours any fees for products or services you purchase from us or them before you open your Franchised Business.

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**ITEM 6.  
OTHER FEES**

| Type of Fee <sup>1</sup>                                                  | Amount                                                                                                                                     | Due Date                                                         | Remarks                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty <sup>1</sup>                                                      | 5% of monthly Net Sales <sup>2</sup>                                                                                                       | Payable monthly on or before the 15 <sup>th</sup> of each month. | These funds cover the general operations of Foot Solutions, Inc. as franchisor, including national branding activities.                                                                                                  |
| Management Fee<br><br>Applicable <b>only</b> to Franchisor-Managed Stores | 5% of monthly Net Sales                                                                                                                    | Payable monthly on the 15 <sup>th</sup> of each month            | If the franchise is operated as a Franchisor-Managed Store, this fee is payable commencing in the month following Franchisee's recoupment of its initial capital expenditure.                                            |
| Audit <sup>3</sup>                                                        | Costs and expenses of the audit                                                                                                            | Immediately on demand                                            | Payable only if you underreport Gross Sales                                                                                                                                                                              |
| Interest                                                                  | 12% per annum or the highest rate allowed by law, whichever is less of all amounts due from the due date until the date paid. <sup>4</sup> | Immediately after due date                                       | Payable when you fail to pay any fees, costs, or expenses when due to Foot Solutions.                                                                                                                                    |
| Third-party vendors                                                       | Pass-through of costs                                                                                                                      | Varies                                                           | We have the right to require franchisees to use third-party vendors and suppliers that we designate.<br>These vendors may bill franchisees directly, or we have the right to collect payment for these vendors together. |



| Type of Fee <sup>1</sup> | Amount                                                                                | Due Date              | Remarks                                                                                                                                                                                                                 |
|--------------------------|---------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Indemnification          | Our costs and losses from any legal action related to the operation of your franchise | Immediately on demand | You must indemnify and defend (with counsel reasonably acceptable to us, or we may defend) us or our affiliates in any action by or against us related to, or alleged to arise out of, the operation of your franchise. |

**NOTES:**

Unless otherwise indicated above, all fees are uniformly imposed by and are payable to us and are non-refundable.

- 1/ You must pay us Royalties in the amount of 5% of Net Sales per month on or before the 15<sup>th</sup> of each month.
- 2/ Net Sales”. Net Sales will be collected directly from your POS system. “Net Sales” is defined in Section 5 of the Franchise Agreement and means gross sales less returns, sales or use taxes. Net Sales includes sales covered by Medicare and insurance, even if payment has not yet been received from such third-party payers.
- 3/ We may audit your books at our expense. If the audit reveals that gross sales have been understated by more than 5%, interest will be assessed from the date of the underpayment, at the lower of the Wall Street Journal Prime Rate on the date the payment was due, plus 3%, or the highest rate permitted by applicable law, and you must reimburse us for the cost of the audit.
- 4/ The highest interest rate allowed by law in California for late payments is 10% annually.

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**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

A. Single Store

| <b>Type of Expenditure</b>                           | <b>Amount</b>                                     | <b>Method of Payment</b> | <b>When Due</b>                                | <b>To Whom Payment Is to be Made</b>         |
|------------------------------------------------------|---------------------------------------------------|--------------------------|------------------------------------------------|----------------------------------------------|
| Initial Franchise Fee <sup>1</sup>                   | \$40,000 – \$45,000<br>(Franchisor-Managed Store) | Lump Sum                 | At signing of Franchise Agreement              | Us                                           |
| Equipment <sup>2</sup>                               | \$16,000 - \$18,000                               | Lump Sum                 | Before Opening                                 | Approved Vendors                             |
| Opening Inventory <sup>3</sup>                       | \$60,000 - \$80,000                               | Lump Sum                 | Before Opening                                 | Approved Vendors                             |
| Real Estate (Leasehold Improvements) <sup>4</sup>    | \$10,000 - \$60,000                               | Lump Sum                 | Before Opening                                 | Contractors; Suppliers                       |
| Signage <sup>5</sup>                                 | \$3,000- \$7,000                                  | Lump Sum                 | Before Opening                                 | Suppliers                                    |
| Grand Opening and Initial Advertising <sup>6</sup>   | \$8,000 – \$15,000                                | Lump Sum                 | One to Three Months Prior to Scheduled Opening | Suppliers                                    |
| Fixtures <sup>7</sup>                                | \$15,000 - \$20,000                               | Lump Sum                 | Before Opening                                 | Suppliers                                    |
| Travel and Living Expenses for Training <sup>8</sup> | \$2,000-\$5,000                                   | As Incurred              | During Training                                | Transportation, Hotel, Meals, etc. Providers |

| Type of Expenditure                   | Amount                                                                                          | Method of Payment                                                  | When Due                                         | To Whom Payment Is to be Made |
|---------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------|-------------------------------|
| Liability Insurance <sup>9</sup>      | \$1,000 - \$3,000                                                                               | Lump Sum                                                           | Before Opening                                   | Insurance Company             |
| POS System and computer <sup>10</sup> | \$1,300-\$1,300                                                                                 | Lump Sum computer purchase plus monthly recurring of approx. \$140 | Lump sum plus monthly recurring of approx. \$140 | Approved Vendor               |
| Additional Funds <sup>11</sup>        | \$3,500 - \$8,000                                                                               | As Incurred                                                        | As Incurred                                      | Employees, Vendors            |
| <b>TOTAL</b>                          | <b>\$159,800-\$262,300</b><br><b>\$164,800 - \$267,300</b><br><b>(Franchisor-Managed Store)</b> |                                                                    |                                                  |                               |

B. Single Store – Conversion Franchise

| Type of Expenditure                               | Amount             | Method of Payment | When Due       | To Whom Payment Is to be Made |
|---------------------------------------------------|--------------------|-------------------|----------------|-------------------------------|
| Initial Franchise Fee <sup>1</sup>                | \$0                | N/A               | N/A            | N/A                           |
| Equipment <sup>2</sup>                            | \$0 - \$15,000     | Lump Sum          | Before Opening | Approved Vendors              |
| Opening Inventory <sup>3</sup>                    | \$0 - \$80,000     | Lump Sum          | Before Opening | Approved Vendors              |
| Real Estate (Leasehold Improvements) <sup>4</sup> | \$3,000 - \$10,000 | Lump Sum          | Before Opening | Contractors; Suppliers        |

| Type of Expenditure                                  | Amount                      | Method of Payment                                | When Due                                         | To Whom Payment Is to be Made                |
|------------------------------------------------------|-----------------------------|--------------------------------------------------|--------------------------------------------------|----------------------------------------------|
| Signage <sup>5</sup>                                 | \$3,000- \$7,000            | Lump Sum                                         | Before Opening                                   | Suppliers                                    |
| Grand Opening and Initial Advertising <sup>6</sup>   | \$1,000 – \$12,000          | Lump Sum                                         | One to Three Months Prior to Scheduled Opening   | Suppliers                                    |
| Fixtures <sup>7</sup>                                | \$0 - \$17,000              | Lump Sum                                         | Before Opening                                   | Suppliers                                    |
| Travel and Living Expenses for Training <sup>8</sup> | \$2,000-\$5,000             | As Incurred                                      | During Training                                  | Transportation, Hotel, Meals, etc. Providers |
| Liability Insurance <sup>9</sup>                     | \$1,000 - \$3,000           | Lump Sum                                         | Before Opening                                   | Insurance Company                            |
| POS System <sup>10</sup>                             | \$0-\$1,300                 | Lump Sum plus monthly recurring of approx. \$140 | Lump sum plus monthly recurring of approx. \$140 | Approved Vendor                              |
| Additional Funds <sup>11</sup>                       | \$0 - \$8,000               | As Incurred                                      | As Incurred                                      | Employees, Vendors                           |
| <b>TOTAL</b>                                         | <b>\$10,000 - \$168,300</b> |                                                  |                                                  |                                              |

We do not offer direct or indirect financing for any fees listed, but we will provide assistance and suggestions about the best way to obtain financing. The range of costs listed to open a Foot Solutions franchise is based upon actual Store openings. The initial phase of the business is defined as 90 days. None of the amounts disclosed above are refundable except for rent and security deposits.

**NOTES:**

- 1/ The Initial Franchise Fee for a Store managed by Franchisee is \$40,000 and the Initial Franchise Fee for a Store managed by Franchisor is \$45,000.
- 2/ The Foot Solutions equipment must be purchased through approved vendors. The equipment includes a computerized digital foot scanner, the Foot Solutions Technology System (a 3D scanner equipment package used for creating images of customers' feet for the purpose of manufacturing custom orthotics) and back-room equipment used for shoe fitting and modifications.

- 3/ The initial shoe inventory will include an opening shoe and fitting inventory. This is a base inventory of shoes for work, dress, and play. The opening inventory is recommended and approved by us. You may expand your inventory using vendors and products we approve after your opening. Your Business must offer Foot Solutions primary core approved products including shoes, over-the-counter insoles, accessories, and FS Technology on a continuing basis and have a recommended selection of secondary inventory which we approve. The initial retail inventory for the Storefront concept is comprised of a line of footwear and foot care products, as well as other specialty items.
- 4/ Leasehold improvements for the Storefront concept may include partition walls, drop ceilings, counters, lighting, floors, restrooms, slat walls, air conditioning, electrical, etc. Slat walls, flooring and lighting must be purchased from an approved vendor. The improvements may vary substantially, depending on the space and leasehold improvements already made to the leased premises and the amount of the Tenant Improvement Allowance, if any. Typical locations are 1,200- 1,500 square feet and are located in upscale strip centers or medical offices. The amount of rent is dependent on factors such as size and location of the leased premises, and the amount of buildout allowance, if any provided by the landlord.
- 5/ This amount includes signs for internal and external use. Internal signage must be purchased through an approved vendor; external signage may be purchased through any supplier and meet FS design requirements and the requirements of local laws or ordinances.
- 6/ You must conduct a Grand Opening marketing campaign for the opening of the Store that we approve. You must spend a minimum of \$8,000 for the Grand Opening Marketing program. Conversion Franchisees must spend a minimum of \$1,000 for their Grand Opening Marketing program.
- 7/ Store fixtures for the Storefront concept include a point-of-sale counter, special computer scanning support fixtures, chairs, benches, display pieces, backroom storage shelves and point of purchase materials. Conversion Franchises may have certain fixtures that meet our requirements.
- 8/ This includes travel and living expenses including transportation costs, hotel and living expenses for 2 people during the 2-week training program held in Atlanta, Georgia. If you choose to have additional employees attend training at corporate, your expenses will increase. We do offer web-based training for employees, including an online proprietary learning database of pedorthic training videos complete with online quizzes. Initial training is not mandatory for Franchisees whose Store will be managed by Franchisor.
- 9/ The amount is the estimated cost of premiums for comprehensive liability insurance for product liability, bodily injury, and property damage in the amount of a minimum of \$1,000,000.
- 10/ The required hardware and software for our designated point of sale system must be purchased through a vendor that we designate.
- 11/ This category covers the initial expenses you will likely incur while you establish your business. Your expenditures will depend on factors such as your business skills and experience, general and local economic conditions, competition, the prevailing wage rate, and the volume of business you conduct during the initial period, how well your business is performing, and the number of hours you are willing to invest in your business. These expenses do not include any draw or salary for the owners of the business, but they do include employee salaries. This is only an estimate, and

more funds may be necessary. In addition, the estimates presented relate only to costs associated with the Franchised Business, and do not cover any personal, “living”, unrelated business or other expenses you may have, such as Marketing Fund payments, or debt service on any loans.

The high/low amounts are based on one franchise. The chart contains estimates only and you may have additional expenses starting your business. Your actual expenses may exceed our estimates. These estimates are based on our experience opening Foot Solutions locations since 2000. You should review these figures carefully with a business advisor before making any decision to purchase our Franchise.

C. Multi-Unit Development Agreement of Three Stores

| TYPE OF EXPENDITURE                     | AMOUNT                       | METHOD OF PAYMENT          | WHEN DUE                            | TO WHOM PAYMENT IS TO BE MADE |
|-----------------------------------------|------------------------------|----------------------------|-------------------------------------|-------------------------------|
| Development Fee <sup>1</sup>            | \$95,000 - \$110,000         | Lump Sum                   | At signing of Development Agreement | Franchisor                    |
| Initial Investment to Open Three Stores | \$359,400 - \$666,900        | See Chart A of this Item 7 |                                     |                               |
| <b>Total</b>                            | <b>\$454,400 - \$776,900</b> |                            |                                     |                               |

Notes Regarding Initial Investment for Development Agreement:

1: The Development Fee shown above is for 3 Stores and is non-refundable. The Development Fee for 3 Franchisee-managed Stores is \$95,000 and the Development Fee for 3 Franchisor-Managed Stores is \$110,000.

**ITEM 8.  
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Except as described in this Item and the Franchise Agreement, you are not required to purchase or lease products or services from us or from our affiliates, from suppliers approved by us, or under our specification. You must purchase the following items only from an approved vendor: initial inventory, Store fixtures and build out materials (slat wall, counter, seating, and display fixtures), and equipment (shoe stretchers, grinders, modification tools) and certain primary inventory items and supplies. You must lease from us the Foot Solutions Technology system, which is used for creating specialized scan images of

customers' feet for the purpose of designing and manufacturing custom orthotics. In some cases, the Foot Solutions Technology system may be purchased from us. You must also purchase the required Point of Sale System, which generates basic retail sales, inventory control and accounting reports.

All shoes and products that are Foot Solutions branded, or exclusive products or products identified as Primary Core Products must be carried by your Foot Solutions store and must be purchased from an approved supplier. All products under the Foot Solutions umbrella including pre-made arch supports, accommodative custom arch supports, and customized orthotics must be purchased from us or an approved supplier. Some of our officers may own an interest in the supplier of the products identified as Primary Core Products. In each case, the interest shall be disclosed, and the product shall be approved by the then current franchise advisory council composed of franchisees.

You may only purchase and sell products and services that have been approved by Foot Solutions and are listed on our approved vendor list. If you would like an item or supplier approved for your use, you must notify us and provide us samples of any products you propose for approval, and/or provide us with information about the proposed supplier's financial condition and business reputation, delivery performance, credit rating, manufacturing and distribution capabilities and other information we request. Products proposed for approval are tested in our test Store and reviewed by Corporate as well as by a group of our franchisees. We may reject any proposed product or supplier in our sole discretion. We conduct semi-annual meetings with our staff and select franchisees to review proposed products and suppliers. We do not charge for the review. All products must support our FS concept marketing objectives and satisfy our specifications and standards, which are published on our website and made available to all franchisees and Store employees. Our standards and specifications are based on established footwear and pedorthic standards set by Pedorthic Footwear Association and any changes in law that apply to the products and services which we sell. Unless a new product is substituted for a previously approved product because of a change in law, you will not be required to purchase it. We will notify you of our approval or disapproval of a proposed product or supplier within 15 days after the conclusion of our quarterly review meeting. Our review committee revokes previously approved suppliers and items following the same procedures we use for granting approvals. Any new products proposed to be introduced as a part of the core product line must be approved by the majority of the franchisee advisory council.

The price that is charged to you for the production of the custom orthotics will be determined by us, but it will not be increased by more than 3% annually. All of the custom orthotics sold by you must be produced by us or by our affiliate from foot scans using the Foot Solutions Technology System. You may not use any other foot scanning equipment, nor may you use any other non-approved supplier of custom orthotics.

The Franchisor has the right to derive revenue or other material consideration from required purchases or leases by franchisees. During our most recently concluded fiscal year neither we nor any of our affiliates derived revenue or other material consideration from required purchases or leases by franchisees, although the Franchise Agreement gives us the right to do so. Some of our officers currently own any interest in us. We and our affiliates are approved suppliers or the only approved supplier of certain goods or services that the franchisee may be required to purchase.

We estimate that purchases in accordance with our specifications or from suppliers we designate or approve will constitute approximately 50% of your cost of establishing your franchised business, and 35% - 50% of your cost of operating your franchised business. We have no purchasing or distribution cooperatives. We do not provide any material benefits to franchisees because of their purchases of particular products or services, or because of their use of particular suppliers. However, because of our group

purchasing power, many approved vendors offer direct discounts to all FS operators that often range from 5% to 20%.

Currently there are no purchasing or distribution cooperatives. We and our affiliate may negotiate supply and/or discount arrangements with suppliers for the benefit of our franchisees, but we are not required to do so. We do not provide material benefits to you as a result of your making purchases from approved suppliers.

### **Marketing**

You must use our internal marketing department or such outside marketing agencies that we designate to manage and implement all of your local marketing and internet marketing including your Grand Opening marketing program.

### **Insurance**

You must obtain and maintain, at your own expense, insurance coverage that we require from time to time. Our System Standards and/or other agreements may regulate the following: the types, amounts, terms and conditions of insurance coverage required for your Franchise and standards for underwriters of policies providing required insurance coverage; our protection and rights under the policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims. Currently, you must maintain, in the amounts we prescribe, general liability coverage; bodily injury and property damage to include sexual abuse and molestation, and employment related practices; and the statutory worker's compensation and disability required by law in your state. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance policies must be issued by a company with an A.M. Best rating of at least A VII and must name us as an additional insured party. Your obligations relating to insurance coverage are defined in the Franchise Agreement and currently include, but may not be limited to;

- General Liability – 1,000,000 per occurrence; \$2,000,000 aggregate;
- Employee Related Practices Insurance (EPLI) - \$1,000,000 per occurrence/\$1,000,000 aggregate;
- Workers' Compensation – based on state requirements;
- Any additional insurance required by the terms of any lease or mortgage for the Store

You must provide a current Certificate of Insurance and Declarations Page to us on an annual basis. These policies must cover all employees and subcontractors.

### **Modifications to the System**

Changes in the market, business conditions or other factors may occur during the term of your Franchise Agreement. As a result of those changes, we may make changes to the System which may include modifications to the services you must offer, required insurance policies and coverage, suppliers,



specifications, and other aspects of the System. You must comply with all of the changes that we make.

**ITEM 9.**  
**FRANCHISEE’S OBLIGATIONS (NON FRANCHISOR MANAGED)**

**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.**

| <b>Obligation</b>                                           | <b>Section in Agreement</b>                                                                       | <b>Disclosure Document Item</b> |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------|
| a. Site selection and acquisition/lease                     | Franchise Agreement (FA):<br>§§3.3; 3.4<br><br>Multi-Unit Development Agreement (MUDA): §7.1, 7.2 | Items 6 & 11                    |
| b. Pre-Opening purchases/leases                             | FA: §§3.4; 7.6; 7.8<br><br>MUDA: §7.2                                                             | Items 8 & 11                    |
| c. Site development and other pre-opening requirements      | FA: §§3.3; 3.4; 3.6<br><br>MUDA: Article 6                                                        | Items 6, 7, 8, & 11             |
| d. Initial and ongoing training                             | FA: §6.6<br><br>MUDA: None                                                                        | Item 11                         |
| e. Opening                                                  | FA: §§6.1; 6.3<br><br>MUDA: Article 6                                                             | Item 11                         |
| f. Fees                                                     | Article 5<br><br>MUDA: Article 5                                                                  | Items 5, 6, & 7                 |
| g. Compliance with standards and policies/operating manuals | FA: §7.4; Article 8<br><br>MUDA: None                                                             | Item 11                         |
| h. Trademarks and proprietary information                   | FA: Article 6; Article 12<br><br>MUDA: Article 8                                                  | Items 13 & 14                   |
| i. Restrictions on products/services offered                | FA: §7.6<br><br>MUDA: None                                                                        | Items 8 & 16                    |

| <b>Obligation</b>                                      | <b>Section in Agreement</b>         | <b>Disclosure Document Item</b> |
|--------------------------------------------------------|-------------------------------------|---------------------------------|
| j. Warranty and customer service requirements          | FA: §7.10<br>MUDA: None             | Item 11                         |
| k. Territorial development and sales quotas            | FA: §5.2<br>MUDA: Article 6         | Item 12                         |
| l. Ongoing product/service purchases                   | FA: §6.11<br>MUDA: None             | Item 8                          |
| m. Maintenance, appearance and remodeling requirements | FA: §§7.4; 10.2; 10.3<br>MUDA: None | Items 6 & 11                    |
| n. Insurance                                           | FA: Article 18<br>MUDA: None        | Item 7                          |
| o. Advertising                                         | FA: Article 9<br>MUDA: None         | Items 6 & 11                    |
| p. Indemnification                                     | FA: §21.1<br>MUDA: None             | Item 11                         |
| q. Owner's participation/management/staffing           | FA: §7.2; Exhibit "G"<br>MUDA: None | Items 11 & 15                   |
| r. Records and reports                                 | FA: Article 10<br>MUDA: None        | Items 6 & 11                    |
| s. Inspections and audits                              | FA: §7.12; Article 11<br>MUDA: None | Items 6 & 11                    |
| t. Transfer                                            | FA: Article 14<br>MUDA: Article 9   | Item 17                         |
| u. Renewal                                             | FA: §2.2<br>MUDA: None              | Item 17                         |
| v. Post-termination obligations                        | FA: Article 16<br>MUDA: None        | Item 17                         |
| w. Non-competition covenants                           | Article 13<br>MUDA: None            | Item 17                         |

| Obligation             | Section in Agreement               | Disclosure Document Item |
|------------------------|------------------------------------|--------------------------|
| x. Dispute resolutions | FA: Article 17<br>MUDA: Article 18 | Item 17                  |

### **FRANCHISEE'S OBLIGATIONS (FRANCHISOR MANAGED)**

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

| Obligation                                                  | Section in Management Agreement             | Disclosure Document Item |
|-------------------------------------------------------------|---------------------------------------------|--------------------------|
| a. Site selection and acquisition/lease                     | Section 1.2 (b)                             | Items 6 & 11             |
| b. Pre-Opening purchases/leases                             | Section 1.3                                 | Items 8 & 11             |
| c. Site development and other pre-opening requirements      | Section 1.3                                 | Items 6, 7, 8, & 11      |
| d. Initial and ongoing training                             | None – Terms of Franchise Agreement Control | Item 11                  |
| e. Opening                                                  | None                                        | Item 11                  |
| f. Fees                                                     | Section 2.1                                 | Items 5, 6, & 7          |
| g. Compliance with standards and policies/operating manuals | None – Terms of Franchise Agreement Control | Item 11                  |
| h. Trademarks and proprietary information                   | None – Terms of Franchise Agreement Control | Items 13 & 14            |
| i. Restrictions on products/services offered                | None – Terms of Franchise Agreement Control | Items 8 & 16             |
| j. Warranty and customer service requirements               | None – Terms of Franchise Agreement Control | Item 11                  |
| k. Territorial development and sales quotas                 | None                                        | Item 12                  |

| <b>Obligation</b>                                      | <b>Section in Management Agreement</b>      | <b>Disclosure Document Item</b> |
|--------------------------------------------------------|---------------------------------------------|---------------------------------|
| l. Ongoing product/service purchases                   | None                                        | Item 8                          |
| m. Maintenance, appearance and remodeling requirements | None -Terms of Franchise Agreement Control  | Items 6 & 11                    |
| n. Insurance                                           | None – Terms of Franchise Agreement Control | Item 7                          |
| o. Advertising                                         | None                                        | Items 6 & 11                    |
| p. Indemnification                                     | None – Terms of Franchise Agreement Control | Item 11                         |
| q. Owner’s participation/management/staffing           | None                                        | Items 11 & 15                   |
| r. Records and reports                                 | None                                        | Items 6 & 11                    |
| s. Inspections and audits                              | None                                        | Items 6 & 11                    |
| t. Transfer                                            | None – Terms of Franchise Agreement Control | Item 17                         |
| u. Renewal                                             | None – Terms of Franchise Agreement Control | Item 17                         |
| v. Post-termination obligations                        | None – Terms of Franchise Agreement Control | Item 17                         |
| w. Non-competition covenants                           | None – Terms of Franchise Agreement Control | Item 17                         |
| x. Dispute resolutions                                 | None – Terms of Franchise Agreement Control | Item 17                         |

## **ITEM 10. FINANCING**

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

## **ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

**Except as listed below, we are not required to provide you with any assistance.**

### **Pre-Opening Obligations:**

Before you open your Store, we will provide you with the following assistance:

1. Protected Territory: We shall grant you a Protected Territory within which neither we nor any of our affiliates will sell, establish, or operate another Foot Solutions business (Franchise Agreement Section 1.1).
2. Site Selection: You may operate your Franchise from a location that we approve (Franchise Agreement Section 4.1.2). We will evaluate your proposed site within 15 days of your submission of a complete site approval package (Franchise Agreement Section 3.3). Under the Management Agreement, we will propose an acceptable site, negotiate a lease for compliance with System Standards and manage the build-out of the Store. (Management Agreement Section 1.2 (d)).
3. Plans: We will provide you sample plans for the construction of a typical Foot Solutions Business (Franchise Agreement Section 4.1.3).
4. Opening Assistance: We will provide 1 of our employees to assist with the opening of your Business for a period of 3 days (Franchise Agreement Section 4.1.5). Under the Management Agreement, we will be responsible for all day-to-day operations, including opening of the Store. (Management Agreement, Section 1.2 (d)).
5. Confidential Operations Manual: After you sign your Franchise Agreement, and pay your Initial Franchise Fee, we will loan you or provide you with access to the electronic version of one copy of our Operations Manual which describes our methods of operation and includes other operational information. The Operations Manual remains our property, and you must give all parts, reproductions, etc. back to us when and if you no longer own and/or operate your Franchise. The Table of Contents of the Operations Manual is attached as Exhibit "F" to this Disclosure Document (Franchise Agreement Sections 4.1.1). The total number of pages in the Operations Manual is 66.
6. Training: We will furnish you and your manager with the Foot Solutions Initial Training program (Franchise Agreement Section 3.1.4). Any additional trainings will be communicated as they are formulated and made available by the Franchisor.
7. Specifications for Equipment and Supplies: We will provide you with our mandatory specifications for the equipment and supplies you will need to operate your Franchised Business (Franchise Agreement Section 4.1.4). Under the Management Agreement, we will procure all required equipment and supplies at franchisee's expense. (Management Agreement, Section 1.2 (d)(3)).
8. Grand Opening Advertising: We will advise you on initial marketing plan for the Franchised Business (Franchise Agreement Section 4.1.6). Under the Management Agreement, we will oversee all advertising, marketing, and promotion of the Store, at franchisee's expense. (Management Agreement, Section 1.2 (d) (8)).
9. Internet Presence: We will establish a presence for your Business on any internet web site that we establish for the franchise system (Franchise Agreement Section 4.1.8).

**Post Opening Obligations:**

Obligations During Operations: During your operation of your Franchise, we will provide you with the

following assistance:

1. We will provide reasonable consultation and advice in response to your inquiries about specific administrative and operational issues of your Franchised Business (Franchise Agreement Sections 4.2.1). Under the Management Agreement, we will devote our full-time, best efforts to the operation of the Store, and will consult with franchisee on actions that are out of the ordinary course of business. (Management Agreement, Section 1.2 (a)).
2. We will administer the Brand Fund (Franchise Agreement Section 4.2.2).
3. We will make goods and services available to you either directly or through approved suppliers (Franchise Agreement Section 4.2.3).
4. We will periodically revise the Operations Manual to incorporate new developments and changes to the Foot Solutions System (Franchise Agreement Section 4.2.4).
5. We may also hold statewide, regional, or national conferences or conventions to discuss promotional techniques, performance standards, advertising programs and general topics. You are required to attend those conferences. You must pay for all of your travel and lodging expenses (Franchise Agreement Section 4.2.5).
6. We will conduct periodic inspections of the Business licensed herein and periodic evaluation of the services rendered by the Franchisee (Franchise Agreement Section 4.2.7).
7. We will provide you with access to advertising and promotional items and materials that we may develop for promotion of the Foot Solutions System. We are not however, required to develop any advertising or promotional items or materials. You will be required to purchase the advertising materials if we so direct and if you desire to use them, including all costs of shipping (Franchise Agreement Section 4.2.8).
8. We will use our efforts to maintain high standards of quality, appearance and professionalism and service of your Franchise (Franchise Agreement Section 4.2.9).
9. We will, at your request, examine information or samples provided by you about products or services which are not approved by us but which you would like to offer from your Franchise. We will decide based on the information supplied by you and by information we might obtain somewhere else, whether or not to approve the product or service you have presented to us. We will provide you with our approval or disapproval within 90 days of receiving your written request (Franchise Agreement Section 4.2.11).
10. Provide additional optional training on an as-needed basis (Franchise Agreement Section 4.2.12).

**Multi-Unit Development Agreement:** Under the Multi-Unit Development Agreement we will provide you with the following assistance:

1. We will grant you the exclusive rights to a Development Area within which you will assume the responsibility to establish and operate an agreed-upon number of Foot Solutions Stores under separate Franchise Agreements (Multi-Unit Development Agreement, Section 2.1).
2. We will review site survey information on sites you select for conformity with our standards and criteria

for potential sites and, if the site meets our criteria, approve the site for a Store (Multi-Unit Development Agreement, Section 7.1).

3. We will review your lease for conformity to our requirements (Multi-Unit Development Agreement, Section 7.2).

### **Site Selection**

When you sign your Franchise Agreement, we will designate an area within which you must find a suitable location for your Store. Your Franchise Agreement may be modified after it is signed to insert your territory. Your Territory will contain approximately 100,000 residents at the time of selection and must be approved by us in our sole discretion. Foot Solutions Stores typically operate from spaces of 1,200 to 1,500 square feet in upscale strip centers. The locations usually are leased from third parties. We do not sublease or guaranty our franchisee's leases. We may retain real estate brokerage firms to find potential sites in areas which have a high foot and vehicle traffic count, a high sales volume per square foot, a minimum household income, a certain average number of persons per household, and a minimum percentage of people who are in our target for age and profession. We also examine growth patterns of the area, construction activity and proximity to potential referral sources. We will review your proposed lease of the Store premises to determine whether it meets our criteria. Once we approve the location and the lease, you must conform the premises to the requirements of local ordinances and building codes and acquire all required building permits at your own expense. You must use our plans, modified at your expense to meet local requirements to construct the Store. You will have 3 months from the date you sign a Franchise Agreement to locate a site which we approve and to open your Business. If you are not open within 9 months, we may terminate your Franchise Agreement and you will not receive a refund of any franchise fees.

### **Typical Length of Time to Open**

The typical length of time between signing a Franchise Agreement and opening a Foot Solutions Business is 3-6 months. The difficulty of securing an appropriate location in some marketplaces is the principal factor that may cause you to open later.

### **Advertising**

#### Local Advertising Requirement

You must spend at least \$1,500 or 5% of sales (whichever is greater) per month on local advertising within your territory during the term of the Franchise Agreement (the "Local Advertising Expenditure") (Franchise Agreement Section 9.1). You must use our marketing department or outside agencies that we designate to manage and conduct all of your local marketing efforts to ensure a consistent marketing message for the Foot Solutions brand. You must provide us with documentation of your monthly Local Advertising expenditures upon our request (Franchise Agreement Section 9.1.4). You are required to spend a minimum of \$8,000 for a Grand Opening marketing campaign beginning minimum one month prior to opening to help establish name recognition in your area. (Franchise Agreement Section 9.2). You may not use any advertising or promotional plans or materials unless and until you have received written approval from us (Franchise Agreement Section 9.1.7).

### Advertising Cooperatives

There currently are no Advertising Cooperatives in place for the franchise system. We do, however have the authority to require you to form an Advertising Cooperative in your local or regional market area and to require you to contribute to or participate in an Advertising Cooperative. The contribution to the Advertising Cooperative will be determined by majority vote of the Cooperative, but the minimum amount will be equal to the Franchisee's local advertising requirement. Each franchisee owning one (1) location in the Cooperative will have one (1) vote and the franchisor will also have one (1) vote. Franchisor or affiliate owned health clubs will also be members of the Cooperative in its area. The franchisees will be responsible for administering the Cooperative and will operate from written governing documents which must be approved by the franchisor. The cooperatives must prepare annual financial statements in accordance with franchisor's guidelines and make those reports available to all members of the Cooperative and to the franchisor. The franchisor has the power to require cooperatives to be formed, merged, changed or dissolved.

We do not have a franchisee advisory council that specifically advises us on advertising policies, we do have a franchisee advisory council that may make recommendations to us concerning matters that relate to marketing.

### Internet/Social Media Activities

We maintain a website that provides information about the System, the products and services offered by franchisees, and we will have sole discretion and control over it. We also have the sole right to create interior pages on our website(s) that contain information about your business and other franchised and company owned locations.

You may not establish a presence on, or market using, the Internet without our prior written consent. If you disagree with the content of your Franchisee's Page, our determinations will control. We retain the sole right to advertise or use the Marks on the Internet. We retain ownership of your Facebook, Facebook groups and communities, Google, Yahoo, Bing, Yelp, and any other online business profile pages. We will establish your internet presence and add the franchisee as administrator; however, franchisee must immediately provide all login and password credentials to franchisor if they are changed. We may require you to provide content for our Internet marketing pages. Should your internet presence become inactive or fails to comply with system standards, Franchisor may assume control of all internet activities for your Store. You must comply with our intranet and Internet usage rules, style guide, and requirements. We retain the sole right to approve any linking to, or other use of, the Foot Solutions Internet site. (Franchise Agreement Section 9.4) You must also establish or maintain a landing/splash page, online business profile or other presence on the Internet through any internet or social networking site in connection with the operation of your Store, including but not limited to Facebook, LinkedIn, MySpace, Plaxo, Twitter, Instagram, Snapchat, YouTube or any other social media platforms that may be required by Franchisor that uses any variation of the Marks or references the System. We must also approve your use of linking and framing between web pages and all other websites.

### National Marketing

We do not have a Brand Fund or other National Advertising or Marketing Fund. We no longer collect a fee from our franchisees to support those funds.

In previous years, our fees included both a Royalty and Brand Fund Contribution. During the most recently concluded fiscal year, December 31, 2023 we collected \$82,000 from franchisees and expended \$82,000. The expenditures were as follows:



Media Placement - ; Sponsorships - ; Website - ;Email marketing system -

### Our Control Over Your Advertising

We have the right to approve any advertising and marketing materials that you propose to use that we have not provided or supplied to you. We will have 10 days to approve or disapprove the use of our materials in the media you propose. If we have not approved the use of the materials within 10 days, they are deemed not approved. (Franchise Agreement Section 9.2.7).

### **Computer Systems**

You must purchase and use in your Store the Foot Solutions Technology Systems that we specify. These systems are used for analyzing and creating specialized scan images of customers' feet for the purposes of manufacturing custom orthotics. Foot Solutions, Inc. will supply the hardware and software used for these purposes .

You also must purchase and use at all times the approved Point of Sale System which is currently the Heartland Point of Sale System ("POS"). The cost for this system is approximately \$1,300, including a desktop computer. We will access all information stored on your POS system and other electronically stored information on your computer system at any time, and you must make access available to us at all times. We reserve the right to change or to require you to upgrade or update the Computer System at any time. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. We are not required to provide ongoing maintenance, repairs, upgrades or updates to your Computer System. We anticipate the annual cost for you to maintain, repair or update the Computer System will be covered in your warranty with the provider. We have independent, unlimited access to the information generated by the computer system. There are no contractual limitations upon our ability to access your computer information. We also have the right to use that information for the benefit of our franchise System in any manner we chose. We or our approved vendor may condition any license of proprietary software to you, or your use of technology that we or our approved vendors develop or maintain, on your signing the Software License Agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities concerning, the software or technology. We or our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the franchise term. We do not currently require you to license any proprietary software from us or from our affiliates; however, we reserve the right to do so in the future.

All customer data is the sole property of Foot Solutions, Inc., and you may not transfer it (unless done so in conjunction with the approved sale of your franchise) or use it after the termination of your franchise.

### **Manuals**

The table of contents of our Operations Manual, Marketing Manual and Retail Inventory Control System Manual may be found at Exhibit E. You will also have access to the FS private talent management website for training modules, best practices, marketing materials, etc.

## **Training**

We use internally developed training modules for our training, and we conduct additional training in the field throughout the year. Training is provided on the internet, classroom instruction, and in our corporate Stores in the Atlanta area.

You, or if you are an entity, your Controlling Principal, your designated manager, or assistant manager must attend, and complete to our satisfaction, our initial training program. You and any of your employees may attend the Operations Training. You must pay for all travel, lodging and wages incurred by you and your staff when attending training. Training generally is scheduled for as close as possible to the projected opening date of your Store.

Note: The Subjects listed below, and the time allotted to those subjects are subject to change based on the experience of the Franchisees.

Besides the training described above, we will provide you with in field assistance with your opening plus additional training, as we deem appropriate.

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## TRAINING PROGRAM

| Hours      | Subject                                                                                   | Location               |
|------------|-------------------------------------------------------------------------------------------|------------------------|
| 0.5        | GOOGLE training (email, docs, sheets, meets, drive, ect)                                  | In-Store with Trainer  |
| 1.0        | HR - How to setup a new employee (welcome email, email setup, timeclock setup, schedule)  | In-Store with Trainer  |
| 0.1        | <b>Common Foot Problems - Metatarsalgia</b>                                               | Online                 |
| 0.1        | <b>Common Foot Problems - Overpronation</b>                                               | Online                 |
| 0.1        | <b>Common Foot Problems - Bunion</b>                                                      | Online                 |
| 0.1        | <b>Common Foot Problems - Post-Tib Tendonitis</b>                                         | Online                 |
| 0.1        | <b>Common Foot Problems - Heel Spurs</b>                                                  | Online                 |
| 0.2        | <b>Common Foot Problems - Calluses</b>                                                    | Online                 |
| 0.1        | <b>Common Foot Problems - Achilles Tendonitis</b>                                         | Online                 |
| 0.1        | <b>Common Foot Problems - Foot Injunes</b>                                                | Online                 |
| 0.2        | <b>Common Foot Problems - Hammer Toes</b>                                                 | Online                 |
| 0.2        | <b>Common Foot Problems - Overlapping Toes</b>                                            | Online                 |
| 0.1        | <b>Common Foot Problems - Ingrown Toenails</b>                                            | Online                 |
| 0.1        | <b>Common Foot Problems - Morton's Toe</b>                                                | Online                 |
| 1.0        | <b>Review - Opening/Closing Store Procedures (Cash Drawer, Store Cleaning, Processes)</b> | In-Store Heartland POS |
| 1.5        | <b>POS Heartland - Sales Training Basics</b>                                              | In-Store Heartland POS |
| 1.5        | <b>POS Heartland - Custom Order Creation</b>                                              | In-Store Heartland POS |
| 2.0        | Foot Solutions Scanner - How to use the scanner (Scan, input customer information, place  | In-Store with Trainer  |
| 3.0        | Merchandising Basics: OTCs, Socks and Shoes - Why we stock certain styles/brands          | In-Store with Trainer  |
| 1.0        | Stockroom Basics: How to maintain and organize backroom                                   | In-Store with Trainer  |
| 0.1        | <b>Common Foot Problems - Corns</b>                                                       | Online                 |
| 0.1        | <b>Common Foot Problems - Claw Toes</b>                                                   | Online                 |
| 0.1        | <b>Common Foot Problems - Turf Toe</b>                                                    | Online                 |
| 0.1        | <b>Common Foot Problems - Mallet Toe</b>                                                  | Online                 |
| 2.0        | <b>POS Heartland - PO Creation, Receiving and RTVs</b>                                    | In-Store Heartland POS |
| 2.5        | (b) Unit 2 Shoe Construction & Design                                                     | Online                 |
| 4.6        | (c) Unit 3 Measuring the Foot and Shoe Fitting                                            | Online                 |
| 2.3        | (e) Unit 5 Capturing the Feet With Appropriate Technique                                  | Online                 |
| 0.5        | <b>Watch and Review - Brooks Training Videos</b>                                          | Online                 |
| 0.5        | <b>Watch and Review - Foot Solutions OTC Training Videos</b>                              | Online                 |
| 1.0        | <b>Practice - Sales Presentation Steps, Observe and Practice</b>                          | In-Store with Trainer  |
| 1.0        | <b>Execute - Opening and closing procedures in the store</b>                              | In-Store with Trainer  |
| 3.0        | Practice checking out customers in POS Heartland (Trainer Observes)                       | In-Store Heartland POS |
| 2.0        | <b>POS Heartland - Reporting</b>                                                          | In-Store Heartland POS |
| 1.0        | <b>POS Heartland - Initiate/Process an Inventory Count</b>                                | In-Store Heartland POS |
| 4.0        | <b>Execute - Sales Presentation Process for customers</b>                                 | In-Store with Trainer  |
| 2.0        | <b>Practice - Pedorthic Bench Training: Grinder, Materials, Tools</b>                     | In-Store with Trainer  |
| 2.0        | Brooks Training Clinic                                                                    | In-Store with Trainer  |
| 1.0        | Watch and Review - Aetrex Training Videos                                                 | Online                 |
| 7.0        | (a) Unit 1 Anatomy of Lower Extremity                                                     | Online                 |
| 5.0        | (h) Unit 8 Improve Awareness of Foot Biomechanical                                        | Online                 |
| 6.0        | (j) Unit 10 Shoe Technology & Gait Enhancement Specifics                                  | Online                 |
| 2.0        | <b>Practice - Modifications and Fabrications</b>                                          | In-Store with Trainer  |
| 1.6        | (f) Unit 6 Foot Orthotic Materials                                                        | Online                 |
| 0.1        | <b>Common Foot Problems - Diabetic Foot</b>                                               | Online                 |
| 0.1        | <b>Common Foot Problems - Rheumatoid Arthritis</b>                                        | Online                 |
| 0.1        | <b>Common Foot Problems - Diabetic Neuropathy</b>                                         | Online                 |
| 0.2        | <b>Common Foot Problems - Osteoarthritis</b>                                              | Online                 |
| 0.1        | <b>Common Foot Problems - Gout</b>                                                        | Online                 |
| 3.0        | (l) Unit 12 Diabetic Foot                                                                 | Online                 |
| 4.0        | (m) Dispensing Custom Foot Orthotics, Custom Shoes                                        | Online                 |
| 2.0        | (n) Unit 14 Orthotic Therapy Treatment Plan                                               | Online                 |
| 2.0        | (i) Unit 9 Coordination of Health Care Professionals                                      | Online                 |
| 4.2        | (g) Unit 7 In Shoes Padding, Insole, Orthotic Padding & Foot Aids                         | Online                 |
| 2.0        | (k) Unit 11 Heat Mold, Direct Mold & Fit for Prefabricated Inserts                        | Online                 |
| 0.5        | <b>Pre-Work - Anatomy</b>                                                                 | Online                 |
| 0.8        | <b>Pre-Work - Common Foot Pathologies</b>                                                 | Online                 |
| 0.3        | <b>Pre-Work - Diabetes</b>                                                                | Online                 |
| 0.3        | <b>Pre-Work - Terminology</b>                                                             | Online                 |
| 0.4        | <b>Pre-Work - Documentation</b>                                                           | Online                 |
| 0.2        | <b>Pre-Work - Ethics</b>                                                                  | Online                 |
| 8.0        | Certified Shoe Fitter Training                                                            | Online                 |
| 4.9        | (d) Unit 4 Comprehensive Pedorthic Examination of the Foot and Ankle                      | Online                 |
| 0.5        | Schedule ABC Certified Shoe Fitter Course Exam                                            | ABC                    |
| 4.0        | Take ABC Certified Shoe Fitter Course Exam                                                | ABC                    |
| <b>102</b> | <b>Total</b>                                                                              |                        |

**Note:**

We will provide and pay only for the training instructors, facilities, and training materials in connection with your initial training. Training materials include manuals, videos, web based, and use of all of the equipment, inventory, and supplies in the full mockup store. You must pay all other expenses related to training.

**Instructors' Experience**

| <b>Instructor</b>                            | <b>Experience</b>                                                                  |
|----------------------------------------------|------------------------------------------------------------------------------------|
| Erik Saterbo<br>Controller                   | Over 10 years of experience with full cycle accounting management                  |
| Regional Corporate Pedorthists               | Certified and Licensed Pedorthists regionally located to provide hands on training |
| Taylor Berry<br>Vice President of Operations | Over eight years of retail operations experience.                                  |
| Supporting Staff                             | 5 to 20 years plus experience                                                      |
| Marek Zajac<br>VP of Business Development    | Over 20 years of experience in biomechanics and orthopedics                        |

You also must attend and/or participate in annual meetings, regional meetings, and quarterly web-based training. Currently, that is at least one meeting annually. You must pay for your travel, living and any expenses related to training. If you and we enter into the Management Agreement, participation in all aspects of the Initial Training Program will not be required for Franchisee's Controlling Principal.

**ITEM 12.**

**TERRITORY**

Your Franchise Agreement will designate an area within which you must obtain a site for your Store which meets our requirements, and which we approve. Once we have approved the location, we will grant you a "designated territory" containing approximately 100,000 people. Your designated territory will usually be defined either as a circle with a radius around your Store (usually 5 to 10 miles depending on demographics), or a specific postal code. However, we may deviate from these general parameters in designating your territory, based on the demographics of the area and other variables. Our Franchise Agreement grants you the right to only operate a single Store. The Franchise Agreement gives you no right to acquire additional franchises or to relocate your Business without our approval. If you close your Business because of unforeseen conditions, and you have been in compliance with your Franchise Agreement, we will allow you to relocate to a new area which we must approve in advance.

Your rights within your designated territory are dependent on your being in full compliance with your Franchise Agreement. You are not required to meet sales quotas to keep your designated territory, however, you are required to attain Net Sales of \$450,000 in your third and subsequent years of operation. If you are in default of your obligations, we may establish Stores or grant franchises to establish other Stores within your designated territory.

We host a website for the use of our franchisees which is supported by the Brand Contribution Fund. Franchisees may only use our website and our URL to advertise or promote their Businesses. All other sites or web-based marketing materials or electronic marketing (including, but not limited to social media, instant messaging, professional networking sites, etc.) are permitted only in compliance with the Manual

Within your designated territory, so long as you are in compliance with your Franchise Agreement, we will not establish other Foot Solutions Stores in your protected territory. The Franchise Agreement only gives you the right to operate a retail Store from a single location and to sell products and services to customers using the Foot Solutions Names and Marks. It does not grant you rights to use any other channels of distribution, such as the internet, catalog sales, direct marketing, etc. All rights not expressly granted to you in the Franchise Agreement are reserved to us. We may establish Stores anywhere we elect to do so outside your designated territory. We may use any and all other channels of distribution to distribute products and services under the Foot Solutions Names and Marks, or under any other brand without any compensation to you. We, or companies affiliated with us or our respective franchisees or dealers may establish retail stores within your designated territory which operate under different trademarks. We and other franchisees also may attend conventions, trade shows and other public events within your designated territory for the purpose of promoting Foot Solutions products and services. We have the right to acquire or be acquired by a competitor which may franchise, operate, or own stores in your territory. Neither we nor other franchisees have a duty to compensate you for activities that do not violate your Franchise Agreement.

You may not engage in the direct solicitation of customers or advertise outside of your Territory. You may serve any customer that comes into your Store, regardless of where they live. We impose no restrictions on where your clients may come from. We may not alter or modify your Territory without your consent.

Unless you enter into a Multi-Unit Development Agreement with us, you will not receive an option, right of first refusal, or similar right to acquire additional franchises.

#### Multi-Unit Development

You do not have the right to establish additional franchised outlets unless you sign a Multi-Unit Development Agreement (“MUDA”) in the form attached as Exhibit C to this disclosure document. You will be granted an exclusive Development Territory in which you will develop the additional Stores. If you and we sign a MUDA, then you will have the right to establish up to 3 outlets. Under the MUDA, your right to develop additional outlets is subject to (i) your compliance with the mutually agreed upon development schedule; (ii) you must have sufficient financial and organizational capacity to develop, open, operate and manage additional Stores; (iii) your compliance with all System Standards; and (iv) you must not be in default under any other agreement with us. We will approve the location of future sites in accordance with our then-current standards. You will sign your first franchise agreement when you sign the MUDA. You will sign our then-current form of franchise agreements at 6 months prior to the required opening date of each of the additional Stores under the Development Schedule.

### **ITEM 13. TRADEMARKS**

The Franchise Agreement grants you the right to use the following principal trademarks in the operation of your Business, which have been registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

1. FOOT SOLUTIONS and design, which was registered on April 9, 2002, Registration No. 2,558,576.



2. REJUVENATE YOUR SOLE, which was registered on September 4, 2012, Registration No. 4,203,439.

3. BETTER HEALTH THROUGH YOUR FEET, which was registered on February 23, 2010, Registration No. 3,751,439.

4. PERFETTO FOOT SOLUTIONS, which was registered on March 29, 2016, Registration No. 4,925,906.



5. STRIDEWELL, which was registered on September 26, 2023, Registration No. 7,178,055.

We have filed all required affidavits with the USPTO to maintain the registrations.

There are no currently effective determinations of the USPTO, 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 our principal trademarks that may significantly affect the ownership or use of any trademark listed above.

We know of no superior prior rights or infringing use which could significantly affect your use of our principal trademarks. There are no agreements currently in effect which significantly limit our rights to use or license you to use our principal trademarks in any manner significant to the franchise or that are material to our franchisees.

You must immediately notify us of any apparent infringement of our trademarks or of any challenge to your use of any of our trademarks or of any claim by any person of any rights in any of our trademarks. You and your Controlling Principal(s) are not permitted to communicate with any person other than us or our designated affiliate, their counsel and your counsel involving any infringement, challenge, or claim. We and our affiliate may take action and have the right to exclusively control any litigation or Patent and Trademark Office or other administrative or agency proceeding caused by any infringement, challenge or claim relating to any of our trademarks. You must execute any and all documents, and do what may, in our counsel's opinion, be necessary or advisable to protect our interests in any litigation or USPTO or other administrative or agency proceeding, or to otherwise protect and maintain our interests and the interests of any other person or entity having an interest in our trademarks.

We will indemnify you against and reimburse you for all damages for which you are held liable because of your use of any of our trademarks, provided that you and your Controlling Principals' conduct in the proceeding and your use of our trademarks is in full compliance with the terms of the Franchise Agreement. We will take all steps which are reasonably necessary to preserve and protect our ownership of our principal trademarks.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use our trademarks or to protect you against claims of infringement or unfair competition with respect to them.

We may require you, at your expense, to discontinue or modify your use of any of our trademarks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems, and indicia of origin if we determine that an addition or substitution will benefit the System.

The license to use our trademarks granted in the Franchise Agreement is nonexclusive. We have and retain certain rights in our trademarks including the following rights:

1. To grant other franchises for the use of our trademarks in addition to those franchises already granted to existing Franchisees;
2. To develop and establish other systems using our trademarks or other names or marks, and to grant franchises in those systems without providing any rights to you; and
3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services, and (b) the use of our trademarks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose.

#### **ITEM 14.**

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

We do not own rights in or to any patents or registered copyrights that are material to the franchise. We intend to register the copyright for our manuals, and certain marketing, sales, and operations literature. We do have the Foot Solutions Technology group of products and custom orthotics. All Foot Solutions franchise locations must use the FS Technology branded line. Our custom orthotics are hand crafted in our lab and brings each Foot Solutions store the same unique products at favorable costs.

You will not be licensed to use an item covered by a patent or copyright, but you will use the proprietary information in our manuals. Although we have not filed an application for a copyright registration for our manuals, we claim copyright protection in those materials. The contents of our manuals are trade secrets and are proprietary. You must promptly tell us when you learn about unauthorized use of our proprietary information. We are not obliged to take any action, but we will respond to this information to determine an appropriate response. If we do initiate litigation, you must cooperate with us and comply with the same standards relating to the dispute as we described in Item 13 for trademark disputes. We will indemnify you against losses if you are sued by a third-party claiming ownership of our proprietary information.

### **Confidential Operations Manuals and Private Web Site**

You must conduct your business in accordance with the provisions, standards and procedures set forth in our manuals and on our private web site. You must at all times treat the contents of the manuals, our private web site, and all information we create for use in the operation of Stores, and any information contained therein, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. The manuals and all information on the private web site are our property. On the expiration or termination of the Franchise Agreement, all of our manuals and all copies of our proprietary information must be returned to us.

We may revise the contents of our manuals and our private web site, and you expressly agree to comply with each new or changed provision. Revisions to the contents of the manuals will be deemed effective when we notify you that the revisions are available on our private web site. You must at all times ensure that your manuals are current and up to date by reviewing them immediately on being notified of updates. If a dispute as to the contents of the manuals occurs, the terms of the master copies of the manuals maintained at our principal office, will be operating. You must not at any time, without our prior written approval, copy, duplicate, record or otherwise reproduce our manuals or our other confidential information, in whole or in part for use by any unauthorized person. However, all our manuals may be downloaded and printed for use by you and your staff.

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

You or your principal owner must at all times faithfully, honestly, and diligently perform your obligations under the Franchise Agreement. You must designate a person to serve as our primary contact with the Franchised Business. The Store may be managed by a manager (the “Manager”) who will personally supervise the day-to-day activities of the Franchised Business. The initial designated Manager must successfully complete our initial training program as well as all additional training as we deem necessary. The Manager is not required to own an equity interest in the franchise entity. You, your principal owner or designated Manager must dedicate its full time and best efforts to the management and operation of the Franchised Business. If your Manager’s employment is terminated, you must designate a new Manager who you must train. If you request that we train any replacement Manager, we may charge a reasonable training fee. If your Store is managed by the Franchisor or its affiliate, then all management functions will be performed by the Franchisor or an affiliate pursuant to the terms of the Management



Agreement. You must, however, execute the Guaranty, and Non-Disclosure and Non-Competition Agreement.

You must at all times keep us advised of the identity of your Manager. We may deal with the Manager on the day-to-day operations of and reporting requirements for the Business. You must hire all personnel for your Business and are solely responsible for the terms of their work, training, compensation, management, and oversight. We require you to obtain confidentiality, non-compete, and non-solicitation agreements from your personnel, including you and your Manager. You may not hire, retain, or engage sub-contractors to perform the services required under the Franchise Agreement without our advance written consent, which we may withhold at our sole discretion.

If you are a business entity, we require that each of your owners, partners, shareholders, or members (and, if you are an individual, immediate family members) owning equity of that entity (i) provide us with financial information that we may reasonable require, and (ii) execute our standard Guaranty and Non-Disclosure and Non-Competition Agreement. (See our Personal Guaranty of Franchisee's Principal Owners which is attached as Schedule D to the Franchise Agreement and our Confidentiality, Non-Use and Non-Competition Agreements which are attached as Schedule E and Schedule F, respectively, to the Franchise Agreement)

#### **ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may offer and sell only those goods and services that we have approved. You must offer all goods and services that we designate as required for all franchisees, including our FS Technology products and all privately labeled and exclusive product lines. You may only sell custom orthotics that have been produced by us or by a designated supplier. You must use only the Foot Solutions Technology equipment in your franchised business.

You are not limited by the terms of the Franchise Agreement or any other agreement, or any device or practice of Foot Solutions, in the customers with whom you may do business or in the prices you may charge. However, we do recommend that you follow our suggested prices and prices are consistent in areas where multiple Foot Solutions are operating. We may change or modify, without limitations, the types, brands and standards of the goods and services which you must or are permitted to offer and sell.

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**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

| <b>Provision</b>                           | <b>Section in Agreement</b>                                        | <b>Summary</b>                                                                                                                                                                                                                                                                                             |
|--------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term            | FA: §2.1<br><br>Multi-Unit Development Agreement (MUDA): Article 3 | 10 years from the date of execution of the Franchise Agreement<br><br>Length of Development Schedule                                                                                                                                                                                                       |
| b. Renewal or extension of the term        | FA: §2.2<br><br>MUDA: None                                         | If you are in compliance with the Franchise Agreement, you may renew the Franchise Agreement by signing our then current standard form of Franchise Agreement for 1additional term of 10 years. New Franchise Agreements may differ materially from your initial Franchise Agreement<br><br>Not Applicable |
| c. Requirements for you to renew or extend | FA: §§2.2.1 – 2.2.8<br><br>MUDA: None                              | Written notice of election to renew (6-12 months); renovation; sign new Franchise Agreement (which may have materially different terms and conditions as the original agreement); meet training requirements; and sign release.<br><br>Not Applicable                                                      |
| d. Termination by you                      | FA: §15.1<br><br>MUDA: None                                        | You may terminate the Agreement if we fail to cure a breach within 60 days after you deliver written notice.<br><br>You may seek to terminate on any grounds permitted by law.                                                                                                                             |



| Provision                                      | Section in Agreement                   | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| h. “Cause” defined – non curable defaults      | FA: §15.4<br><br>MUDA:§10.2            | Non-curable defaults include, among others: (i) insolvency or bankruptcy; (ii) breach of requirements relating to proprietary information or licensed marks; (iii) under reporting of gross revenues; (iv) unauthorized business activities; (v) material, false statements or reports; (vi) breach of non-competition agreements; (vii) repeated events of default; (viii) failure to develop, open and operate the Franchised Business within time period required; (ix) conviction of a plea of no contest to a felony;(x) engaging in any dishonest or unethical conduct which adversely affects the reputation of the Franchised Business or the goodwill associated with the system or licensed marks; (xi) unauthorized disclosure of financial information; (xii) abandonment of the Franchised Business; (xiii) failure to pay taxes when due; and (xiv) using non-approved suppliers for required products or for the production of custom orthotics.<br><br>MUDA: failure to meet development schedule; violation of franchise agreement or other agreement which gives us a right to terminate it. |
| i. Your obligations on termination/non-renewal | FA: Article 16<br><br>MUDA: Article 11 | Your obligations include: cease operation of the Franchised Business; pay all sums due to us; return the Operations Manual and all trade secret and confidential materials; cancel all trade-name registrations; provide us with information concerning your employees, clients, etc.; cease use of our methods, procedures, technology and techniques; cease all use of the Marks; remove all trade dress and other indications that identify you as a former franchisee of ours. You and all covered persons must comply with the post-term covenant not to compete. If termination is the result of your default, you must pay our reasonable attorney’s fees and costs.<br><br>You must stop selecting sites for Stores and you may not open additional Stores                                                                                                                                                                                                                                                                                                                                             |
| j. Assignment of contract by us                | FA:§14.1<br>MUDA: §9.1                 | Franchise Agreement is assignable by us with no restrictions.<br><br>MUDA is assignable by us with no restrictions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Provision                                   | Section in Agreement        | Summary                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| k. "Transfer" by you – definition           | FA: §14.2<br><br>MUDA: §9.2 | Includes the direct or indirect sale, assignment, transfer, conveyance, gift, pledge, mortgage or otherwise encumbering any interest in the Franchise Agreement, the business or its assets, or any ownership change in you or your owners.<br><br>Includes transfer of any interest in the Development Agreement. |
| l. Franchisor's approval of transfer by you | FA: §14.4<br><br>MUDA: §9.4 | We have the right to approve all transfers in writing and will not unreasonably withhold approval.<br><br>No transfers without our approval                                                                                                                                                                        |

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| Provision                                              | Section in Agreement                           | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| m. Conditions for our approval of transfer             | <p>FA: §§14.5.1 – 14.5.9</p> <p>MUDA: §9.4</p> | <p>We will approve a proposed transfer if : (i) all of your accrued monetary obligations to us have been paid; (ii) all existing defaults under the Franchise Agreement have been cured; (iii) you execute a general release in favor of us and our affiliates; (iv) you provide us a copy of the executed purchase agreement; (v) the proposed transferee meets our qualifications; (vi) the transferee executes our then-current franchise agreement; (vii) the transferee successfully completes our training program; (viii) you comply with the post-term provisions of the Franchise Agreement; (ix) the transferee obtains all necessary licenses and permits required to operate the Franchised Business; (x) the transfer is made in compliance with all applicable laws; (xi) the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business; (xii) our approval of the transfer shall not constitute a waiver of any claims we may have against the transferor; (xiii) we shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning you and your Business as you have supplied to us; (xiv) Franchisee must execute a covenant not to compete; and (xv) we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.</p> <p>Conditions for approval of transfer include the buyer meeting our criteria; you are in good standing; you are current in your Development Schedule; payment of Transfer Fee, buyer signs guaranty</p> |
| n. Our right of first refusal to acquire your business | <p>FA:§14.10</p> <p>MUDA: None</p>             | <p>We can match any purchase of franchise.</p> <p>Not Applicable</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| Provision                                                     | Section in Agreement        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| o. Our option to purchase your business                       | FA: §16.2<br><br>MUDA: None | Other than by asset purchase on termination, nonrenewal or right of first refusal, we have no right or obligation to purchase your Franchised Business.<br><br>Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| p. Death or disability of Franchisee                          | FA: §14.7<br><br>MUDA: §9.3 | Upon your death or disability, your representative must transfer your interest to an approved party within six (6) months. Such a transfer is subject to the same terms and conditions as any other transfer; no transfer fee if transferred to immediate family member.<br><br>Upon your death or disability, your representative must transfer your interest to an approved party within six (6) months. Such a transfer is subject to the same terms and conditions as any other transfer.                                                                                                                                                                                       |
| q. Non-competition covenants during the term of the franchise | FA: §13.1<br><br>MUDA: None | No direct or indirect involvement in a competing business. The term “ <b>Competitive Business</b> ” means any business that provides any business that engages in the business of selling or fitting comfort shoes and accessories, orthotics, computerized foot screening or custom shoe inserts, or other services that you offer as part of the Franchised Business, or in any business which grants franchises or licenses to others to operate such a business other than a Foot Solutions business operated under a Franchise Agreement with us. You must not divert any business from your business or from us.<br><br>Not Applicable – terms of Franchise Agreement govern. |

| Provision                                                                 | Section in Agreement            | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| r. Non-competition covenants after the franchise is terminated or expires | FA: §13.1<br><br>MUDA: None     | For a period of 24 months from the termination or expiration of the Franchise Agreement, you may not engage in a Competitive Business in your former Territory, within 10 miles of the location of any other Foot Solutions Franchisee as of the termination date (same restrictions apply after transfer). Excepting the prohibited ongoing use of the Foot Solutions technology systems used for scanning, design, and construction of custom orthotics, the post-term Covenant Not to Compete will not apply to Conversion Franchises that elect to exit the system before the initial 1-year period ends.<br><br>Not Applicable – terms of Franchise Agreement govern.                                                                             |
| s. Modification of the Agreement                                          | FA: §1.2, §9<br><br>MUDA: §7    | The Franchise Agreement may not be modified except by a written agreement that you and we both have signed. We can modify or change the System Standards through changes to the Operation Manual and you are bound by those changes.<br><br>All modifications must be in writing and signed by all parties.                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| t. Integration/merger clause                                              | FA: Article 26<br><br>MUDA: §15 | Only terms of the franchise agreement (or MUDA) are binding (subject to state law). Nothing in the agreement or in any related agreement is intended to disclaim the representations franchisor made in the franchise disclosure document. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.<br><br>Only terms of the Multi-Unit Development Agreement are binding (subject to state law). Nothing in the agreement or in any related agreement is intended to disclaim the representations franchisor made in the franchise disclosure document. Any representations or promises outside of the disclosure document and the Multi-Unit Development Agreement may not be enforceable, |



| <b>Provision</b>      | <b>Section in Agreement</b>            | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| u. Dispute resolution | FA: Article 17<br><br>MUDA: §18        | Except for certain claims, all disputes are subject to binding arbitration in Atlanta, Georgia (subject to state law).<br><br>Except for certain claims, all disputes are subject to binding arbitration in Atlanta, Georgia (subject to state law).                                                                                                                                                                   |
| v. Choice of forum    | FA: §17.7<br><br>MUDA: §18.6           | Subject to arbitration requirements. We have the right to seek injunctive relief and you agree to be subject to the exclusive jurisdiction of the Fulton County, Georgia Courts (subject to state law).<br><br>Subject to arbitration requirements. We have the right to seek injunctive relief and you agree to be subject to the exclusive jurisdiction of the Fulton County, Georgia Courts (subject to state law). |
| w. Choice of law      | FA: Article 24<br><br>MUDA: Article 17 | Except for the Federal Arbitration Act and other federal law, Georgia law governs (subject to state law).<br><br>Except for the Federal Arbitration Act and other federal law, Georgia law governs (subject to state law).                                                                                                                                                                                             |

### **ITEM18. PUBLIC FIGURES**

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

### **ITEM19. FINANCIAL PERFORMANCE PRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned Stores if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in this Item 19 may be given only if: (1) a franchisor provides the actual records of an existing franchise you are considering buying; or, (2) a franchisor supplements the information provided in this Item 19, by providing information about possible performance at a specific location or under certain circumstances.

**Table 1 – Net Sales of Franchised Stores Operating as of December 31, 2023**

|                        | <b>Average</b> | <b>High</b> | <b>Low</b> | <b>Number of Franchised Businesses</b> |
|------------------------|----------------|-------------|------------|----------------------------------------|
| <b>Top Quartile</b>    | \$818,150      | 1,197,574   | 657,993    | 7                                      |
| <b>Median</b>          | \$497,467      |             |            | 29                                     |
| <b>Bottom Quartile</b> | \$322,115      | 382,765     | 261,376    | 7                                      |
| <b>All Locations</b>   | \$523,107      | 1,197,574   | 261,376    | 29                                     |

Note to Table 1: Table 1 excludes 7 Franchised Stores, one of which has failed to report Q4 revenues and three of which were not open a full 12 months in 2023.

**Table 2 – Annualized Major Expenses of the 7 Franchisor-Owned Stores**

| <b>Expense</b>                             | <b>Approximate Amount</b> |
|--------------------------------------------|---------------------------|
| Cost of Goods, Including Freight           | \$199,000                 |
| Average Annual Rent                        | \$49,000                  |
| Average Annual Payroll and Payroll Expense | \$133,000                 |
| Marketing                                  | \$18,000                  |

Note to Table 2: We only collect revenue and gross margin data from franchisees, and do not collect expense information from our Franchisees. The above information is data from corporate stores, so the above information does not include Royalty expenses. Gross Margins at all Stores exceeded 60%.

Written substantiation of the financial performance representation in this Item 19 will be made available to you upon reasonable request.

**Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.**

Other than the preceding financial performance representation, Foot Solutions, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting John Prothro, CEO in writing, at Foot Solutions, Inc., 223 Roswell St., Suite 202, Alpharetta, Georgia 30009, Phone: 404-671-9549, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20.  
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**

**SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2021 TO 2022**

| <b>Outlet Type</b>   | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|----------------------|-------------|-----------------------------------------|---------------------------------------|-------------------|
| Franchised           | 2021        | 51                                      | 48                                    | -3                |
|                      | 2022        | 48                                      | 39                                    | -9                |
|                      | 2023        | 39                                      | 36                                    | -3                |
| Company-Owned        | 2021        | 0                                       | 3                                     | +3                |
|                      | 2022        | 3                                       | 7                                     | +4                |
|                      | 2023        | 7                                       | 7                                     | 0                 |
| <b>Total Outlets</b> | <b>2021</b> | <b>51</b>                               | <b>51</b>                             | <b>0</b>          |
|                      | <b>2022</b> | <b>51</b>                               | <b>46</b>                             | <b>-5</b>         |
|                      | <b>2023</b> | <b>46</b>                               | <b>43</b>                             | <b>-3</b>         |

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TABLE NO. 2

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR)  
FOR YEARS 2021 TO 2023**

| State         | Year | Number of Transfers |
|---------------|------|---------------------|
| All States    | 2021 | 0                   |
|               | 2022 | 0                   |
|               | 2023 | 2                   |
| <b>Totals</b> | 2021 | <b>0</b>            |
|               | 2022 | <b>0</b>            |
|               | 2023 | <b>2</b>            |

TABLE NO. 3

**FRANCHISED OUTLETS STATUS SUMMARY  
FOR YEARS 2021 TO 2023**

| State      | Year | Outlets Open Beginning of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets Open at End of Year |
|------------|------|--------------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|-----------------------------|
| Arizona    | 2021 | 4                              | 0              | 0            | 0            | 3                        | 0                                 | 1                           |
|            | 2022 | 1                              | 0              | 0            | 0            | 0                        | 0                                 | 1                           |
|            | 2023 | 1                              | 0              | 0            | 0            | 0                        | 0                                 | 1                           |
| Arkansas   | 2021 | 1                              | 0              | 0            | 0            | 0                        | 0                                 | 1                           |
|            | 2022 | 1                              | 0              | 0            | 0            | 0                        | 0                                 | 1                           |
|            | 2023 | 1                              | 0              | 0            | 0            | 0                        | 0                                 | 1                           |
| California | 2021 | 4                              | 0              | 0            | 0            | 0                        | 0                                 | 4                           |
|            | 2022 | 4                              | 0              | 0            | 0            | 0                        | 0                                 | 4                           |
|            | 2023 | 4                              | 0              | 0            | 1            | 0                        | 0                                 | 3                           |

| State     | Year | Outlets Open<br>Beginning of<br>Year | Outlets<br>Opened | Terminatio<br>ns | Non-<br>Renewals | Reacquired by<br>Franchisor | Ceased<br>Operations -<br>Other Reasons | Outlets Open<br>at End of<br>Year |
|-----------|------|--------------------------------------|-------------------|------------------|------------------|-----------------------------|-----------------------------------------|-----------------------------------|
| Florida   | 2021 | 6                                    | 0                 | 0                | 0                | 0                           | 0                                       | 6                                 |
|           | 2022 | 6                                    | 0                 | 0                | 0                | 0                           | 2                                       | 4                                 |
|           | 2023 | 4                                    | 1                 | 0                | 0                | 0                           | 0                                       | 5                                 |
| Georgia   | 2021 | 5                                    | 0                 | 0                | 0                | 0                           | 0                                       | 5                                 |
|           | 2022 | 5                                    | 0                 | 0                | 0                | 0                           | 1                                       | 4                                 |
|           | 2023 | 4                                    | 1                 | 0                | 0                | 1                           | 0                                       | 5                                 |
| Indiana   | 2021 | 2                                    | 0                 | 0                | 0                | 0                           | 0                                       | 2                                 |
|           | 2022 | 2                                    | 0                 | 0                | 0                | 0                           | 0                                       | 2                                 |
|           | 2023 | 2                                    | 0                 | 0                | 0                | 0                           | 0                                       | 2                                 |
| Iowa      | 2021 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|           | 2022 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|           | 2023 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
| Kansas    | 2021 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|           | 2022 | 1                                    | 0                 | 0                | 0                | 0                           | 1                                       | 0                                 |
|           | 2023 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
| Louisiana | 2021 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|           | 2022 | 1                                    | 0                 | 0                | 0                | 0                           | 1                                       | 0                                 |
|           | 2023 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
| Maryland  | 2021 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|           | 2022 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|           | 2023 | 1                                    | 0                 | 1                | 0                | 0                           | 0                                       | 0                                 |
| Michigan  | 2021 | 3                                    | 0                 | 0                | 0                | 0                           | 0                                       | 3                                 |
|           | 2022 | 3                                    | 0                 | 0                | 0                | 0                           | 0                                       | 3                                 |
|           | 2023 | 3                                    | 0                 | 0                | 2                | 0                           | 0                                       | 1                                 |

| State          | Year | Outlets Open<br>Beginning of<br>Year | Outlets<br>Opened | Terminatio<br>ns | Non-<br>Renewals | Reacquired by<br>Franchisor | Ceased<br>Operations -<br>Other Reasons | Outlets Open<br>at End of<br>Year |
|----------------|------|--------------------------------------|-------------------|------------------|------------------|-----------------------------|-----------------------------------------|-----------------------------------|
| Nevada         | 2021 | 2                                    | 0                 | 0                | 0                | 0                           | 0                                       | 2                                 |
|                | 2022 | 2                                    | 0                 | 0                | 0                | 0                           | 0                                       | 2                                 |
|                | 2023 | 2                                    | 0                 | 0                | 0                | 0                           | 0                                       | 2                                 |
| New Jersey     | 2021 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2022 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2023 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
| New Mexico     | 2021 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|                | 2022 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|                | 2023 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
| North Carolina | 2021 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2022 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2023 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
| Ohio           | 2021 | 4                                    | 0                 | 0                | 0                | 0                           | 0                                       | 4                                 |
|                | 2022 | 4                                    | 0                 | 0                | 0                | 0                           | 0                                       | 4                                 |
|                | 2023 | 4                                    | 0                 | 0                | 0                | 0                           | 2                                       | 2                                 |
| Oklahoma       | 2021 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2022 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2023 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
| Oregon         | 2021 | 2                                    | 0                 | 0                | 0                | 0                           | 0                                       | 2                                 |
|                | 2022 | 2                                    | 0                 | 0                | 1                | 0                           | 0                                       | 1                                 |
|                | 2023 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
| Pennsylvania   | 2021 | 4                                    | 0                 | 0                | 0                | 0                           | 0                                       | 4                                 |
|                | 2022 | 4                                    | 0                 | 1                | 0                | 0                           | 0                                       | 3                                 |
|                | 2023 | 3                                    | 0                 | 0                | 0                | 0                           | 0                                       | 3                                 |

| State          | Year | Outlets Open<br>Beginning of<br>Year | Outlets<br>Opened | Terminatio<br>ns | Non-<br>Renewals | Reacquired by<br>Franchisor | Ceased<br>Operations -<br>Other Reasons | Outlets Open<br>at End of<br>Year |
|----------------|------|--------------------------------------|-------------------|------------------|------------------|-----------------------------|-----------------------------------------|-----------------------------------|
| South Carolina | 2021 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|                | 2022 | 0                                    | 1                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2023 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
| Texas          | 2021 | 5                                    | 0                 | 0                | 0                | 0                           | 0                                       | 5                                 |
|                | 2022 | 5                                    | 0                 | 0                | 0                | 1                           | 1                                       | 3                                 |
|                | 2023 | 3                                    | 1                 | 0                | 0                | 0                           | 0                                       | 4                                 |
| Utah           | 2021 | 2                                    | 0                 | 0                | 0                | 0                           | 0                                       | 2                                 |
|                | 2022 | 2                                    | 0                 | 1                | 0                | 0                           | 0                                       | 1                                 |
|                | 2023 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
| Virginia       | 2021 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2022 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
|                | 2023 | 1                                    | 0                 | 0                | 0                | 0                           | 0                                       | 1                                 |
| West Virginia  | 2021 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|                | 2022 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|                | 2023 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
| Wisconsin      | 2021 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|                | 2022 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
|                | 2023 | 0                                    | 0                 | 0                | 0                | 0                           | 0                                       | 0                                 |
| Totals         | 2021 | 51                                   | 0                 | 0                | 0                | 3                           | 0                                       | 48                                |
|                | 2022 | 48                                   | 1                 | 2                | 1                | 1                           | 6                                       | 39                                |
|                | 2023 | 39                                   | 3                 | 1                | 3                | 0                           | 2                                       | 36                                |

TABLE NO. 4

**COMPANY-OWNED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS 2021 TO 2023**

| <b>State</b>  | <b>Year</b> | <b>Outlets<br/>Operating<br/>at Start of<br/>Year</b> | <b>Outlets<br/>Opened</b> | <b>Outlets<br/>Reacquired<br/>From<br/>Franchisee</b> | <b>Outlets<br/>Closed</b> | <b>Outlets<br/>Sold to<br/>Franchisee</b> | <b>Outlets<br/>Operating<br/>At End of<br/>Year</b> |
|---------------|-------------|-------------------------------------------------------|---------------------------|-------------------------------------------------------|---------------------------|-------------------------------------------|-----------------------------------------------------|
| AZ            | 2021        | 0                                                     | 0                         | 1                                                     | 0                         | 0                                         | 1                                                   |
|               | 2022        | 1                                                     | 0                         | 3                                                     | 0                         | 0                                         | 4                                                   |
|               | 2023        | 4                                                     | 0                         | 0                                                     | 0                         | 0                                         | 4                                                   |
| FL            | 2021        | 1                                                     | 1                         | 0                                                     | 0                         | 0                                         | 2                                                   |
|               | 2022        | 2                                                     | 0                         | 0                                                     | 0                         | 0                                         | 2                                                   |
|               | 2023        | 2                                                     | 0                         | 0                                                     | 0                         | 0                                         | 2                                                   |
| Georgia       | 2021        | 0                                                     | 0                         | 1                                                     | 0                         | 0                                         | 1                                                   |
|               | 2022        | 1                                                     | 0                         | 0                                                     | 0                         | 0                                         | 1                                                   |
|               | 2023        | 1                                                     | 0                         | 1                                                     | 1                         | 0                                         | 1                                                   |
| TX            | 2021        | 0                                                     | 0                         | 0                                                     | 0                         | 0                                         | 0                                                   |
|               | 2022        | 0                                                     | 1                         | 0                                                     | 0                         | 0                                         | 1                                                   |
|               | 2023        | 1                                                     | 0                         | 0                                                     | 0                         | 0                                         | 1                                                   |
| <b>Totals</b> | <b>2021</b> | <b>0</b>                                              | <b>1</b>                  | <b>2</b>                                              | <b>0</b>                  | <b>0</b>                                  | <b>3</b>                                            |
|               | <b>2022</b> | <b>3</b>                                              | <b>1</b>                  | <b>3</b>                                              | <b>0</b>                  | <b>0</b>                                  | <b>7</b>                                            |
|               | <b>2023</b> | <b>7</b>                                              | <b>0</b>                  | <b>1</b>                                              | <b>1</b>                  | <b>0</b>                                  | <b>7</b>                                            |



**TABLE NO. 5**

**PROJECTED OPENINGS  
AS OF DECEMBER 31, 2023**

| <b>State</b> | <b>Franchise Agreements Signed But Outlet Not Opened</b> | <b>Projected New Franchised Outlets in the Next Fiscal Year</b> | <b>Projected New Company Owned Outlets in the Next Fiscal Year</b> |
|--------------|----------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------|
| Florida      | 6                                                        | 3                                                               | 0                                                                  |
| Georgia      | 6                                                        | 3                                                               | 0                                                                  |
| Texas        | 6                                                        | 2                                                               | 0                                                                  |
| Utah         | 2                                                        | 1                                                               | 0                                                                  |
| Missouri     | 2                                                        | 1                                                               | 0                                                                  |
| Utah         | 2                                                        | 1                                                               | 0                                                                  |
| <b>Total</b> | <b>24</b>                                                | <b>11</b>                                                       | <b>0</b>                                                           |

**List of Current Franchisees**

The names of our franchisees, and the addresses and telephone numbers of their outlets as of December 31, 2023 are set out in Exhibit D.

**List of Former Franchisees**

The name, city and state, and current business telephone number, or last known home telephone number of each franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the issuance date of this Disclosure Document are set forth in Exhibit D1 attached to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**Purchase of Previously Owned Franchise**

If you are purchasing a previously owned franchised Store, we will provide you additional information on the previously owned Store in an addendum to this Disclosure Document.

Some of our franchisees have signed confidentiality clauses during our last 3 fiscal years.

### **Trademark-Specific Franchisee Organizations**

We have created the Foot Solutions North American Advisory Council. It consists of a representative group of franchisees who meet periodically with our management to review plans and to discuss objectives, progress against annual business plan and identify issues or concerns that should be addressed.

## **ITEM 21 FINANCIAL STATEMENTS**

The financial statements and other documents listed below are attached to this Disclosure Document as Exhibit A: The audited financial statements of Foot Solutions, Inc. for the years ending December 31, 2023, December 31, 2022, and December 31, 2021 and out unaudited Balance Sheet and Profit and Loss Statement as of August 31, 2024.

## **ITEM 22 CONTRACTS**

Copies of the following agreements used in connection with the offering of a Foot Solutions franchise are attached as Exhibits:

|               |                                                                       |
|---------------|-----------------------------------------------------------------------|
| Exhibit “B”-  | Franchise Agreement                                                   |
| Schedule A -  | Initial Franchise Fee, Territory, Ownership and Related Matters       |
| Schedule B -  | State Law Addendum                                                    |
| Schedule C -  | Authorization for Electronic Funds Transfer                           |
| Schedule D -  | Personal Guaranty of Franchisee’s Principal Owners                    |
| Schedule E -  | Confidentiality, Non-Use, and Non-Competition Agreement               |
| Schedule F -  | Confidentiality, Non-Use, and Non-Competition Agreement for Employees |
| Schedule G -  | Assignment of Telephone and Internet Listings                         |
| Schedule H -  | Lease Addendum                                                        |
| Schedule I -  | Form of Release                                                       |
| Exhibit “C” - | Multi-Unit Development                                                |
| Agreement     |                                                                       |
| Exhibit “G” - | Management Agreement                                                  |
| Exhibit “H”-  | Statement of Prospective Franchisee                                   |

**ITEM 23**  
**RECEIPTS**

The last two pages of this Disclosure Document (Exhibit “I”) are detachable documents acknowledging that you received this Disclosure Document.

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

**The registration of this franchise offering by the California Department of Financial Protection and innovation does not constitute approval, recommendation, or endorsement by the Commissioner.**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in the association or exchange.

3. Item 6 is amended to add: The highest interest rate allowed by law in California for late payments is 10% annually.
4. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control.
5. Item 17 of the Disclosure Document is amended to add the following:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning transfer, termination, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.

The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

The Franchise Agreement requires application of the laws of the state of Georgia. This provision

might not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in Item 17 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

California's Franchise Investment Law (Corporations Code Section 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by the franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. The following URL address is for the franchisor's website:

[www.FOOTSOLUTIONS.com](http://www.FOOTSOLUTIONS.com)

FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

## **FOR THE STATE OF ILLINOIS**

Illinois law governs the agreements between the parties to this franchise. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**EXHIBIT A**

**FINANCIAL STATEMENTS**

THE FOLLOWING INTERIM BALANCE SHEET AND PROFIT AND LOSS  
STATEMENT AS OF AUGUST 31, 2024 WERE PREPARED WITHOUT AN AUDIT.

PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE  
ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE  
FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE  
CONTENT OR FORM

**FOOT SOLUTIONS, INC**  
**Profit and Loss**  
**January - August, 2024**

|                                                |                           |
|------------------------------------------------|---------------------------|
| Revenue                                        | \$8,336,996.81            |
| Cost of Goods Sold                             | \$2,610,273.11            |
| <b>Gross Profit</b>                            | <b>\$5,726,723.70</b>     |
| Total Expenses                                 | \$5,972,257.81            |
| <b>Operating Income/(Loss)</b>                 | <b>-\$245,534.11</b>      |
| Non-Recurring Income                           | \$315,000.00              |
| <b><u>Earnings Before Interest and Tax</u></b> | <b><u>\$69,465.89</u></b> |

Note: Profit and Loss includes non-GAAP recognition of franchise sales and related expenses which are recognized herein at the due date. These revenues and expenses will be deferred and amortized in our audited statements.





## **Foot Solutions, Inc. and Subsidiaries**

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### **Consolidated Financial Statements and Independent Auditors' Report**

**For the Years Ended December 31, 2023 and 2022**

## **Foot Solutions, Inc. and Subsidiaries**

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Duluth, GA 30097  
<http://aglcpa.com>

## **INDEPENDENT AUDITORS' REPORT**

**To the Stockholders of  
Foot Solutions, Inc. and Subsidiaries  
Alpharetta, Georgia**

### ***Opinion***

We have audited the accompanying consolidated financial statements of Foot Solutions, Inc. and Subsidiaries (a Georgia corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of loss and comprehensive loss, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Foot Solutions, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foot Solutions, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foot Solutions, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foot Solutions, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foot Solutions, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### ***Report on Consolidating Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 26-27 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*AGL CPA Group, LLC*

Duluth, Georgia  
October 4, 2024

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**As of December 31, 2023 and 2022**

|                                                 | <u>2023</u>          | <u>2022</u>          |
|-------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                   |                      |                      |
| <b>Current assets</b>                           |                      |                      |
| Cash                                            | \$ 417,585           | \$ 555,550           |
| Restricted cash                                 | 6,136                | 26,166               |
| Accounts receivable, net                        | 304,820              | 147,330              |
| Due from related party                          | 961,430              | 829,959              |
| Inventory, net                                  | 2,299,398            | 2,140,159            |
| Income tax receivable                           | 60,228               | 60,228               |
| Prepaid and other current assets                | 526,711              | 188,631              |
| Assets related to discontinued operations       | <u>48,705</u>        | <u>66,750</u>        |
| <b>Total current assets</b>                     | 4,625,013            | 4,014,773            |
| <b>Property and equipment, net</b>              | 848,608              | 932,458              |
| <b>Other assets</b>                             |                      |                      |
| Deposits and other assets                       | 63,970               | 43,647               |
| Goodwill, net amortization                      | 1,740,788            | 1,963,436            |
| Right-of-use asset, operating leases            | 3,145,918            | 3,113,270            |
| Deferred income taxes                           | 942,800              | 386,800              |
| Other assets related to discontinued operations | <u>95,470</u>        | <u>135,430</u>       |
| <b>Total other assets</b>                       | <u>5,988,946</u>     | <u>5,642,583</u>     |
| <b>Total assets</b>                             | <u>\$ 11,462,567</u> | <u>\$ 10,589,814</u> |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**As of December 31, 2023 and 2022**

|                                                      | <u>2023</u>          | <u>2022</u>          |
|------------------------------------------------------|----------------------|----------------------|
| <b>LIABILITIES AND STOCKHOLDER'S DEFICIT</b>         |                      |                      |
| <b>Current liabilities</b>                           |                      |                      |
| Accounts payable                                     | \$ 2,108,264         | \$ 2,380,137         |
| Accrued expenses                                     | 355,832              | 134,695              |
| Deferred revenues, current portion                   | 219,822              | 183,152              |
| Current portion, operating leases                    | 983,410              | 937,194              |
| Current portion, notes payable                       | 324,748              | 636,700              |
| Liabilities related to discontinued operations       | <u>68,654</u>        | <u>71,550</u>        |
| <b>Total current liabilities</b>                     | 4,060,730            | 4,343,428            |
| <b>Other liabilities</b>                             |                      |                      |
| Deferred revenue, net current portion                | 894,993              | 207,885              |
| Operating leases, net current portion                | 2,060,220            | 2,028,309            |
| Related party note payable                           | 4,296,810            | 3,191,471            |
| Notes payable, net current portion                   | 731,372              | 996,197              |
| Other liabilities related to discontinued operations | <u>-</u>             | <u>94,002</u>        |
| <b>Total other liabilities</b>                       | 7,983,395            | 6,517,864            |
| <b>Stockholder's deficit</b>                         | <u>(581,558)</u>     | <u>(271,478)</u>     |
| <b>Total liabilities and stockholder's deficit</b>   | <u>\$ 11,462,567</u> | <u>\$ 10,589,814</u> |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Years Ended December 31, 2023 and 2022**

|                                                                              | <u>2023</u>           | <u>2022</u>         |
|------------------------------------------------------------------------------|-----------------------|---------------------|
| <b>Revenues</b>                                                              |                       |                     |
| Franchise royalties and fees                                                 | \$ 864,130            | \$ 872,768          |
| Retail sales - corporate store locations                                     | 13,189,993            | 14,183,328          |
| Retail sales - e-commerce                                                    | 49,258                | 80,013              |
| Medical billing and other revenues                                           | <u>133,262</u>        | <u>174,396</u>      |
| <b>Total revenue</b>                                                         | 14,236,643            | 15,310,505          |
| <b>Cost of sales</b>                                                         | <u>5,216,153</u>      | <u>6,160,059</u>    |
| <b>Gross profit</b>                                                          | 9,020,490             | 9,150,446           |
| <b>Expenses</b>                                                              |                       |                     |
| Training, medical billing and other                                          | 56,098                | 76,314              |
| General and administrative                                                   | 9,490,699             | 8,634,029           |
| Marketing expenses                                                           | <u>1,042,152</u>      | <u>1,002,774</u>    |
| <b>Total expenses</b>                                                        | <u>10,588,949</u>     | <u>9,713,117</u>    |
| <b>Loss from operations</b>                                                  | (1,568,459)           | (562,671)           |
| <b>Other income (expense)</b>                                                |                       |                     |
| Interest and other income                                                    | 102                   | 57,411              |
| Interest expense                                                             | <u>(582,564)</u>      | <u>(454,146)</u>    |
| <b>Total other loss</b>                                                      | <u>(582,462)</u>      | <u>(396,735)</u>    |
| <b>Net loss from continuing operations before provision for income taxes</b> | (2,150,921)           | (959,406)           |
| (Provision) benefit for income taxes                                         | <u>550,835</u>        | <u>205,611</u>      |
| <b>Loss from continuing operations net of income taxes</b>                   | (1,600,086)           | (753,795)           |
| Income from discontinued operations net of income tax                        | 113,605               | (59,577)            |
| Foreign currency translation adjustment                                      | <u>(8,382)</u>        | <u>12,576</u>       |
| <b>Total other comprehensive loss</b>                                        | <u>\$ (1,494,863)</u> | <u>\$ (800,796)</u> |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholder's Equity (Deficit)**  
**For the years ended December 31, 2023 and 2022**

|                                         | Common Stock   |                   | Additional Paid<br>in Capital | Treasury Stock<br>at Cost | Accumulated Other<br>Comprehensive Loss | Retained<br>Earnings (Deficit) | Total Stockholder's<br>Equity (Deficit) |
|-----------------------------------------|----------------|-------------------|-------------------------------|---------------------------|-----------------------------------------|--------------------------------|-----------------------------------------|
|                                         | Shares         | Amount            |                               |                           |                                         |                                |                                         |
| <b>Balance at January 1, 2022</b>       | 419,168        | \$ 396,039        | \$ -                          | \$ (105,170)              | \$ (63,919)                             | \$ 302,368                     | \$ 529,318                              |
| Foreign currency translation adjustment | -              | -                 | -                             | -                         | 12,576                                  | -                              | 12,576                                  |
| Net loss                                | -              | -                 | -                             | -                         | -                                       | (813,372)                      | (813,372)                               |
| <b>Balance at December 31, 2022</b>     | 419,168        | 396,039           | -                             | (105,170)                 | (51,343)                                | (511,004)                      | (271,478)                               |
| Contributions of capital                | -              | -                 | 1,184,783                     | -                         | -                                       | -                              | 1,184,783                               |
| Foreign currency translation adjustment | -              | -                 | -                             | -                         | (8,382)                                 | -                              | (8,382)                                 |
| Net loss                                | -              | -                 | -                             | -                         | -                                       | (1,486,481)                    | (1,486,481)                             |
| <b>Balance at December 31, 2023</b>     | <b>419,168</b> | <b>\$ 396,039</b> | <b>\$ 1,184,783</b>           | <b>\$ (105,170)</b>       | <b>\$ (59,725)</b>                      | <b>\$ (1,997,485)</b>          | <b>\$ (581,558)</b>                     |

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



**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

|                                                                                                  | <u>2023</u>      | <u>2022</u>      |
|--------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                                      |                  |                  |
| Net loss                                                                                         | \$ (1,486,481)   | \$ (813,372)     |
| <b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b> |                  |                  |
| Depreciation and amortization expense                                                            | 407,913          | 349,688          |
| Inventory valuation allowance                                                                    | 306,935          | 40,000           |
| Amortized interest                                                                               | 10,144           | 13,719           |
| Bad debt expense                                                                                 | 107,343          | 153,933          |
| Deferred income taxes                                                                            | (556,000)        | (299,805)        |
| Non-cash rent expense                                                                            | 45,479           | (177,625)        |
| Changes in operating assets and liabilities                                                      |                  |                  |
| Accounts receivable, net                                                                         | (264,833)        | (97,919)         |
| Inventory                                                                                        | (466,174)        | (327,340)        |
| Prepaid expenses and other current assets                                                        | (338,080)        | 172,579          |
| Other assets                                                                                     | (20,323)         | (3,734)          |
| Accounts payable                                                                                 | (271,873)        | 1,766,374        |
| Income tax payable/receivable                                                                    | -                | 3,815            |
| Accrued expenses                                                                                 | 221,137          | 108,591          |
| Deferred revenues                                                                                | <u>723,778</u>   | <u>63,306</u>    |
| <b>Net cash provided by (used in) operating activities from continuing operations</b>            | (1,581,035)      | 952,210          |
| <b>Net cash provided by operating activities from discontinued operations</b>                    | <u>25,257</u>    | <u>124,222</u>   |
| <b>Net cash provided by (used in) operating activities</b>                                       | (1,555,778)      | 1,076,432        |
| <b>Cash flows from investing activities</b>                                                      |                  |                  |
| Cash paid for acquisitions                                                                       | -                | (2,694,748)      |
| Purchase of property and equipment                                                               | <u>(101,415)</u> | <u>(610,961)</u> |
| <b>Net cash used in investing activities from continuing operations</b>                          | (101,415)        | (3,305,709)      |
| <b>Net cash used in investing activities from discontinued operations</b>                        | <u>(64,150)</u>  | <u>(30,476)</u>  |
| <b>Net cash used in investing activities</b>                                                     | (165,565)        | (3,336,185)      |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

|                                                                               | <u>2023</u>              | <u>2022</u>              |
|-------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Cash flows from financing activities</b>                                   |                          |                          |
| Due from related party                                                        | (131,471)                | (512,441)                |
| Proceeds from notes payable                                                   | 510,271                  | 704,126                  |
| Proceeds from related party notes                                             | 655,339                  | 2,841,700                |
| Repayment of notes payable                                                    | (647,192)                | (251,773)                |
| Contributions of capital                                                      | <u>1,184,783</u>         | <u>-</u>                 |
| <b>Net cash provided by financing activities from continuing operations</b>   | 1,571,730                | 2,781,612                |
| <b>Net cash provided by financing activities from discontinued operations</b> | <u>-</u>                 | <u>-</u>                 |
| <b>Net cash provided by financing operations</b>                              | 1,571,730                | 2,781,612                |
| Foreign currency effect on cash and cash equivalents                          | <u>(8,382)</u>           | <u>12,576</u>            |
| Net increase (decrease) in cash and restricted cash                           | (157,995)                | 534,435                  |
| Cash and restricted cash at beginning of year                                 | <u>581,716</u>           | <u>47,281</u>            |
| Cash and restricted cash at end of year                                       | <u><u>\$ 423,721</u></u> | <u><u>\$ 581,716</u></u> |
| <b>Supplemental disclosure of cash flow information:</b>                      |                          |                          |
| Cash paid during the year for income taxes                                    | <u>\$ 5,165</u>          | <u>\$ -</u>              |
| Cash paid during the year for interest                                        | <u>\$ 572,420</u>        | <u>\$ 438,806</u>        |
| Cash paid during the year for leases                                          | <u>\$ 1,110,154</u>      | <u>\$ 1,022,027</u>      |
| <b>Non-cash investing and financing activities:</b>                           |                          |                          |
| Right of use assets obtained in exchange for new lease liability              | <u>\$ 481,250</u>        | <u>\$ 3,992,994</u>      |
| Debt issued in acquisition                                                    | <u>\$ -</u>              | <u>\$ 517,000</u>        |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**1. Nature of Business and Summary of Significant Accounting Policies**

***Nature of business***

The Company engages in the sale and support of franchised retail stores known as “Foot Solutions” as well as operating its own corporate retail locations. The foot wellness retail locations include foot scanning, custom insoles, and lines of healthy footwear among other foot health products and services.

The significant accounting policies and practices followed by Foot Solutions, Inc. and Subsidiaries (the “Company”) are as follows:

***Principles of consolidation***

The Company consolidates variable interest entities in accordance with FASB ASC 810, *Consolidation*, which requires that a company that holds variable interests in an entity consolidate the entity if the company’s interest in the variable interest entity (“VIE”) is such that the company will absorb a majority of the VIE’s expected losses and/or receive a majority of the VIE’s expected residual returns, if they occur. In such cases, the Company is the primary beneficiary of the VIE. FASB ASC 810 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The application of this guidance could result in the consolidation of a variable interest entity if it is determined that the Company is the primary beneficiary of the entity.

The consolidated financial statements of Foot Solutions, Inc. and Subsidiaries include the assets, liabilities, results of operations, and cash flows of Foot Solutions, Inc. (“FSI”) and its wholly owned subsidiaries: Foot Solutions Canada, Inc. (“FSC”) and HFPlus, LLC (“Happy Feet”).

All significant intercompany transactions have been eliminated from the consolidated financial statements.

***Recently adopted accounting pronouncements***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*, which requires the use of a new current expected credit loss (“CECL”) model in estimating allowances for doubtful accounts with respect to accounts receivable and notes receivable. Receivables from revenue transactions, or trade receivables, are recognized when the corresponding revenue is recognized under ASC 606, *Revenue from Contracts with Customers*. The CECL model requires that the Company estimate its lifetime expected credit loss with respect to these receivables and record allowances when deducted from the balance of the receivables, which represent the estimated net amounts expected to be collected. Given the generally short-term nature of trade receivables, the Company does not expect to apply a discounted cash flow methodology. However, the Company will consider whether historical loss rates are consistent with expectations of forward-looking estimates for its trade receivables.

This ASU is effective for fiscal years beginning after December 15, 2022. We adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

---

**1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Franchise operations***

The Company enters into franchise agreements with unrelated third parties to build and operate stores within a defined geographical area. The franchisee is required to operate its stores in compliance with a franchise agreement that includes adherence to operating and quality control procedures established by the Company. The Company may extend unsecured, non-interest bearing credit to their franchisees in the ordinary course of business. If a franchisee becomes financially distressed, the Company generally does not provide any financial assistance.

If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right, but not the obligation, to acquire the assets of the franchisee at fair value as determined by an independent appraiser. The Company has financial exposure for the collection of royalty payments. Franchisees generally remit royalty payments monthly for the prior month's net sales, which substantially minimizes the Company's financial exposure, or at least enables the Company to quickly identify any troubled franchisees. International franchisees are trademarked licensees that pay to use the Company's marks and other resources but do not have ongoing royalty responsibilities. Franchise fees are paid upon signing of the related agreements.

FSI was incorporated in the state of Georgia in 2000. As a franchisor, FSI has the right to grant franchises and related trademarks for an initial ten-year period, renewable for two five-year periods. FSI has franchisees throughout the U.S. and several other countries. As of December 31, 2023 and 2022, FSI had 36 and 64 franchisees in operation, respectively.

FSC was incorporated in the Province of Ontario, Canada in 2004 to operate FSI's Canadian franchise operations, which began in 2005. As of December 31, 2023 and 2022, FSC had 0 and 7 franchisees in operation in each year, respectively.

***Advertising fund***

FSI and FSC act as the administrator for the franchise system's national marketing fund, into which each franchisee must pay a designated percentage of store sales to the advertising fund. Advertising fund contributions are recognized in the period in which the contribution accrues and is determined collectible; advertising, general, and administrative costs are expensed as incurred related to the fund.

The revenue, expenses, and cash flows of such advertising funds are not included in the consolidated statement of income or cash flows because the contributions to this fund are designated for specific purposes and FSI and FSC act as agents, in substance, with regard to these contributions. The cash asset of this fund is classified as restricted cash on the balance sheets as of December 31, 2023 and 2022.

FSI and FSC collected fund contributions of approximately \$82,000 and \$223,000 for the years ended December 31, 2023 and 2022, respectively. The Company incurred approximately \$56,000 and \$272,000 in advertising expenses (exclusive of payroll expenses associated with marketing personnel) related to the fund for the years ended December 31, 2023 and 2022, respectively.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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1. **Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Advertising fund (continued)***

In 2022, the Company invested in brand and marketing expenses significantly higher than the marketing fund contributions from its franchisees. The Company anticipates utilizing future marketing fund contributions to offset these expense that have incurred.

***Reclassification***

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net loss.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

***Cash and cash equivalents***

The Company considers money market accounts and highly liquid cash investments with an original maturity date of three months or less to be cash equivalents.

***Restricted cash***

Restricted cash consists of funds designated for the specific purpose of use by the advertising fund. As of December 31, 2023 and 2022, the Company had restricted cash of \$6,136 and \$28,982, respectively.

***Revenue recognition***

Revenues are recognized when we satisfy a performance obligation by transferring goods or services promised in a contract to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Performance obligations in our contracts represent distinct or separate service streams that we provide to our customers.

We evaluate our revenue contracts with customers based on the five-step model under *Revenue from Contracts with Customers* ("ASC 606"): (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and, (5) recognize revenues when (or as) each performance obligation is satisfied. If, at the outset of an arrangement, we determine that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Revenue recognition (continued)***

The Company's revenues are comprised of franchise royalties and fees, retail sales from company-owned stores, and other revenues.

Franchise royalties and fees are primarily comprised of royalties and upfront fees from the Company's franchisees. The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's symbolic intellectual property. All other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore, accounted for under ASC 606 as a single performance obligation. The performance obligation is satisfied by granting certain rights to use our intellectual property over the term of each franchise agreement. Franchise fees are recorded as deferred revenue when received and recognized as revenue over the contractual term of the franchise agreements once the franchise location is open.

Royalties are calculated as a percentage of franchise retail sales and are recognized at the time of the underlying sale. Under FASB ASU 2021-02, *Franchisors – Revenue from Contracts with Customers*, certain pre-opening services may be accounted for as distinct from the franchise license agreement. The Company has elected to use this practical expedient and recognizes fee revenue upon completion of pre-opening services. These pre-opening services were determined to be immaterial as a whole to the consolidated financial statements.

Company-owned stores revenues are comprised of retail sales of goods through Company-owned stores and are recognized at the time of the underlying sale. Customer payments are generally due at the time of sale. Sales taxes related to these sales are collected from customers and remitted to the appropriate taxing authority and are not reflected in the Company's consolidated statements of loss and comprehensive loss.

**Disaggregation of revenue**

The following tables disaggregate revenue by segment and source for the years ended December 31, 2023 and 2022:

|                                 | <b>Foot Solutions,<br/>Inc.</b> | <b>Foot Solutions<br/>Canada, Inc.</b> | <b>Discontinued<br/>Operations</b> | <b>Total</b>                |
|---------------------------------|---------------------------------|----------------------------------------|------------------------------------|-----------------------------|
| <b><u>December 31, 2023</u></b> |                                 |                                        |                                    |                             |
| Franchise royalty revenue       | \$ 773,505                      | \$ 22,971                              | \$ (22,971)                        | \$ 773,505                  |
| Franchise fees                  | 90,625                          | 94,977                                 | (94,977)                           | 90,625                      |
| Retail sales                    | 13,239,251                      | 38,565                                 | (38,565)                           | 13,239,251                  |
| Medical billing                 | 133,262                         | -                                      | -                                  | 133,262                     |
|                                 | <b><u>\$ 14,236,643</u></b>     | <b><u>\$ 156,513</u></b>               | <b><u>\$ (156,513)</u></b>         | <b><u>\$ 14,236,643</u></b> |

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

*Revenue recognition (continued)*

Disaggregation of revenue (continued)

|                           | Foot Solutions,<br>Inc. | Foot Solutions<br>Canada, Inc. | Discontinued<br>Operations | Total                |
|---------------------------|-------------------------|--------------------------------|----------------------------|----------------------|
| <u>December 31, 2022</u>  |                         |                                |                            |                      |
| Franchise royalty revenue | \$ 783,618              | \$ 44,648                      | \$ (44,648)                | \$ 783,618           |
| Franchise fees            | 89,150                  | 2,484                          | (2,484)                    | 89,150               |
| Retail sales              | 14,263,341              | 7,025                          | (7,025)                    | 14,263,341           |
| Medical billing           | 174,396                 | -                              | -                          | 174,396              |
|                           | <u>\$ 15,310,505</u>    | <u>\$ 54,157</u>               | <u>\$ (54,157)</u>         | <u>\$ 15,310,505</u> |

Contract balances

The following table provides information about receivables and contract liabilities (deferred franchise fees) from contracts with customers:

|                                   | December 31,<br>2023 | December 31,<br>2022 | December 31,<br>2021 |
|-----------------------------------|----------------------|----------------------|----------------------|
| Accounts receivable               | \$ 304,820           | \$ 147,330           | \$ 220,323           |
| Deferred franchise fees (a)       | \$ 1,014,871         | \$ 231,996           | \$ 321,146           |
| Gift certificates outstanding (a) | \$ 4,857             | \$ 95,937            | \$ 6,585             |

(a) included in deferred revenues on the consolidated balance sheets

Anticipated future recognition of deferred franchise fees

The following table reflects the estimated franchise fees to be recognized in the future related to performance obligations that are unsatisfied as of December 31, 2023:

|                           |                     |
|---------------------------|---------------------|
| Estimate for fiscal year: |                     |
| 2024                      | \$ 119,878          |
| 2025                      | 26,267              |
| 2026                      | 26,267              |
| 2027                      | 26,267              |
| 2028                      | 26,267              |
| Thereafter                | 789,925             |
|                           | <u>\$ 1,014,871</u> |

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Accounts receivable***

Accounts receivable represent royalty amounts billed to franchisees, but not yet paid. Accounts receivable are considered delinquent when not paid within the stated terms, which is typically net-30. The Company maintains allowances for credit losses for estimated losses resulting from the inability of franchisees to make required payments. Management regularly evaluates the allowance for credit losses by considering a number of factors. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice due date and, based on assessment of current creditworthiness, past payment history, and historical loss experience, estimates the portion, if any, of the balance that will not be collected. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Recoveries of receivables previously written off are recorded when received.

In accordance with ASC 326, management regularly evaluates the allowance for doubtful accounts considering a number of factors. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice due date and, based on assessment of current creditworthiness, past payment history, historical loss experience, estimates the portion, if any, of the balance that will not be collected.

As of December 31, 2023, accounts receivable, net of allowance recorded on the balance sheets was \$273,332, consisting of accounts receivable of \$423,486 offset by an allowance for doubtful accounts of \$150,154. As of December 31, 2022, accounts receivable, net of allowance recorded on the balance sheets was \$157,098, consisting of accounts receivable of \$193,828 offset by an allowance for doubtful accounts of \$36,730.

The allowance for credit losses for accounts receivable is as follows:

|                                                    | December 31,<br>2023 | December 31,<br>2022 | December 31,<br>2021 |
|----------------------------------------------------|----------------------|----------------------|----------------------|
| Balance, beginning of period                       | \$ 32,852            | \$ 10,885            | \$ 42,689            |
| Provision for credit losses for current year       | -                    | 21,967               | -                    |
| Recoveries of receivables determined uncollectible | -                    | -                    | (31,804)             |
| Balance, end of period                             | <u>\$ 32,852</u>     | <u>\$ 32,852</u>     | <u>\$ 10,885</u>     |

The Company recognized bad debt expense for the years ended December 31, 2023 and 2022 of approximately \$-0- and \$155,000, respectively.



**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Inventory***

Inventories consist of merchandise which are valued at the lower of cost or market using the specific identification method. Periodic assessments are performed by management to determine the existence of obsolete, slow moving, and non-saleable inventories, and management records necessary provisions to reduce such inventories to net realizable value. The Company recognizes all inventory reserves as a component of cost of sales. The allowance for slow moving inventory was \$346,935 as of December 31, 2023. The allowance for slow moving inventory was \$40,000 as of December 31, 2022.

***Property and equipment***

Property and equipment are recorded at acquisition cost. Expenditures for maintenance and repairs are charged to operations as incurred. Property replacements and betterments, which extend the life of the asset, are capitalized and subsequently depreciated. When the assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are included in operations.

Depreciation expense for the years ended December 31, 2023 and 2022 was \$184,521 and \$112,824, respectively. Depreciation is determined by the straight-line method over the estimated useful lives of assets, ranging from 3 to 7 years.

***Goodwill***

The Company accounts for goodwill in accordance with FASB ASC Topic 350, *Goodwill and Other Intangible Assets*. Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed recorded in connection with the purchase of franchise stores, which was accounted for as a business combination.

Additional goodwill may arise in future periods in connection with the acquisition of additional stores. In accordance with *FASB ASU 2014-02, Goodwill*, the Company has elected to amortize goodwill on a straight-line basis over a maximum period of 10 years starting with the year ending December 31, 2020. This goodwill alternative is a policy election and applies to all existing goodwill and goodwill generated in future business combinations. Amortization recorded for these costs during the years ended December 31, 2023 and 2022 was \$222,648 and \$209,758, respectively.

***Foreign currency translation***

The functional currency of FSC is the Canadian dollar. Accordingly, the balance sheet accounts of FSC are translated into U.S. dollars at the published exchange rate at the balance sheet date. Revenues and expenses of FSC are translated into U.S. dollars using monthly average exchange rates. Results from the translation of the financial statements, net of the related income tax impact, are reflected as currency translation adjustments and are made directly to other comprehensive (loss) income. The net translation adjustment for the years ended December 31, 2023 and 2022 was a loss of approximately \$8,400 and a gain of approximately \$13,000, respectively. Foreign currency transaction gains and losses are included in the consolidated statements of income and other comprehensive income.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Foreign Operations***

During the years ended December 31, 2023 and 2022, approximately 1% and 1%, respectively, of total consolidated revenues were earned from franchisees located outside of the United States. FSI has no international assets except for FSC cash accounts in Canada. International franchisees are located in Ireland, Australia, and England.

***Income taxes***

The Company accounts for income taxes in accordance with FASB ASC Topic 740, Income Taxes, which provides guidance on the basic requirements applied in accounting for income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The primary sources of these differences are depreciation methods, the method of accounting for uncompleted contracts, and the allowance for doubtful accounts. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that, some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

FASB ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions would "more-likely-than-not" be sustained if challenged by an applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.

The Company evaluates its uncertain tax positions using the provisions of FASB ASC Topic 450, *Contingencies*. Management believes there are no material estimates that should be accrued as of December 31, 2023 and 2022. The Company is no longer subject to examination by taxing authorities for tax years prior to 2020.

***Debt Issuance Costs***

The Company accounts for debt issuance costs in accordance with Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. Debt issuance accounts are presented as a direct deduction from the carrying value of the associated debt. The costs are amortized over the term of the associated debt and expensed as interest.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Fair value***

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income, and cost approaches. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. As a basis for categorizing these inputs, FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes the following hierarchy, which prioritizes the inputs used to measure fair value from market based assumptions to entity specific assumptions:

- Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There are no assets or liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022.

***Change in accounting policy***

The Company adopted the provisions of the Financial Accounting Standard Board's Accounting Standards Update 2016-02, *Leases*. ASU 2016-02 requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model that requires a lessee to recognize a right of use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. This change has been prospectively applied as of January 1, 2022 using the effective date method. The Company has elected the practical expedient to combine both the lease and non-lease components.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**2. Concentrations**

The Company maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, the Company's balances may exceed the federally insured limits. Management believes that risk is limited because a major financial institution holds such balances. As of December 31, 2023, there were no balances in excess of FDIC limits. As of December 31, 2022, balances in excess of FDIC limits were approximately \$109,000.

**3. Note Receivable**

As discussed in Note 12, in connection with the asset purchase agreement, effective July 21, 2023, between Foot Solutions Canada, Inc. and Talus Ortho Medical, Inc., the Company has transferred the rights to all franchise agreements and franchisor rights for all existing Canadian franchises. The sales price was CAD\$170,000, of which CAD\$85,000 in cash was due at closing and the remaining CAD\$85,000 was delivered in a promissory note to Talus Ortho Medical, Inc. The promissory note carries an interest rate of 10% and is payable in 30 equal consecutive monthly installments of CAD\$3,175 beginning on January 31, 2024. The maturity date of the promissory note is July 31, 2026. As of December 31, 2023, the balance of the note receivable in USD was \$64,150. No interest income was recognized during the year ended December 31, 2023.

**4. Property and Equipment**

As of December 31, 2023 and 2022, property and equipment consisted of the following:

|                                 | <u>2023</u>       | <u>2022</u>       |
|---------------------------------|-------------------|-------------------|
| Furniture and fixtures          | \$ 277,683        | \$ 268,445        |
| Computer equipment and software | 763,595           | 741,461           |
| Leasehold improvements          | 182,399           | 177,286           |
| Trademarks                      | <u>4,800</u>      | <u>39,182</u>     |
|                                 | 1,228,477         | 1,226,374         |
| Less: accumulated depreciation  | <u>(348,549)</u>  | <u>(263,440)</u>  |
| Property and equipment, net     | <u>\$ 879,928</u> | <u>\$ 962,934</u> |

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**5. Leases**

The Company has obligations under certain operating leases, principally in connection with approximately twenty retail store and corporate office spaces. The lease term for certain retail store and corporate office space has expiration dates through 2029 and includes annual escalating rental payments ranging from \$545 to \$18,080 a month.

Future minimum annual lease payments under these leases are as follows:

| <u>For the year ended December 31st:</u> |                     |
|------------------------------------------|---------------------|
| 2024                                     | \$ 983,410          |
| 2025                                     | 884,216             |
| 2026                                     | 736,300             |
| 2027                                     | 356,161             |
| 2028                                     | 210,032             |
| Thereafter                               | <u>152,798</u>      |
|                                          | 3,322,917           |
| Less: present value discount             | <u>(279,287)</u>    |
| Lease liability as of December 31, 2023  | <u>\$ 3,043,630</u> |

Rent expense associated with these operating leases totaled approximately \$1,443,000 and \$1,152,000 for the years ended December 31, 2023 and 2022, respectively.

Because we generally do not have access to the rate implicit in the lease, we utilize the practical expedient which allows the Company to use the Federal Funds Rate at inception of the lease. The weighted average discount rate associated with operating leases was 4.45%. As of December 31, 2023, the weighted-average remaining lease term for all operating leases is 3.55 years.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**6. Income Taxes**

The components of the provision for income taxes as of December 31, 2023 and 2022 are as follows:

|                                            | <u>2023</u>         | <u>2022</u>         |
|--------------------------------------------|---------------------|---------------------|
| Current:                                   |                     |                     |
| Federal                                    | \$ -                | \$ -                |
| State                                      | <u>5,165</u>        | <u>-</u>            |
|                                            | 5,165               | -                   |
| Deferred:                                  |                     |                     |
| Federal                                    | (504,597)           | (154,208)           |
| State                                      | <u>(51,403)</u>     | <u>(51,403)</u>     |
|                                            | <u>(556,000)</u>    | <u>(205,611)</u>    |
| Total provision (benefit) for income taxes | <u>\$ (550,835)</u> | <u>\$ (205,611)</u> |

The Company's total deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

|                                           | <u>2023</u>       | <u>2022</u>       |
|-------------------------------------------|-------------------|-------------------|
| Allowance on accounts receivable          | \$ 9,199          | \$ 10,284         |
| Allowance on inventory                    | 97,142            | 11,200            |
| Depreciation and amortization methods     | (191,392)         | (240,532)         |
| Other                                     | (28,121)          | (40,775)          |
| Domestic net operating loss carryforwards | <u>1,055,972</u>  | <u>646,623</u>    |
| Deferred tax asset                        | <u>\$ 942,800</u> | <u>\$ 386,800</u> |

The Company uses the federal statutory tax rate of 21% and a blended state tax rate of 7% for the years ended December 31, 2023 and 2022 because of the future anticipated income levels of the Company at the time.

Foot Solutions, Inc. has net operating loss carryforwards of approximately \$3,771,000 which carry-forward in perpetuity.

**Foot Solutions, Inc. and Subsidiaries**  
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**6. Income Taxes (Continued)**

As discussed in Note 12, the Company sold its Canadian franchising rights. As such, the Company has fully reserved for the net operating loss carryforwards associated with the Canadian entity and has been disclosed in discontinued operations.

**7. Notes Payable**

In August 2020, the Company purchased a franchised store in Phoenix, Arizona from a franchisee for \$325,000. The Company financed the store purchase with a note payable in the amount of \$325,000. The note requires quarterly payments in the amount of \$16,250 and has a 0% interest rate, resulting in a discount of \$14,582. The effective rate of the note is 5% and interest expense recognized during 2022 was approximately \$7,258. The note matures August 2025.

In June 2021, the Company purchased a franchised store in Mesa, Arizona from a franchisee for \$300,000. The Company financed the store purchase with a note payable in the amount of \$225,000. The note requires quarterly payments in the amount of \$15,288 and has a 4% interest rate. The note matures June 2025.

In July 2021, the Company purchased a franchised store in Goodyear, Arizona from a franchisee for \$400,000. The Company financed the store purchase with a note payable in the amount of \$100,000 and assumed an Economic Impact Disaster Loan of \$150,000. The seller note requires quarterly payments in the amount of \$5,000 and has a 0% interest rate, resulting in a discount of \$11,695. The effective rate of the note is 5% and interest expense recognized during 2022 was immaterial. The note matures June 2026.

In connection with the purchase of the franchised store in Goodyear, Arizona, the Company assumed an Economic Impact Disaster Loan of \$150,000. The note requires monthly payments of principal and interest of \$731, and the payments are deferred until 30 months from the date of the original promissory note, which was May 16, 2020. The note carries a 3.75% interest rate and matures in April 2052.

In February 2022, the Company purchased substantially all of the assets of Happy Feet Plus, Inc. and Health Shoes Plus, Inc. The Company financed the store purchase with a note payable in the amount of \$517,000. The note requires monthly payments in the amount of \$16,201 and carries an 8% interest rate. The note was paid in full in 2023.

**Foot Solutions, Inc. and Subsidiaries**  
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**7. Notes Payable (Continued)**

In December 2022, the Company entered into a note payable in the amount of \$704,126. This note requires monthly payments of principal and interest of \$14,617 through December 2025 at which time the loan matures, and any remaining principal balance is due. Interest on the note accrues monthly based on a rate of 9% per annum.

Related Party Note

As shown on the consolidated balance sheet, the Company received a long-term line of credit that was funded through an entity owned by a board member and other shareholders of the parent company. This debt was obtained to fund acquisitions and for other growth initiatives. In March 2023, the Company increased long-term note payable with a related party from \$3,191,471 to \$3,846,810. Interest on the note accrues monthly based on a rate of 12% per annum. The note matures in March 2027, at which time all remaining principal and interest are due. The note is secured by substantially all the assets of the Company. This note was utilized to finance the purchase of Happy Feet Plus, Inc. and Health Shoes Plus, Inc.

As shown on the consolidated balance sheet, the Company entered into a loan and security agreement that was funded through an entity owned by a board member and other shareholders of the parent company. This debt was obtained to fund acquisitions and for other growth initiatives. The proceeds of the loan were \$450,000. The note requires payment on the loan over a three-month period at an annual rate of 14%. On February 14, 2024, the principal and all accrued and unpaid interest are due in full.

Future minimum principal payments are as follows:

| <u>For the year ended December 31:</u> | <u>Third Party</u>  | <u>Related Party</u> | <u>Total</u>        |
|----------------------------------------|---------------------|----------------------|---------------------|
| 2024                                   | \$ 324,748          | \$ 450,000           | \$ 774,748          |
| 2025                                   | 576,499             | -                    | 576,499             |
| 2026                                   | 13,147              | -                    | 13,147              |
| 2027                                   | 3,185               | 3,846,810            | 3,849,995           |
| 2028                                   | 3,288               | -                    | 3,288               |
| Thereafter                             | 144,040             | -                    | 144,040             |
|                                        | 1,064,907           | 4,296,810            | 5,361,717           |
| Less: Unamortized discounts            | (8,787)             | -                    | (8,787)             |
|                                        | <u>\$ 1,056,120</u> | <u>\$ 4,296,810</u>  | <u>\$ 5,352,930</u> |



**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**8. Employee Benefit Plan**

FSI has a 401(k) plan ("the Plan") in which substantially all employees meeting specified length of service requirements are eligible to participate. Employees can make voluntary contributions to the Plan. FSI did not make contributions to the Plan in any of the years presented.

**9. Related Party Transactions**

The Company has a receivable from its parent company Foot Solutions Holding Corporation. The amount due to the Company as of December 31, 2023 and 2022 was \$883,248 and \$829,959, respectively.

As of December 31, 2023, the Company has a receivable from several franchisees for operating expense reimbursement. The amount due to the Company as of December 31, 2023 was \$78,182. There were no amounts due to the Company as of December 31, 2022 from franchisees.

**10. Contingencies**

The Company, from time to time, may be a defendant in legal actions generally incidental to its business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial position or results of operations of the Company.

**11. Acquisition of Happy Feet Plus, Inc. and Health Shoes Plus, Inc.**

Effective January 31, 2022, HFPlus, LLC, a wholly owned subsidiary of the Company, purchased substantially all of the assets and certain liabilities of Happy Feet Plus, Inc. and Health Shoes Plus, Inc. for a purchase price of \$3,211,748. The Company paid \$2,694,748 of cash and issued a note payable to the former owner in the amount of \$517,000. The purchase price was allocated as follows:

|                     |                     |
|---------------------|---------------------|
| Cash received       | \$ 4,071            |
| Accounts receivable | 12,334              |
| Inventory           | 1,218,985           |
| Other assets        | 329,435             |
| Fixed assets        | 138,500             |
| Goodwill            | 1,546,809           |
| Accrued expenses    | <u>(38,386)</u>     |
|                     | <u>\$ 3,211,748</u> |

In connection with the acquisition, the Company had expenses related to its acquisition and integration of Happy Feet Plus which have not been separately shown on the consolidated statements of income and comprehensive income. Substantially all these expenses were non-recurring and were incurred during the year ended December 31, 2022.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**12. Discontinued Operations**

In connection with the International Master Franchise Agreement by and between Foot Solutions Canada, Inc. and Talus Ortho Medical, Inc., an agreement effective August 26, 2022, and in connection with the asset purchase agreement, effective July 21, 2023, between Foot Solutions Canada, Inc. and Talus Ortho Medical, Inc., the Company has transferred the rights to all franchise agreements and franchisor rights for all existing Canadian franchises. The sales price was CAD\$170,000, of which CAD\$85,000 in cash was due at closing and the remaining CAD\$85,000 was delivered in a promissory note to Talus Ortho Medical, Inc. The promissory note carries an interest rate of 10% and is payable in 30 equal consecutive monthly installments of CAD\$3,175 beginning on January 31, 2024. The maturity date of the promissory note is July 31, 2026. As of December 31, 2023, the balance of the note receivable in USD was \$64,150. No interest income was recognized during the year ended December 31, 2023.

Assets and liabilities associated with discontinued operations is as follows as of December 31, 2023 and 2022:

|                                       | <u>2023</u>       | <u>2022</u>       |
|---------------------------------------|-------------------|-------------------|
| Assets:                               |                   |                   |
| Cash                                  | \$ 42,740         | \$ 45,496         |
| Restricted cash                       | -                 | 2,816             |
| Accounts receivable, net              | -                 | 9,943             |
| Receivable (payable) from affiliates  | -                 | 73,452            |
| Inventory                             | -                 | 2,638             |
| Prepaid and other current assets      | 5,965             | 5,857             |
| Property and equipment, net           | 31,320            | 30,476            |
| Notes receivable                      | 64,150            | -                 |
| Deferred income taxes                 | -                 | 104,954           |
| Total assets                          | <u>\$ 144,175</u> | <u>\$ 275,632</u> |
| Liabilities:                          |                   |                   |
| Accounts payable                      | \$ 22,610         | \$ 27,410         |
| Accrued expenses                      | 46,044            | 44,140            |
| Payable to affiliates                 | 358,135           | 497,917           |
| Deferred revenue, net current portion | -                 | 94,002            |
| Total liabilities                     | <u>\$ 426,789</u> | <u>\$ 663,469</u> |

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**12. Discontinued Operations (continued)**

Revenue and expense associated with discontinued operations is as follows for the years ended December 31, 2023 and 2022:

|                                                   | <u>2023</u>              | <u>2022</u>               |
|---------------------------------------------------|--------------------------|---------------------------|
| Revenues                                          | \$ 157,891               | \$ 57,205                 |
| Cost of sales                                     | <u>(4,546)</u>           | <u>(8,521)</u>            |
| Gross profit                                      | 153,345                  | 48,684                    |
| Selling, general and administrative expenses      | <u>(79,060)</u>          | <u>(72,455)</u>           |
| Operating income (loss)                           | 74,285                   | (23,771)                  |
| Other income                                      | <u>144,274</u>           | <u>53</u>                 |
| Net income (loss) before provision for income tax | 218,559                  | (23,718)                  |
| Provision for income taxes                        | <u>(104,954)</u>         | <u>(35,859)</u>           |
| Net income (loss) related to DISCO                | <u><u>\$ 113,605</u></u> | <u><u>\$ (59,577)</u></u> |

**13. Subsequent Events**

Management has evaluated the possibility of subsequent events existing in the Company's financial statements through October 4, 2024, the date the financial statements were available to be issued.

During the year ended December 31, 2024, the Company divested two corporate stores in Florida and one corporate owned store in Texas. The company recorded a pre-tax gain of \$315,000 in connection with these transactions.

**SUPPLEMENTAL SCHEDULES**

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidating Balance Sheet**  
**As of December 31, 2023**

|                                                      | Foot Solutions,<br>Inc. | Foot Solutions<br>Canada, Inc. | Discontinued<br>Operations | Elimination         | Consolidated         |
|------------------------------------------------------|-------------------------|--------------------------------|----------------------------|---------------------|----------------------|
| <b><u>ASSETS</u></b>                                 |                         |                                |                            |                     |                      |
| <b>Current assets</b>                                |                         |                                |                            |                     |                      |
| Cash                                                 | \$ 417,585              | \$ 42,740                      | \$ (42,740)                | \$ -                | \$ 417,585           |
| Restricted cash                                      | 6,136                   | -                              | -                          | -                   | 6,136                |
| Accounts receivable, net                             | 304,820                 | -                              | -                          | -                   | 304,820              |
| Receivable (payable) from affiliates                 | 358,135                 | -                              | -                          | (358,135)           | -                    |
| Due from related party                               | 961,430                 | -                              | -                          | -                   | 961,430              |
| Inventory                                            | 2,299,398               | -                              | -                          | -                   | 2,299,398            |
| Income tax receivable                                | 60,228                  | -                              | -                          | -                   | 60,228               |
| Prepaid and other current assets                     | 526,711                 | 5,965                          | (5,965)                    | -                   | 526,711              |
| Assets related to discontinued operations            | -                       | -                              | 48,705                     | -                   | 48,705               |
| <b>Total current assets</b>                          | <b>4,934,443</b>        | <b>48,705</b>                  | <b>-</b>                   | <b>(358,135)</b>    | <b>4,625,013</b>     |
| <b>Property and equipment, net</b>                   | <b>848,608</b>          | <b>31,320</b>                  | <b>(31,320)</b>            | <b>-</b>            | <b>848,608</b>       |
| <b>Other assets</b>                                  |                         |                                |                            |                     |                      |
| Notes receivable                                     | -                       | 64,150                         | (64,150)                   | -                   | -                    |
| Deposits and other assets                            | 63,970                  | -                              | -                          | -                   | 63,970               |
| Goodwill, net amortization                           | 1,740,788               | -                              | -                          | -                   | 1,740,788            |
| Right-of-use asset, operating leases                 | 3,145,918               | -                              | -                          | -                   | 3,145,918            |
| Deferred income taxes                                | 942,800                 | -                              | -                          | -                   | 942,800              |
| Other assets related to discontinued operations      | -                       | -                              | 95,470                     | -                   | 95,470               |
| <b>Total other assets</b>                            | <b>5,893,476</b>        | <b>64,150</b>                  | <b>31,320</b>              | <b>-</b>            | <b>5,988,946</b>     |
| <b>Total assets</b>                                  | <b>\$ 11,676,527</b>    | <b>\$ 144,175</b>              | <b>\$ -</b>                | <b>\$ (358,135)</b> | <b>\$ 11,462,567</b> |
| <b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>   |                         |                                |                            |                     |                      |
| <b>Current liabilities</b>                           |                         |                                |                            |                     |                      |
| Accounts payable                                     | \$ 2,108,264            | \$ 22,610                      | \$ (22,610)                | \$ -                | \$ 2,108,264         |
| Accrued expenses                                     | 355,832                 | 46,044                         | (46,044)                   | -                   | 355,832              |
| Payable to affiliates                                | -                       | 358,135                        | -                          | (358,135)           | -                    |
| Deferred revenues                                    | 219,822                 | -                              | -                          | -                   | 219,822              |
| Current portion, operating leases                    | 983,410                 | -                              | -                          | -                   | 983,410              |
| Current portion notes payable                        | 324,748                 | -                              | -                          | -                   | 324,748              |
| Liabilities related to discontinued operations       | -                       | -                              | 68,654                     | -                   | 68,654               |
| <b>Total current liabilities</b>                     | <b>3,992,076</b>        | <b>426,789</b>                 | <b>-</b>                   | <b>(358,135)</b>    | <b>4,060,730</b>     |
| <b>Other liabilities</b>                             | <b>124,735</b>          |                                |                            |                     |                      |
| Deferred revenue, net current portion                | 894,993                 | -                              | -                          | -                   | 894,993              |
| Operating leases, net current portion                | 2,060,220               | -                              | -                          | -                   | 2,060,220            |
| Related party notes payable                          | 4,296,810               | -                              | -                          | -                   | 4,296,810            |
| Notes payable, net current portion                   | 731,372                 | -                              | -                          | -                   | 731,372              |
| Other liabilities related to discontinued operations | -                       | -                              | -                          | -                   | -                    |
| <b>Total other liabilities</b>                       | <b>7,983,395</b>        | <b>-</b>                       | <b>-</b>                   | <b>-</b>            | <b>7,983,395</b>     |
| <b>Stockholder's equity</b>                          | <b>(298,944)</b>        | <b>(282,614)</b>               | <b>-</b>                   | <b>-</b>            | <b>(581,558)</b>     |
| <b>Total liabilities and stockholder's equity</b>    | <b>\$ 11,676,527</b>    | <b>\$ 144,175</b>              | <b>\$ -</b>                | <b>\$ (358,135)</b> | <b>\$ 11,462,567</b> |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidating Statement of Loss**  
**For the year ended December 31, 2023**

|                                                                                  | Foot Solutions, Inc.  | Foot Solutions<br>Canada, Inc. | Discontinued<br>Operations | Elimination     | Consolidated          |
|----------------------------------------------------------------------------------|-----------------------|--------------------------------|----------------------------|-----------------|-----------------------|
| <b>Revenues</b>                                                                  |                       |                                |                            |                 |                       |
| Franchise royalties and fees                                                     | \$ 864,130            | \$ 117,948                     | \$ (117,948)               | \$ -            | \$ 864,130            |
| Retail sales - corporate store locations                                         | 13,189,993            | 38,565                         | (38,565)                   | -               | 13,189,993            |
| Retail sales - e-commerce                                                        | 49,258                | -                              | -                          | -               | 49,258                |
| Medical billing and other revenues                                               | 133,262               | -                              | -                          | -               | 133,262               |
| Marketing fees                                                                   | 80,843                | 1,378                          | (1,378)                    | (80,843)        | -                     |
| <b>Total revenue</b>                                                             | <b>14,317,486</b>     | <b>157,891</b>                 | <b>(157,891)</b>           | <b>(80,843)</b> | <b>14,236,643</b>     |
| <b>Cost of sales</b>                                                             |                       |                                |                            |                 |                       |
| Retail inventory                                                                 | 5,216,153             | 4,546                          | (4,546)                    | -               | 5,216,153             |
| <b>Gross profit</b>                                                              | <b>9,101,333</b>      | <b>153,345</b>                 | <b>(153,345)</b>           | <b>(80,843)</b> | <b>9,020,490</b>      |
| <b>Expenses</b>                                                                  |                       |                                |                            |                 |                       |
| Training, medical billing and other                                              | 56,098                | -                              | -                          | -               | 56,098                |
| Franchise field support                                                          | -                     | 5,001                          | (5,001)                    | -               | -                     |
| General and administrative                                                       | 9,490,699             | 74,059                         | (74,059)                   | -               | 9,490,699             |
| Marketing expenses                                                               | 1,122,995             | -                              | -                          | (80,843)        | 1,042,152             |
| <b>Total expenses</b>                                                            | <b>10,669,792</b>     | <b>79,060</b>                  | <b>(79,060)</b>            | <b>(80,843)</b> | <b>10,588,949</b>     |
| <b>Loss from operations</b>                                                      | <b>(1,568,459)</b>    | <b>74,285</b>                  | <b>(74,285)</b>            | <b>-</b>        | <b>(1,568,459)</b>    |
| <b>Other income (expense)</b>                                                    |                       |                                |                            |                 |                       |
| Other income                                                                     | 102                   | -                              | -                          | -               | 102                   |
| Interest expense                                                                 | (582,564)             | -                              | -                          | -               | (582,564)             |
| Gain/(loss) on disposal of assets                                                | -                     | 144,274                        | (144,274)                  | -               | -                     |
| <b>Total other income (expense)</b>                                              | <b>(582,462)</b>      | <b>144,274</b>                 | <b>(144,274)</b>           | <b>-</b>        | <b>(582,462)</b>      |
| <b>Net loss from continuing operations<br/>before provision for income taxes</b> | <b>(2,150,921)</b>    | <b>218,559</b>                 | <b>(218,559)</b>           | <b>-</b>        | <b>(2,150,921)</b>    |
| Provision for income (taxes) benefit                                             | 550,835               | (104,954)                      | 104,954                    | -               | 550,835               |
| <b>Income from continuing operations<br/>net of income taxes</b>                 | <b>(1,600,086)</b>    | <b>113,605</b>                 | <b>(113,605)</b>           | <b>-</b>        | <b>(1,600,086)</b>    |
| Income from discontinued operations net of income tax                            | -                     | -                              | 113,605                    | -               | 113,605               |
| <b>Net loss</b>                                                                  | <b>\$ (1,600,086)</b> | <b>\$ 113,605</b>              | <b>\$ -</b>                | <b>\$ -</b>     | <b>\$ (1,486,481)</b> |

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



## **Foot Solutions, Inc. and Subsidiaries**

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Consolidated Financial Statements  
and  
Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

**Foot Solutions, Inc. and Subsidiaries**  
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**Independent Auditors' Report**

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**AGL CPA Group, LLC**  
Service+ Expertise= Value  
1870 Buford Highway, Ste. 100  
Duluth, GA 30097  
<http://aglcpa.com>

## INDEPENDENT AUDITORS' REPORT

**To the Stockholder of  
Foot Solutions, Inc. and Subsidiaries  
Alpharetta, Georgia  
*OpiJitOll***

We have audited the accompanying consolidated financial statements of Foot Solutions, Inc. and Subsidiaries (a Georgia corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of loss and comprehensive loss, changes in stockholder's equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Foot Solutions, Inc. and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foot Solutions, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foot Solutions, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foot Solutions, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foot Solutions, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report 011 Consolidating Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 24-25 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*AGL CPA Group, LLC*

Duluth, Georgia  
June 9, 2023

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**As of December 31, 2022 and 2021**

|                                      | <u>2022</u>          | <u>2021</u>         |
|--------------------------------------|----------------------|---------------------|
| <b>ASSETS</b>                        |                      |                     |
| <b>Current assets</b>                |                      |                     |
| Cash                                 | \$ 601,046           | \$ 43,744           |
| Restricted cash                      | 28,982               | 8,414               |
| Accounts receivable, net             | 157,273              | 220,323             |
| Due from related party               | 829,959              | 317,518             |
| Inventory, net                       | 2,142,797            | 633,834             |
| Income tax receivable                | 60,228               | 62,274              |
| Prepaid and other current assets     | <u>194,488</u>       | <u>107,490</u>      |
| <b>Total current assets</b>          | 4,014,773            | 1,393,597           |
| <b>Property and equipment, net</b>   | 962,934              | 322,926             |
| <b>Other assets</b>                  |                      |                     |
| Deposits and other assets            | 43,647               | 16,236              |
| Goodwill, net amortization           | 1,963,436            | 628,664             |
| Right-of-use asset, operating leases | 3,113,270            |                     |
| Deferred income taxes                | <u>491,754</u>       | <u>191,949</u>      |
| <b>Total other assets</b>            | <u>5,612,107</u>     | <u>836,849</u>      |
| <b>Total assets</b>                  | <u>\$ 10,589,814</u> | <u>\$ 2,553,372</u> |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**As of December 31, 2022 and 2021**

|                                                       | <u>2022</u>          | <u>2021</u>         |
|-------------------------------------------------------|----------------------|---------------------|
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)</b> |                      |                     |
| <b>Current liabilities</b>                            |                      |                     |
| Accounts payable                                      | \$ 2,407,547         | \$ 582,825          |
| Accrued expenses                                      | 178,835              | 84,043              |
| Deferred revenues, cmTent portion                     | 183,152              | 89,150              |
| CmTent portion deferred rent                          |                      | 11,208              |
| CmTent portion, operating leases                      | 937,194              |                     |
| CmTent portion notes payable                          | 636,700              | 140,614             |
| <b>Total current liabilities</b>                      | 4,343,428            | 907,840             |
| <b>Other liabilities</b>                              |                      |                     |
| Deferred rent                                         |                      | 18,650              |
| Deferred revenue, net current portion                 | 301,887              | 238,582             |
| Operating leases, net current portion                 | 2,028,309            |                     |
| Related party note payable                            | 3,191,471            | 349,771             |
| Notes payable, net current portion                    | 996,197              | 509,211             |
| <b>Total other liabilities</b>                        | 6,517,864            | 1,116,214           |
| <b>Stockholder's equity (deficit)</b>                 | (271,478)            | 529,318             |
| <b>Total liabilities and stockholder's equity</b>     | <u>\$ 10,589,814</u> | <u>\$ 2,553,372</u> |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Years Ended December 31, 2022 and 2021**

|                                                   | <u>2022</u>         | <u>2021</u>       |
|---------------------------------------------------|---------------------|-------------------|
| <b>Revenues</b>                                   |                     |                   |
| Franchise royalties and fees                      | \$ 919,900          | \$ 1,065,615      |
| Retail sales - corporate store locations          | 14,190,353          | 2,164,399         |
| Retail sales - e-commerce                         | 80,013              | 156,194           |
| Medical billing and other revenues                | <u>174,396</u>      | <u>105,856</u>    |
| <b>Total revenue</b>                              | 15,364,662          | 3,492,064         |
| Cost of sales                                     | <u>6,168,580</u>    | <u>1,093,548</u>  |
| Gross profit                                      | 9,196,082           | 2,398,516         |
| <b>Expenses</b>                                   |                     |                   |
| Training, medical billing and other               | 76,314              | 120,844           |
| Franchise field support                           | 1,524               | 9,412             |
| Product distribution                              |                     | 100,000           |
| General and administrative                        | 8,692,163           | 1,776,093         |
| Marketing expenses                                | <u>1,012,523</u>    | <u>481,898</u>    |
| <b>Total expenses</b>                             | <u>9,782,524</u>    | <u>2,488,247</u>  |
| <b>Loss from operations</b>                       | (586,442)           | (89,731)          |
| <b>Other income (expense)</b>                     |                     |                   |
| Forgiveness of payroll protection program loan    |                     | 65,925            |
| Interest and other income                         | 55,843              | 28,759            |
| Interest expense                                  | (452,525)           |                   |
| Foreign currency translation adjustment           |                     | <u>(1,692)</u>    |
| <b>Total other income</b>                         | <u>(396,682)</u>    | <u>92,992</u>     |
| <b>Net loss before provision for income taxes</b> | (983,124)           | 3,261             |
| (Provision) benefit for income taxes              | <u>169,752</u>      | <u>(9,812)</u>    |
| <b>Net loss</b>                                   | \$ (813,372)        | \$ (6,551)        |
| Foreign currency translation adjustment           | <u>12,576</u>       | <u>(3,051)</u>    |
| <b>Total other comprehensive loss</b>             | <u>\$ (800,796)</u> | <u>\$ (9,602)</u> |

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

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**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholder's Equity**  
**For the years ended December 31, 2022 and 2021**

|                                         | Common Stock   |                   | Treasury Stock<br>at Cost | Accumulated Other<br>Comprehensive Income (loss) | Retained<br>Earnings (Deficit) | Total Stockholder's<br>Equity (Deficit) |
|-----------------------------------------|----------------|-------------------|---------------------------|--------------------------------------------------|--------------------------------|-----------------------------------------|
|                                         | Shares         | Amount            |                           |                                                  |                                |                                         |
| <b>Balance at January 1, 2021</b>       | 419,168        | \$ 396,039        | \$ (105,170)              | \$ (60,868)                                      | \$ 308,919                     | \$ 538,920                              |
| Foreign currency translation adjustment | -              | -                 | -                         | (3,051)                                          | -                              | (3,051)                                 |
| Net loss                                | -              | -                 | -                         | -                                                | (6,551)                        | (6,551)                                 |
| <b>Balance at December 31, 2021</b>     | 419,168        | 396,039           | (105,170)                 | (63,919)                                         | 302,368                        | 529,318                                 |
| Foreign currency translation adjustment | -              | -                 | -                         | 12,576                                           | -                              | 12,576                                  |
| Net loss                                | -              | -                 | -                         | -                                                | (813,372)                      | (813,372)                               |
| <b>Balance at December 31, 2022</b>     | <u>419,168</u> | <u>\$ 396,039</u> | <u>\$ (105,170)</u>       | <u>\$ (51,343)</u>                               | <u>\$ (511,004)</u>            | <u>\$ (271,478)</u>                     |

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

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**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

|                                                                                                  | <u>2022</u>  | <u>2021</u> |
|--------------------------------------------------------------------------------------------------|--------------|-------------|
| <b>Cash flows from operating activities</b>                                                      |              |             |
| Net loss                                                                                         | \$ (813,372) | \$ (6,551)  |
| <b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b> |              |             |
| Forgiveness of payroll protection program loan                                                   |              | (65,925)    |
| Depreciation and amortization expense                                                            | 349,688      | 91,180      |
| Inventory valuation allowance                                                                    | 40,000       |             |
| Amortized interest                                                                               | 13,719       | 16,387      |
| Bad debt expense                                                                                 | 153,933      |             |
| Deferred income taxes                                                                            | (299,805)    | 9,812       |
| Non-cash rent expense                                                                            | (177,625)    |             |
| Changes in operating assets and liabilities                                                      |              |             |
| Accounts receivable, net                                                                         | (78,549)     | (129,706)   |
| Inventory                                                                                        | (329,978)    | (91,729)    |
| Prepaid expenses and other current assets                                                        | 172,924      | (298,684)   |
| Other assets                                                                                     | (3,734)      | (530)       |
| Accounts payable                                                                                 | 1,824,722    | 379,720     |
| Income tax payable/receivable                                                                    | 2,046        | (964)       |
| Accrued expenses                                                                                 | 108,591      | 48,802      |
| Deferred revenues                                                                                | 157,307      | 326,073     |
| Deferred rent                                                                                    |              | (3,019)     |
| Net cash provided by operating activities                                                        | 1,119,867    | 274,866     |
| <b>Cash flows from investing activities</b>                                                      |              |             |
| Cash paid for acquisitions                                                                       | (2,694,748)  | (450,000)   |
| Purchase of property and equipment                                                               | (641,437)    | (171,170)   |
| Net cash used in investing activities                                                            | (3,336,185)  | (621,170)   |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

|                                                          | <u>2022</u>              | <u>2021</u>             |
|----------------------------------------------------------|--------------------------|-------------------------|
| <b>Cash flows from financing activities</b>              |                          |                         |
| Due from related party                                   | (512,441)                |                         |
| Proceeds from payroll protection program loan            |                          | 65,925                  |
| Proceeds from notes payable                              | 704,126                  | 349,771                 |
| Proceeds from related party notes                        | 2,841,700                |                         |
| Repayment of notes payable                               | <u>(251,773)</u>         | <u>(106,929)</u>        |
| Net cash provided by financing activities                | 2,781,612                | 308,767                 |
| Foreign currency effect on cash and cash equivalents     | <u>12,576</u>            | <u>(3,051)</u>          |
| Net increase (decrease) in cash and restricted cash      | 577,870                  | (40,588)                |
| Cash and restricted cash at beginning of year            | <u>52,158</u>            | <u>92,746</u>           |
| Cash and restricted cash at end of year                  | <u><b>\$ 630,028</b></u> | <u><b>\$ 52,158</b></u> |
| <b>Supplemental disclosure of cash flow information:</b> |                          |                         |
| Cash paid during the year for income taxes               | <u>\$</u>                | <u>\$ 964</u>           |
| Cash paid during the year for interest                   | <u>\$ 438,806</u>        | <u>\$ 41,293</u>        |
| <b>Non-cash investing and financing activities:</b>      |                          |                         |
| Operating leases                                         | <u>\$ 3,992,994</u>      | <u>\$</u>               |
| Debt issued in acquisition                               | <u>\$ 517,000</u>        | <u>\$ 463,305</u>       |

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



**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**1. Nature of Business and Summary of Significant Accounting Policies**

***Nature of business***

The Company engages in the sale and support of franchised retail stores known as "Foot Solutions" as well as operating its own corporate retail locations. The foot webless retail locations include foot scanning, custom insoles, and lines of healthy footwear among other foot health products and services.

The significant accounting policies and practices followed by Foot Solutions, Inc. and Subsidiaries (the "Company") are as follows:

***Principles of consolidation***

The Company consolidates variable interest entities in accordance with FASB ASC 810, *Consolidation* which requires that a company that holds variable interests in an entity consolidate the entity if the company's interest in the variable interest entity ("VIE") is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the VIE's expected residual returns, if they occur. In such cases, the Company is the primary beneficiary of the VIE. FASB ASC 810 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The application of this guidance could result in the consolidation of a variable interest entity if it is determined that the Company is the primary beneficiary of the entity.

The consolidated financial statements of Foot Solutions, Inc. and Subsidiaries include the assets, liabilities, results of operations, and cash flows of Foot Solutions, Inc. ("FSF") and its wholly owned subsidiaries: Foot Solutions Canada, Inc. ("FSC") and HFPlus, LLC ("Happy Feet").

All significant intercompany transactions have been eliminated from the consolidated financial statements.

***Franchise operations***

The Company enters into franchise agreements with unrelated third parties to build and operate stores within a defined geographical area. The franchisee is required to operate its stores in compliance with a franchise agreement that includes adherence to operating and quality control procedures established by the Company. The Company may extend unsecured, non-interest bearing credit to the franchisees in the ordinary course of business. If a franchisee becomes financially distressed, the Company generally does not provide any financial assistance.

If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right, but not the obligation, to acquire the assets of the franchisee at fair value as determined by an independent appraiser. The Company has financial exposure for the collection of royalty payments. Franchisees generally remit royalty payments monthly for the prior month's net sales, which substantially minimizes the Company's financial exposure, or at least enables the Company to quickly identify any troubled franchisees. In addition, franchisees are trademarked licensees that pay to use the Company's marks and other resources but do not have ongoing responsibility. Franchise fees are paid upon signing of the related agreement.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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1. **Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Franchise operations (continued)***

FSI was incorporated in the state of Georgia in 2000. As a franchisor, FSI has the right to grant franchises and related trademarks for an initial ten-year period, renewable for two five-year periods. FSI has franchisees throughout the U.S. and several other countries. As of December 31, 2022 and 2021, FSI had 64 franchisees in operation.

FSC was incorporated in the Province of Ontario, Canada in 2004 to operate FSI's Canadian franchise operations, which began in 2005. As of December 31, 2022 and 2021, FSC had 7 franchisees in operation.

***Advertising fund***

FSI and FSC act as the administrator for the franchise system's national marketing fund, into which each franchisee must pay a designated percentage of store sales to the advertising fund. Advertising fund contributions are recognized in the period in which the contribution accrues and is determined collectible; advertising, general, and administrative costs are expensed as incurred related to the fund.

The revenue, expenses, and cash flows of such advertising funds are not included in the consolidated statement of income or cash flows because the contributions to this fund are designated for specific purposes and FSI and FSC act as agents, in substance, with regard to these contributions. The cash asset of this fund is classified as restricted cash on the balance sheets as of December 31, 2022 and 2021.

FSI and FSC collected advertising fund contributions of approximately \$223,000 and \$443,000 for the years ended December 31, 2022 and 2021, respectively. The Company incurred approximately \$272,000 and \$443,000 in advertising expenses related to the fund for the fiscal years ended December 31, 2022 and 2021, respectively.

In 2022, the Company invested in brand marketing expenses significantly higher than the marketing fund contributions from its franchisees. The Company anticipates utilizing future marketing fund contributions to offset these expenses that have increased.

***Reclassification***

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net loss.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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1. **Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Cash and cash equivalents***

The Company considers money market accounts and highly liquid cash investments with an original maturity date of three months or less to be cash equivalents.

***Restricted cash***

Restricted cash consists of funds designated for the specific purpose of use by the advertising fund. As of December 31, 2022 and 2021, the Company had restricted cash of \$28,982 and \$8,414, respectively.

***Revenue recognition***

Revenues are recognized when we satisfy a performance obligation by transferring goods or services promised in a contract to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Performance obligations in our contracts represent distinct or separable service streams that we provide to our customers.

We evaluate our revenue contracts with customers based on the five-step model under *Revenue from Contracts with Customers* ("ASC 606"): (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and, (5) recognize revenues when (or as) each performance obligation is satisfied. If, at the outset of an arrangement, we determine that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

The Company's revenues are comprised of franchise royalties and fees, retail sales from company-owned stores, and other revenues.

Franchise royalties and fees are primarily comprised of royalties and upfront fees from the Company's franchisees. The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's symbolic intellectual property. All other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore, accounted for under ASC 606 as a single performance obligation. The performance obligation is satisfied by granting certain rights to use our intellectual property over the term of each franchise agreement. Franchise fees are recorded as deferred revenue when received and recognized as revenue over the contractual term of the franchise agreements once the franchise location is open.

Royalties are calculated as a percentage of franchise retail sales and are recognized at the time of the underlying sale. Under FASB ASU 2021-02, *Franchisors-Revenue from Contracts with Customers*, certain pre-opening services may be accounted for as distinct from the franchise license agreement. The Company has elected to use this practical expedient and recognizes fee revenue upon completion of pre-opening services. These pre-opening services were determined to be immaterial as a whole to the consolidated financial statements.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

1. **Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Revenue recognition (continued)***

Company-owned stores revenues are comprised of retail sales of goods through Company-owned stores and are recognized at the time of the underlying sale. Customer payments are generally due at the time of sale. Sales taxes related to these sales are collected from customers and remitted to the appropriate taxing authority and are not reflected in the Company's consolidated statements of loss and comprehensive loss.

**Disaggregation of revenue**

The following tables disaggregate revenue by segment and source for the years ended December 31, 2022 and 2021:

|                           | Foot Solutions,<br>Inc.     | Foot Solutions<br>Canada, Inc. | Total                       |
|---------------------------|-----------------------------|--------------------------------|-----------------------------|
| December 31, 2022         |                             |                                |                             |
| Franchise royalty revenue | \$ 783,618                  | \$ 44,648                      | \$ 828,266                  |
| Franchise fees            | 89,150                      | 2,484                          | 91,634                      |
| Retail sales              | 14,263,341                  | 7,025                          | 14,270,366                  |
| Medical billing           | <u>174,396</u>              |                                | <u>174,396</u>              |
|                           | <b>\$ <u>15,310,505</u></b> | <b>\$ <u>54,157</u></b>        | <b>\$ <u>15,364,662</u></b> |
| December 31, 2021         |                             |                                |                             |
| Franchise royalty revenue | \$ 982,774                  | \$ 31,653                      | \$ 1,014,427                |
| Franchise fees            | 51,188                      |                                | 51,188                      |
| Retail sales              | 2,360,696                   |                                | 2,360,696                   |
| Medical billing           | <u>65,753</u>               |                                | <u>65,753</u>               |
|                           | <b>\$ <u>3,460,411</u></b>  | <b>\$ <u>31,653</u></b>        | <b>\$ <u>3,492,064</u></b>  |

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

1. **Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Revenue recognition (continued)***

**Contract balances**

The following table provides information about receivables and contract liabilities (deferred franchise fees) from contracts with customers:

|                                   | December 31,<br>2022 |    | December 31,<br>2021 |    | December 31,<br>2020 |
|-----------------------------------|----------------------|----|----------------------|----|----------------------|
| Accounts receivable               | 157,273              | \$ | 220,323              | \$ | 90,617               |
| Deferred franchise fees (a)       | 389,102              |    | 321,146              | \$ |                      |
| Gift certificates outstanding (a) | 95,937               |    | 6,585                | \$ | 2,847                |

(a) included in deferred revenues on the consolidated balance sheets

**Anticipated future recognition of deferred franchise fees**

The following table reflects the estimated franchise fees to be recognized in the future related to performance obligations that are unsatisfied as of December 31, 2022:

|                           |                   |
|---------------------------|-------------------|
| Estimate for fiscal year: |                   |
| 2023                      | \$ 162,254        |
| 2024                      | 64,428            |
| 2025                      | 15,817            |
| 2026                      | 15,817            |
| 2027                      | 15,817            |
| Thereafter                | 114,969           |
|                           | <u>\$ 389,102</u> |

***Accounts receivable***

Accounts receivable represent royalty amounts billed to franchisees, but not yet paid. Accounts receivable are considered delinquent when not paid within the stated terms, which is typically net-30. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of franchisees to make required payments. Management regularly evaluates the allowance for doubtful accounts considering a number of factors. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice due date and, based on assessment of current creditworthiness, past payment history, and historical loss experience, estimates the portion, if any, of the balance that will not be collected. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Recoveries of receivables previously written off are recorded when received.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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1. **Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Accounts receivable (continued)***

Bad debt expense for the year ended December 31, 2022 was approximately \$154,000. Bad debt recoveries for the year ended December 31, 2021 was approximately \$41,000. The allowance for doubtful accounts as of December 31, 2022 and 2021 was approximately \$32,000 and \$15,000, respectively.

***Inventory***

Inventories consist of merchandise which are valued at the lower of cost or market using the specific identification method. Periodic assessments are performed by management to determine the existence of obsolete, slow moving, and non-saleable inventories, and management records necessary provisions to reduce such inventories to net realizable value. The Company recognizes all inventory reserves as a component of cost of sales. The allowance for slow moving inventory was \$40,000 as of December 31, 2022. The allowance for slow moving inventory was \$12,000 as of December 31, 2021.

***Property and equipment***

Property and equipment are recorded at acquisition cost. Expenditures for maintenance and repairs are charged to operations as incurred. Property replacements and betterments, which extend the life of the asset, are capitalized and subsequently depreciated. When the assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are included in operations.

Depreciation expense for the years ended December 31, 2022 and 2021 was \$139,929 and \$47,615, respectively. Depreciation is determined by the straight-line method over the estimated useful lives of assets, ranging from 3 to 7 years.

***Goodwill***

The Company accounts for goodwill in accordance with FASB ASC Topic 350, *Goodwill and Other Intangible Assets*. Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed recorded in connection with the purchase of franchise stores, which was accounted for as a business combination.

Additional goodwill may arise in future periods in connection with the acquisition of additional stores. In accordance with FASB ASU 2014-02, *Goodwill*, the Company has elected to amortize goodwill on a straight-line basis over a maximum period of 10 years starting with the year ending December 31, 2020. This goodwill alternative is a policy election and applies to all existing goodwill and goodwill generated in future business combinations. Amortization recorded for these costs during the years ended December 31, 2022 and 2021 was \$209,758 and \$43,565, respectively.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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1. **Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Foreign currency translation***

The functional currency of FSC is the Canadian dollar. Accordingly, the balance sheet accounts of FSC are translated into U.S. dollars at the published exchange rate at the balance sheet date. Revenues and expenses of FSC are translated into U.S. dollars using monthly average exchange rates. Results from the translation of the financial statements, net of the related income tax impact, are reflected as currency translation adjustments and are made directly to other comprehensive (loss) income. The net translation adjustment for the years ended December 31, 2022 and 2021 was again of approximately \$13,000 and a loss of approximately \$3,000, respectively. Foreign currency transaction gains and losses are included in the consolidated statements of income and other comprehensive income.

***Foreign Operations***

During the years ended December 31, 2022 and 2021, approximately 1% and 1%, respectively, of total consolidated revenues were earned from franchisees located outside of the United States. FSI has no international assets except for FSC cash accounts in Canada. International franchisees are located in Ireland, Australia, and England.

***Income taxes***

The Company accounts for income taxes in accordance with FASB ASC Topic 740, Income Taxes, which provides guidance on the basic requirements applied in accounting for income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The primary sources of these differences are depreciation methods, the method of accounting for completed contracts, and the allowance for doubtful accounts. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of establishment. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the establishment date.

FASB ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions would "more-likely-than-not" be sustained if challenged by an applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.

The Company evaluates its uncertain tax positions using the provisions of FASB ASC Topic 450, *Contingencies*. Management believes there are no material estimates that should be accrued as of December 31, 2022 and 2021. The Company is no longer subject to examination by taxing authorities for tax years prior to 2019.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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1. **Nature of Business and Summary of Significant Accounting Policies (Continued)**

***Debt Issuance Costs***

The Company accounts for debt issuance costs in accordance with Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. Debt issuance accounts are presented as a direct deduction from the carrying value of the associated debt. The costs are amortized over the term of the associated debt and expensed as interest.

***Fair value***

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income, and cost approaches. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. As a basis for categorizing these inputs, FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes the following hierarchy, which prioritizes the inputs used to measure fair value from market based assumptions to entity specific assumptions:

- Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of fair market values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There are no assets or liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021.



**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

*Classification policy*

The Company adopted the provisions of the Financial Accounting Standard Board's Accounting Standards Update 2016-02, *Leases*. ASU 2016-02 requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model that requires a lessee to recognize a right of use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. This change has been prospectively applied as of January 1, 2022 using the effective date method. There was no material effect on the 2021 financial statements as a result of the adoption. The Company has elected the practical expedient to combine both the lease and non-lease components.

**2. Concentrations**

The Company maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, the Company's balances may exceed the federally insured limits. Management believes that risk is limited because a major financial institution holds such balances. As of December 31, 2022, balances in excess of FDIC limits were approximately \$109,000. There are no balances in excess of FDIC limits as of December 31, 2021.

**3. Property and Equipment**

As of December 31, 2022 and 2021, property and equipment consisted of the following:

|                                 | <u>2022</u>       | <u>2021</u>       |
|---------------------------------|-------------------|-------------------|
| Furniture and fixtures          | \$ 268,445        | \$ 56,749         |
| Computer equipment and software | 780,643           | 352,192           |
| Leasehold improvements          | <u>177,286</u>    | <u>133,497</u>    |
|                                 | 1,226,374         | 542,438           |
| Less: accumulated depreciation  | <u>(263,440)</u>  | <u>(219,512)</u>  |
| Property and equipment, net     | <u>\$ 962,934</u> | <u>\$ 322,926</u> |

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**4. Leases**

The Company has obligations under certain operating leases, principally in connection with approximately twenty retail store and corporate office spaces. The term for certain retail store and corporate office space has expiration dates through 2029 and includes annual escalating rental payments ranging from \$545 to \$6,575 a month.

Future minimum annual lease payments under these leases are as follows:

For the year ended December 31st:

|                                         |                     |
|-----------------------------------------|---------------------|
| 2023                                    | \$ 1,036,558        |
| 2024                                    | 744,272             |
| 2025                                    | 634,915             |
| 2026                                    | 493,429             |
| 2027                                    | 146,074             |
| Thereafter                              | <u>149,847</u>      |
|                                         | 3,205,095           |
| Less: present value discount:           | <u>(239,592)</u>    |
| Lease liability as of December 31, 2022 | <u>\$ 2,965,503</u> |

Rent expense associated with these operating leases totaled approximately \$1,152,000 and \$186,000 for the years ended December 31, 2022 and 2021, respectively.

Because we generally do not have access to the rate implicit in the lease, we utilize the practical expedient which allows the Company to use the Federal Funds Rate at inception of the lease. The weighted average discount rate associated with operating leases was 3.92%. As of December 31, 2022, the weighted-average remaining lease term for all operating leases is 3.87 years.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**5. Income Taxes**

The components of the provision for income taxes as of December 31, 2022 and 2021 are as follows:

|                                            | <u>2022</u>         | <u>2021</u>     |
|--------------------------------------------|---------------------|-----------------|
| Current:                                   |                     |                 |
| Federal                                    | \$                  | \$              |
| State                                      |                     |                 |
| Foreign                                    |                     |                 |
| Deferred:                                  |                     |                 |
| Federal                                    | (154,208)           | (7,647)         |
| State                                      | (51,403)            | (1,730)         |
| Foreign                                    | 35,859              | 19,189          |
|                                            | <u>(169,752)</u>    | <u>9,812</u>    |
| Total provision (benefit) for income taxes | \$ <u>(169,752)</u> | \$ <u>9,812</u> |

The Company's total deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

|                                           | <u>2022</u>       | <u>2021</u>       |
|-------------------------------------------|-------------------|-------------------|
| Allowance on accounts receivable          | \$ 10,284         | \$ 12,847         |
| Allowance on inventory                    | 11,200            | 3,360             |
| Depreciation and amortization methods     | (240,532)         | (90,539)          |
| Other                                     | (40,775)          | 6,377             |
| Domestic net operating loss carryforwards | 646,623           | 164,324           |
| Foreign net operating loss carryforwards  | <u>104,954</u>    | <u>95,580</u>     |
| Deferred tax asset                        | <u>\$ 491,754</u> | <u>\$ 191,949</u> |

The Company uses the federal statutory tax rate of 21% and a blended state tax rate of 7% for the years ended December 31, 2022 and 2021 because of the future anticipated income levels of the Company at the time.

Foot Solutions, Inc. has net operating loss carryforwards of approximately \$2,309,000 which carryforward in perpetuity.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**5. Income Taxes (Continued)**

Net operating loss carryforwards available to offset future income taxes payable and expires during the years ending December 31<sup>st</sup> for FSC are as follows:

| <u>Expiration</u> | <u>Foreign</u>    |
|-------------------|-------------------|
| 2035              | \$ 8,072          |
| 2036              | 116,105           |
| 2037              | 129,410           |
| 2038              | 96,447            |
| 2039              | 14,968            |
| 2042              | <u>23,718</u>     |
|                   | \$ <u>388,720</u> |

**6. Notes Payable**

In August 2020, the Company purchased a franchised store in Phoenix, Arizona from a franchisee for \$325,000. The Company financed the store purchase with a note payable in the amount of \$325,000. The note requires quarterly payments in the amount of \$16,250 and has a 0% interest rate, resulting in a discount of \$14,582. The effective rate of the note is 5% and interest expense recognized during 2022 was approximately \$10,000. The note matures August 2025.

In June 2021, the Company purchased a franchised store in Mesa, Arizona from a franchisee for \$300,000. The Company financed the store purchase with a note payable in the amount of \$225,000. The note requires quarterly payments in the amount of \$15,288 and has a 4% interest rate. The note matures June 2025.

In July 2021, the Company purchased a franchised store in Goodyear, Arizona from a franchisee for \$400,000. The Company financed the store purchase with a note payable in the amount of \$100,000 and assumed an Economic Impact Disaster Loan of \$150,000. The seller note requires quarterly payments in the amount of \$5,000 and has a 0% interest rate, resulting in a discount of \$11,695. The effective rate of the note is 5% and interest expense recognized during 2022 was immaterial. The note matures June 2026.

In connection with the purchase of the franchised store in Goodyear, Arizona, the Company assumed an Economic Impact Disaster Loan of \$150,000. The note requires monthly payments of principal and interest of \$731, and the payments are deferred until 30 months from the date of the original promissory note, which was May 16, 2020. The note carries a 3.75% interest rate and matures in April 2025.

In February 2022, the Company purchased substantially all of the assets of Happy Feet Plus, Inc. and Health Shoes Plus, Inc. The Company financed the store purchase with a note payable in the amount of \$517,000. The note requires monthly payments in the amount of \$16,201 and has a 8% interest rate. The note matures February 2023.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**7. Notes Payable (Continued)**

In December 2022, the Company entered into a note payable in the amount of \$704,126. This note requires monthly payments of principal and interest of \$14,617 through December 2025 at which time the loan matures, and any remaining principal balance is due. Interest on the note accrues monthly based on a rate of 9% per annum.

In February 2021, the Company received a second draw Paycheck Protection Program ("PPP") loan of approximately \$66,000. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company utilized the proceeds for purposes consistent with the PPP. In 2021, the loan was forgiven, and the Company recognized forgiveness of debt income.

**Related Party Note**

A, shown on the consolidated balance sheet the Company received a long-term line of credit that was funded through and entity owned by a board member and other shareholders of the parent company. This debt was obtained to fund acquisitions and for other growth initiatives. In March 2023, the Company increased long-term note payable with a related party from \$1,143,000 to \$3,810,000. Interest on the note accrues monthly based on a rate of 12% per annum. The note matures in March 2027, at which time all remaining principal and interest are due. The note is secured by substantially all the assets of the Company. This note was utilized to finance the purchase of Happy Feet Plus, Inc. and Health Shoes Plus, Inc.

Future minimum principal payments are as follows:

| For the year ended December 31: | Third Party         | Related Party       | Total               |
|---------------------------------|---------------------|---------------------|---------------------|
| 2023                            | \$ 646,844          | \$                  | \$ 646,844          |
| 2024                            | 273,748             |                     | 273,748             |
| 2025                            | 576,499             |                     | 576,499             |
| 2026                            | 13,147              |                     | 13,147              |
| 2027                            | 3,185               |                     | 3,185               |
| Thereafter                      | <u>138,405</u>      | <u>3,191,471</u>    | <u>3,329,876</u>    |
|                                 | 1,651,828           | 3,191,471           | 4,843,299           |
| Less: Unamortized discounts     | <u>(18,931)</u>     |                     | <u>(18,931)</u>     |
|                                 | <u>\$ 1,632,897</u> | <u>\$ 3,191,471</u> | <u>\$ 4,824,368</u> |

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**8. Employee Benefit Plan**

FSI has a 401(k) plan ("the Plan") in which substantially all employees meeting specified length of service requirements are eligible to participate. Employees can make voluntary contributions to the Plan. FSI did not make contributions to the Plan in any of the years presented.

**9. Related Party Transactions**

The Company has a receivable from its parent company Foot Solutions Holding Corporation. The amount due to the Company as of December 31, 2022 and 2021 was \$829,959 and \$317,518, respectively.

**10. Contingencies**

The Company, from time to time, may be a defendant in legal actions generally incidental to its business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial position or results of operations of the Company.

**11. Company-owned Store Transactions**

In May 2021, the Company purchased a franchised store from a franchisee for a purchase price of \$225,000. The purchase price was payable in cash. The purchased assets included approximately \$151,000 of goodwill, \$50,000 of inventory, and \$25,000 of fixed assets. No liabilities were assumed as part of the purchase.

In June 2021, the Company purchased a franchised store from a franchisee for a purchase price of \$300,000. The purchase price was evidenced by a promissory note of \$225,000 at a 4% interest rate and \$75,000 in cash. The purchased assets included approximately \$68,000 of goodwill, \$208,000 of inventory, and \$24,000 of fixed assets. No liabilities were assumed as part of the purchase.

In July 2021, the Company purchased a franchised store from a franchisee for a purchase price of \$400,000. The purchase was evidenced by a promissory note of \$100,000 at a 0% interest rate, the assumption of an economic impact disaster loan of \$150,000, and \$150,000 in cash. The purchased assets included approximately \$252,000 of goodwill, \$84,000 of inventory, and \$52,000 of fixed assets. No liabilities were assumed as part of the purchase.

**Foot Solutions, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**12. Acquisition of Happy Feet Plus, Inc. and Health Shoes Plus, Inc.**

Effective January 31, 2022, HFPlus, LLC, a wholly owned subsidiary of the Company, purchased substantially all of the assets and certain liabilities of Happy Feet Plus, Inc. and Health Shoes Plus, Inc. for a purchase price of \$3,211,748. The Company paid \$2,694,748 of cash and issued a note payable to the former owner in the amount of \$517,000. The purchase price was allocated as follows:

|                     |              |
|---------------------|--------------|
| Cash received       | \$ 4,071     |
| Accounts receivable | 12,334       |
| Inventory           | 1,218,985    |
| Other assets        | 329,435      |
| Fixed assets        | 138,500      |
| Goodwill            | 1,546,809    |
| Accrued expenses    | [38,386]     |
|                     | \$ 3,211,748 |

In connection with the acquisition, the Company had expenses related to its acquisition and integration of Happy Feet Plus which have not been separately shown on the consolidated statements of income and comprehensive income. Substantially all these expenses were non-recurring and were incurred during the year ended December 31, 2022.

**13. Subsequent Events**

Management has evaluated the possibility of subsequent events existing in the Company's financial statements through June 9, 2023, the date the financial statements were available to be issued.

**SUPPLEMENTAL SCHEDULES**



**Foot Solutions, Inc. and Subsidiaries**  
**Consolidating Balance Sheet**  
**As of December 31, 2022**

|                                                   | Foot Solutions,<br>Inc. | Foot Solutions<br>Canada, Inc. | Elimination         | Consolidated         |
|---------------------------------------------------|-------------------------|--------------------------------|---------------------|----------------------|
| <b>Current assets</b>                             |                         |                                |                     |                      |
| Cash                                              | \$ 555,550              | \$ 45,496                      | \$                  | \$ 601,046           |
| Restricted cash                                   | 26,166                  | 2,816                          |                     | 28,982               |
| <b>Accounts receivable net</b>                    | 147,330                 | 9,943                          |                     | 157,273              |
| Receivable (payable) from affiliates              | 424,465                 | 73,452                         | (497,917)           |                      |
| Due from related party                            | 829,959                 |                                |                     | 829,959              |
| Inventory                                         | 2,140,159               | 2,638                          |                     | 2,142,797            |
| Income tax receivable                             | 60,228                  |                                |                     | 60,228               |
| Prepaid and other current assets                  | 188,631                 | 5,857                          |                     | 194,488              |
| <b>Total current assets</b>                       | 4,372,488               | 140,202                        | (497,917)           | 4,014,773            |
| <b>Property and equipment, net</b>                | 932,458                 | 30,476                         |                     | 962,934              |
| <b>Other assets</b>                               |                         |                                |                     |                      |
| Deposits and other assets                         | 43,647                  |                                |                     | 43,647               |
| Goodwill, net amortization                        | 1,963,436               |                                |                     | 1,963,436            |
| Right-of-use asset, operating leases              | 3,113,270               |                                |                     | 3,113,270            |
| Deferred income taxes                             | 386,800                 | 104,954                        |                     | 491,754              |
| <b>Total other assets</b>                         | 5,507,153               | 104,954                        |                     | 5,612,107            |
| <b>Total assets</b>                               | <b>\$ 10,812,099</b>    | <b>\$ 275,632</b>              | <b>\$ (497,917)</b> | <b>\$ 10,589,814</b> |
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>       |                         |                                |                     |                      |
| <b>Current liabilities</b>                        |                         |                                |                     |                      |
| Accounts payable                                  | \$ 2,380,137            | \$ 27,410                      | \$                  | \$ 2,407,547         |
| Accrued expenses                                  | 134,695                 | 44,140                         |                     | 178,835              |
| Payable to affiliates                             |                         | 497,917                        | (497,917)           |                      |
| Deferred revenues                                 | 89,150                  | 94,002                         |                     | 183,152              |
| Current portion of long-term debt                 | 937,194                 |                                |                     | 937,194              |
| Current portion notes payable                     | 636,700                 |                                |                     | 636,700              |
| <b>Total current liabilities</b>                  | 4,177,876               | 663,469                        | (497,917)           | 4,343,428            |
| <b>Other liabilities</b>                          |                         |                                |                     |                      |
| Deferred revenue, net current portion             | 301,887                 |                                |                     | 301,887              |
| Operating leases, net current portion             | 2,028,309               |                                |                     | 2,028,309            |
| Related party notes payable                       | 3,191,471               |                                |                     | 3,191,471            |
| Notes payable, net current portion                | 996,197                 |                                |                     | 996,197              |
| <b>Total other liabilities</b>                    | 6,517,864               |                                |                     | 6,517,864            |
| <b>Stockholder's equity</b>                       | 116,359                 | (387,837)                      |                     | (271,478)            |
| <b>Total liabilities and stockholder's equity</b> | <b>\$ 10,812,099</b>    | <b>\$ 275,632</b>              | <b>\$ (497,917)</b> | <b>\$ 10,589,814</b> |

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

**Foot Solutions, Inc. and Subsidiaries**  
**Consolidating Statement of Income**  
**For the year ended December 31, 2022**

|                                                   | Foot Solutions,<br>Inc. | Foot Solutions<br>Canada, Inc. | Elimination      | Consolidated        |
|---------------------------------------------------|-------------------------|--------------------------------|------------------|---------------------|
| <b>Revenues</b>                                   |                         |                                |                  |                     |
| Franchise royalties and fees                      | 872,768                 | \$ 47,132                      |                  | \$ 919,900          |
| Retail sales - corporate store locations          | 14,183,328              | 7,025                          |                  | 14,190,353          |
| Retail sales - e-commerce                         | 80,013                  |                                |                  | 80,013              |
| Medical billing and other revenues                | 174,396                 |                                |                  | 174,396             |
| Marketing fees                                    | 219,704                 | 3,048                          | (222,752)        |                     |
| <b>Total revenue</b>                              | <b>15,530,209</b>       | <b>57,205</b>                  | <b>(222,752)</b> | <b>15,364,662</b>   |
| <b>Cost of sales</b>                              |                         |                                |                  |                     |
| Retail inventory                                  | 6,160,059               | 8,521                          |                  | 6,168,580           |
| <b>Gross profit</b>                               | <b>9,370,150</b>        | <b>48,684</b>                  | <b>(222,752)</b> | <b>9,196,082</b>    |
| <b>Expenses</b>                                   |                         |                                |                  |                     |
| Training, medical billing and other               | 76,314                  |                                |                  | 76,314              |
| Franchise field support                           |                         | 1,524                          |                  | 1,524               |
| General and administrative                        | 8,634,029               | 58,134                         |                  | 8,692,163           |
| Marketing expenses                                | 1,222,478               | 12,797                         | (222,752)        | 1,012,523           |
| <b>Total expenses</b>                             | <b>9,932,821</b>        | <b>72,455</b>                  | <b>(222,752)</b> | <b>9,782,524</b>    |
| <b>Loss from operations</b>                       | <b>(562,671)</b>        | <b>(23,771)</b>                |                  | <b>(586,442)</b>    |
| <b>Other income (expense)</b>                     |                         |                                |                  |                     |
| Other income                                      | 55,790                  | 53                             |                  | 55,843              |
| Interest expense                                  | (452,525)               |                                |                  | (452,525)           |
| <b>Total other income (expense)</b>               | <b>(396,735)</b>        | <b>53</b>                      |                  | <b>(396,682)</b>    |
| <b>Net loss before provision for income taxes</b> | <b>(959,406)</b>        | <b>(23,718)</b>                |                  | <b>(983,124)</b>    |
| <b>Provision for income (taxes) benefit</b>       | <b>205,611</b>          | <b>(35,859)</b>                |                  | <b>169,752</b>      |
| <b>Net loss</b>                                   | <b>(753,795)</b>        | <b>\$ (59,577)</b>             | <b>\$</b>        | <b>\$ (813,372)</b> |

**EXHIBIT B**

**FRANCHISE AGREEMENT**

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### SCHEDULES:

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## **FOOT SOLUTIONS, INC.**

### **FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 202\_\_ (the “Effective Date”), by and between **FOOT SOLUTIONS, INC.** a Georgia corporation (“we,” “us,” “our,” or “Franchisor”), and \_\_\_\_\_, whose place of organization, form, and principal business address are set forth on Schedule “A” attached to this Agreement (“Franchisee”, “you” or “your”).

### **RECITALS**

**WHEREAS**, Franchisee desires to enter into an agreement with Franchisor to obtain the rights to operate a FOOT SOLUTIONS<sup>®</sup> business (the “Franchised Business”) using the system developed by Franchisor or its affiliate, including standardized methods and procedures for the operation of a business offering specialty retail health, wellness, and foot care centers providing comfort shoes and accessories, foot orthotics, computerized foot scanning, and custom, inserts for shoes for work, dress and play, distinctive specifications for sales techniques, marketing, advertising, and procedures for operation and management of a Foot Solutions business in the manner set forth in this Agreement and in the Operations Manual provided by Franchisor and modified from time to time (the “Foot Solutions System” or “System”); and

**WHEREAS**, Franchisor and its franchisees use certain trade names, trademarks and service marks including, without limitation, the service mark “FOOT SOLUTIONS” in connection with the System (the “Licensed Marks”). The rights to all such Licensed Marks as are now, or hereafter will be, designated as part of the Foot Solutions System will be owned exclusively by Franchisor or its affiliate and be used for the benefit of Franchisor, its affiliate, and Franchisor’s franchisees to identify to the public the source of the products and services marketed thereunder; and

**WHEREAS**, you have applied to us for a franchise to use the System, and we desire to grant you a franchise to use the System, all subject to the terms and conditions of this Agreement and such application has been approved in reliance upon all of the representations made therein; and

**WHEREAS**, the Franchisee appreciates and acknowledges the importance of the Franchisor’s standards of quality, appearance, and service as a necessity of owning and operating a franchise outlet in conformity with the Franchisor’s standards and specifications, and

**WHEREAS**, the Franchisee represents and warrants that the Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by the Franchisee of the obligations under this Franchisee Agreement; and

**WHEREAS**, the Franchisee represents and warrants that neither the Franchisee nor any person or firm cooperating, assisting or acting with the Franchisee in connection with the opening of this franchise, or upon whom or which he may be relying for any assistance in this matter, direct or indirect,

financial or otherwise, is a party to any contract, agreement or arrangement which limits, prohibits or purports to limit or prohibit the Franchisee's entering into this Franchise Agreement or performing the Franchisee's obligations hereunder;

NOW, THEREFORE, the parties in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby mutually agree as follows:

## **1. GRANT OF FRANCHISE**

**1.1 Grant of Franchise.** Subject to the terms and conditions of this Agreement, Franchisor grants to the Franchisee, the right and license and Franchisee accepts the right and obligation to operate a specialty retail business offering comfort shoes and accessories, foot orthotics, computerized foot scanning and custom shoe inserts under the trade name and style FOOT SOLUTIONS and to use in connection therewith the Franchisor's System at, and only at, a mutually agreeable location and which shall be provided for on Schedule "A" within ten (10) days of the date of the Franchisor's approval of the Franchisee's location for the Franchised Business (hereinafter referred to as the "Premises") and within the geographic area specified in Schedule "A" (the "Territory").

**1.2 Uniform Standards.** You acknowledge and agree that the central feature of a franchise system is a consistent method of operation at all Foot Solutions Franchised Businesses in the System; and that, as a result, it is essential to the high standards and goodwill of the franchise system that each franchisee, including you, strictly comply with all of our rules, guidelines, standards, specifications, plans, programs, methods, techniques, and procedures, all of which are contained in our confidential operations manual ("Operations Manual") and this Agreement. You also acknowledge and agree (i) that we may modify all or any part of the System to adapt to changes in the marketplace, economic conditions, business conditions, the demands of consumers, our business needs and the needs of the System; (ii) that such modifications may include additions to, deletions from, or modifications to the services or products you offer for sale, sell or deliver in your Franchised Business, which modifications may include modifications to our proprietary Marks; (iii) that you agree that you expect us to change or modify the System; (iv) that you covenant, warrant, represent, and agree that you will comply with all rules, guidelines, standards, specifications, plans, programs, methods, techniques and procedures, and the Operations Manual related to the System, as we add to, delete from, and modify any or all of them from time to time, and with this Agreement. We agree that no modifications will materially and unreasonably increase your obligations as are set forth in this Agreement.

**1.3 Non-Exclusivity.** The parties expressly agree that the license granted herein relates solely to the Territory identified on Schedule "A" (the "Protected Territory") and affords to the Franchisee no rights regarding such other franchises or other territories, if any, as the Franchisor in its sole discretion may elect to make available to the Franchisee or to other franchisees or for the Franchisor's own use in the future. The Franchisee expressly acknowledges and agrees that this license is non-exclusive, and that the Franchisor retains, among others, the right, in its sole discretion:

**1.3.1** To grant other franchises and/or licenses for its Proprietary Marks in addition to those franchises and/or licenses already granted to existing franchisees on any terms and conditions we

deem appropriate outside of Franchisee's Territory.

1.3.2 To develop and establish other franchise or licensed systems for the same or similar products or services utilizing the same or similar Proprietary Marks, or any other Proprietary Marks now or hereafter designated as part of the System licensed by this Agreement and to grant franchises and/or licenses thereto without providing the Franchisee any right therein.

1.3.3 To operate, and to grant others the right to operate Foot Solutions Franchised Businesses located anywhere outside your Protected Territory under any terms and conditions we deem appropriate and regardless of proximity to your business location.

1.3.4 To use alternate channels of distribution such as direct mail, catalogue sales, telemarketing, and the internet both within and outside of your Protected Territory to sell or distribute products under the Marks or under other trademarks or service marks.

1.3.5 To acquire the assets or ownership interests of one or more businesses providing services similar to those provided by Foot Solutions businesses, and franchising, licensing, or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in Franchisee's Protected Territory).

1.3.6 To be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided by Foot Solutions businesses, even if such business operates, franchises and/or licenses competitive businesses in your Protected Territory.

1.4 **Incidental Advertising.** Franchisee may not sell products, provide services or solicit business outside of the Protected Territory.

1.5 **Reasonable Business Judgment.** We acknowledge and agree that we will, and you acknowledge and agree that we may, use Reasonable Business Judgment, as defined in Paragraph 25.4.2 of this Agreement, in the exercise of our rights, discharge of our obligations, and exercise of our discretion under this Agreement, and in all circumstances where we are required to give our consent, unless this Agreement expressly provides some other standard.

## 2. **TERM AND RENEWAL**

2.1 **Initial Term.** This term of this Agreement shall commence upon its execution by all parties (the "Effective Date"), and unless previously terminated pursuant to this Agreement the term of this Franchise Agreement shall be for a period of ten (10) years (the "Initial Term").

2.2. **Successor Term.** The Franchisee shall have the right to enter into successor agreements for this franchise at the expiration (but not the termination) of the initial term for 2 additional terms of



five (5) years each (each, a “Successor Term”) the Franchisee shall provide Franchisor written notice of its request to enter into a successor agreement, not less than nine (9) months or more than twelve (12) months prior to the end of the term of this Franchise Agreement. Franchisor shall not unreasonably withhold its approval of such request provided, however, that in order to be considered for a successor term, the Franchisee agrees to comply with the following conditions:

2.2.1 Franchisor is currently offering franchises in the geographical area in which the Franchised Business is located;

2.2.2 The Franchisee is not, when the request for renewal is made, nor at any time between the request and the date of the successor agreement, in default of any provision of this Franchise Agreement, any amendment hereof, or successor hereto or any other agreement between the Franchisee and Franchisor or its affiliates, and the Franchisee has been in substantial compliance with the terms and conditions of all such agreements during the term of this Agreement;

2.2.3 The Franchisee has fulfilled all of its monetary obligations towards Franchisor, Franchisor’s affiliates, and designated suppliers;

2.2.4 The Franchisee executes Franchisor’s then-current Franchise Agreement for renewal franchises, which may contain terms and conditions materially different from those set forth herein, including, without limitation, the then-current rate for advertising and other payments as such Franchise Agreement may provide, but not franchisee’s Protected Territory; provided, however, that the Franchisee shall not be required to pay any additional initial franchise fee as may be set forth in the then-current Franchise Agreement.

2.2.5 The Franchisee shall execute a general release under seal, in a form satisfactory to Franchisor, substantially similar to Schedule “H”, of any and all claims it may have against Franchisor and its officers, directors, shareholders, members, managers and employees, in their corporate and individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule or ordinance. If this franchise is situated in a state whose law, at the time of renewal, prohibits the giving of a general release as a condition for the renewal of a franchise, then this Paragraph 2.2.6 shall not, in such event, be a condition to renewal of this franchise, unless a release of some, but not all, claims is permitted, in which instance the Franchisee shall give a release to the extent permitted.

2.2.6 The Franchisee has made or has provided for such renovation and modifications as Franchisor then requires of new franchisees entering the System, including, without limitation, computer hardware and software, equipment, furnishings, and vehicles in accordance with the standards of the Franchisor.

2.2.7 The Franchisee completes any additional education or training programs that Franchisor may then require for franchisees upon renewal.

2.3 Within sixty (60) days of receipt of Franchisee’s notice of its desire to enter into a successor franchise agreement, Franchisor shall give Franchisee written notice (“Successor Notice”) of

Franchisor's decision:

2.3.1 to grant Franchisee a successor agreement; or

2.3.2 to grant Franchisee a successor agreement on the condition that Franchisee corrects existing deficiencies of the Franchised Business or in its operation of the Franchised Business;

2.3.3 not to grant Franchisee a successor agreement based on Franchisor's determination, in its sole discretion that it is not offering franchises in the geographical area in which the Franchised Business is located; or

2.3.4 not to grant Franchisee a successor agreement based on Franchisor's determination, in its sole discretion, that Franchisee and its Owners have not substantially complied with the provisions of Section 2.2.

2.4 If Franchisor elects to grant a successor franchise, Franchisee's right to acquire the successor franchise is subject to its full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to its compliance with the obligations described in the Successor Notice.

2.5 If the Successor Notice states that Franchisee must cure certain deficiencies of the Franchised Business or its operation as a condition to Franchisor's granting Franchisee a successor franchise, Franchisor will give Franchisee a written notice of its decision not to grant a successor franchise based upon Franchisee's failure to cure those deficiencies, not less than thirty (30) days before this Agreement expires. However, that Franchisor need not give Franchisee this thirty (30) days' notice if Franchisor decides not to grant to Franchisee a successor franchise due to Franchisee's breach of this Agreement during the thirty (30) day period before this Agreement expires.

2.6 At its option, Franchisor may extend the term of this Agreement for the time period necessary to give Franchisee either a reasonable time to correct the deficiencies, execute a successor agreement or to provide Franchisee with thirty (30) days' notice of Franchisor's refusal to grant a successor franchise.

2.7 If Franchisee fails to notify Franchisor of its election to acquire a successor franchise within the prescribed time period, Franchisor is not obligated to grant Franchisee's successor franchise.

### **3. SITE SELECTION AND DEVELOPMENT OF THE FRANCHISED BUSINESS**

3.1 Franchised Site. The rights granted to Franchisee hereunder shall be non-exclusive and shall be restricted to the operation of a single Foot Solutions Business at a location set forth in Schedule "B" (the "Franchised Site"). During the term of this Agreement, the Franchised Site shall be used exclusively to operate Franchisee's Foot Solutions business. In connection with the execution of any lease or sublease for the Franchised Site, Franchisee must execute and cause the Landlord to execute the Lease Addendum attached to this Agreement as Schedule "G". The rights granted to Franchisee are for

the specific Franchised Site and cannot be transferred to any other location without Franchisor's prior written consent.

3.2 Location of the Business. Following the Effective Date of this Agreement, you must identify, submit to us for approval, and obtain our approval of the location of the Franchised Site. We will not unreasonably withhold our consent to your proposed location. In the event that we cannot agree on a mutually acceptable location for the Franchised Business within one hundred eighty (180) days of the Effective Date of this Agreement, we may terminate the Agreement. We will, however, consider granting reasonable extensions of time if we reasonably believe you are acting diligently to secure an acceptable site for the Business.

3.3 Evaluation and Approval of the Franchised Site. We will evaluate your proposed location within 15 days of your submission to us of a complete site approval package. We may assist you in selecting a site for your Business, but we will not be obligated to do so. Our approval of any site that you propose shall not be construed as a representation or warranty by us that your Foot Solutions Business will be successful at the approved site. You acknowledge that we will have no liability to you relating to the approved site. In approving a site that you have proposed, we will take into consideration such factors as demographics, traffic patterns, competition, and any other factors that we deem relevant.

3.4 Lease of the Premises. Franchisee must deliver copies of the proposed lease agreement and related documents to Franchisor prior to signing them. You agree not to sign any lease agreement or related documents (or any renewal of it) unless we have previously approved them. Our approval, which will not be unreasonably withheld, will be limited to ensuring that the lease is consistent with this Agreement. If we approve the lease, you agree to deliver a copy of the signed lease to us within five (5) days of its execution along with the Lease Addendum. You will give the landlord our form of the Lease Addendum when you begin discussions with the prospective landlord. You agree not to sign any lease or renewal of a lease unless you have also obtained the Lease Addendum signed by the landlord.

3.5 Relocation of the Business. You will not relocate your Business without our prior written consent. If we approve your request for relocation, you will bear all expenses associated with the relocation of the Business.

3.6 Business Development and Opening. You are responsible for developing your Foot Solutions Business. We will provide you with assistance and guidance on the design of the store, including décor and layout, ordering of equipment and your initial inventory. You are obligated to have prepared all required construction plans and specifications to suit the shape and dimensions of the Premises and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. We may require that an architect designated by us oversee the finished plans before construction begins. You may not open for business until we have certified that you are in full compliance with System Standards. You must open your Foot Solutions within six (6) months of the full execution of this Agreement, or we have the right to terminate this Agreement.

### 3.7 Leasehold Improvements.

3.7.1 You will make the leasehold improvements and install the furniture, fixtures, equipment, appurtenances, and signage at the Business which are required to comply with our current standards and specifications. We will consult with you regarding the construction, remodeling, equipping, and decorating of the Business; provided, however, it will be your sole responsibility to design, construct, equip, decorate, and open the Business in compliance with this Agreement and our Confidential Operations Manual. We may provide you with a sample layout for the interior of a standard Foot Solutions Business and with a set of standard preliminary plans and specifications. You will employ architects, designers, engineers, and others as may be necessary to complete, adapt, or modify the plans and specifications for the Business. You will submit to us a complete set of final plans and specifications you propose using before you commence any construction of the Business. We will review the proposed final plans promptly and will approve or provide comments regarding such plans to you. You may not commence construction of the Business until we have approved the final plans in writing. All leasehold improvements related to your Foot Solutions Business will be at your sole cost and expense. We will provide all sample plans, if any, and will review, provide comments to, and approve, the proposed final plans, at no additional cost to you. All costs associated with the completion, adaptation, modification, or replacement of any sample plans; all preparation, adaptation, modification, or replacement of the final plans will be your sole responsibility.

3.7.2 Renovation of the Business. You acknowledge and agree that it is in your best interests, and in the best interests of our other franchisees and the System, that each System Business, including yours, be clean, up-to-date, well-maintained, and well-appointed. Therefore, you acknowledge and agree that you will, at our request, redesign, refurbish, and remodel (collectively, “Renovate”) your Foot Solutions Business from time to time to conform to: (i) our then-current specifications; (ii) the requirements set forth in our Confidential Operations Manuals; and (iii) our judgment as to the condition, state of repair, and general appearance of your Business compared to the condition, state of repair; and general appearance that we consider desirable. You and we acknowledge and agree that the Renovations are intended to be periodic refurbishing and remodeling of your Business, and that nothing contained in this Section 3.7 of this Agreement will affect our right to require you to maintain your Foot Solutions Business in compliance with this Agreement and our Confidential Operations Manuals, or your obligation to do so. Notwithstanding the foregoing, we will not require you to Renovate your Business more than once every five (5) years, except for Renovations you must make on your renewal of this Agreement.

3.7.3 Construction, Inspection, and Opening. We have the right to require you to use a licensed general contractor to perform all construction, at the Business, and for all remodeling, and Renovation at the Business. If we so require, you will immediately furnish to us, before you commence such construction, remodeling, or Renovation and from time to time thereafter on our request: (i) the names and addresses of any or all subcontractors or vendors involved in any construction, remodeling, or Renovations; (ii) copies of all permits, licenses, contractors’ liability insurance certificates, and other items required for the lawful construction, equipping, and operation of your Business; and (iii) copies of all construction contracts, documents, and lien waivers, related to such construction, remodeling, or Renovation of your Business.

3.7.4 Signage. All signage related to the Business must conform to such standards and

specifications as we may prescribe as to type, color, size, design, and location. You must obtain our prior written approval before you install or display any such signage.

#### **4. OPERATING ASSISTANCE**

**4.1 Assistance Prior to Opening.** Prior to Franchisee's Opening Date, Franchisor will provide Franchisee with the following assistance, on the same basis as it will from time to time make available to other Foot Solutions franchisees:

4.1.1 Loan Franchisee or provide Franchisee with access to the electronic version of one copy of the Operations Manual. Franchisor may modify the Operations Manual by written or on-line supplements of which Franchisee will receive copies or receive links to print documents.

4.1.2 Review the Franchisee's proposed location for the Franchised Business and grant approval to the proposed location if it meets Franchisor's standards.

4.1.3 Provide you sample plans for the construction of a typical Foot Solutions Business.

4.1.4 Provide you with our mandatory specifications for equipment, initial inventory, and supplies that you will need to operate your Franchised Business.

4.1.5 Franchisor will provide one of its employees to assist with the opening of your Business for a period of three (3) days.

4.1.6 Franchisor will provide reasonable assistance to Franchisee with the formulation of an initial marketing plan for the Franchised Business.

4.1.7 Franchisor will provide initial training (the "Initial Training Program") to you and your designated Manager.

4.1.8 Franchisor will establish a presence for the Franchised Business on any internet web site that Franchisor has established for the Franchise System.

**4.2 Ongoing Assistance.** After Franchisee's Opening Date, Franchisor or its designee will make the following assistance available to Franchisee:

4.2.1 Provide reasonable consultation and advice in response to Franchisee's inquiries about specific administrative and operating issues. Franchisee is solely responsible for the day-to-day operation of the Franchised Business. Franchisor may decide how best to communicate such consultation and advice to Franchisee, whether by telephone, in writing, electronically or in person. The method chosen by Franchisor may be different than the methods used by Franchisor for other franchisees.

4.2.2 Administer the Brand Fund and approve advertising that Franchisee creates for Franchisee's local use.

4.2.3 Make goods and services available to Franchisee either directly or through approved suppliers.

4.2.4 Periodically revise the Operations Manual to incorporate new developments and changes in the Foot Solutions System and provide Franchisee with a hard copy or electronic copy of all updates.

4.2.5 We may also hold statewide, regional, or national conferences to discuss promotional techniques, performance standards, advertising programs and general topics. You are required to attend those conferences. You must pay for all of your travel and lodging expenses.

4.2.6 Provide such general advisory assistance and field support as we deem helpful to you, in our discretion, in the ongoing operation, advertising and promotion of your Franchised Business.

4.2.7 We will conduct periodic inspections of the Business licensed herein and periodic evaluation of the services rendered by the Franchisee.

4.2.8 Provide Franchisee with access to advertising and promotional items and materials that Franchisor may develop for promotion of the System. Franchisor is not however, required to develop any advertising or promotional items or materials. Franchisee will be required to purchase the advertising materials if Franchisor so directs and if Franchisee desires to use them, including all costs of shipping.

4.2.9 Use our efforts to maintain high standards of quality, appearance and professionalism and service of the Franchised Business.

4.2.10 We will provide training on new products and services that we may make available to you to offer at the Franchised Business.

4.2.11 We will, at your request, examine information or samples provided by you about products or services which are not approved by us but which you would like to offer from your Franchise. We will decide based on the information supplied by you and by information we might obtain somewhere else, whether or not to approve the product or service you have presented to us. We will provide you with our approval or disapproval within 90 days of receiving your written request. You must pay all of our expenses in connection with any examination, testing or inspection.

4.2.12 Provide additional optional training is available on an as-needed basis for an additional fee of \$500 per day per trainer plus travel, room, and board expenses for each trainer.

## **5. FEES AND OTHER PAYMENTS**

In consideration of the license granted herein, the Franchisee shall pay to Franchisor the following fees:

5.1 **Initial Franchise Fee.** Simultaneously with the execution of this Agreement, and in consideration of the execution of this Agreement, Franchisee agrees to pay Franchisor an initial franchise

fee of Forty Thousand (\$40,000.00) Dollars (the “Initial Franchise Fee”). If we agree to manage the franchised Business, we and you will execute our current form of Management Agreement and you will pay Franchisor an initial franchise fee of Forty-Five Thousand (\$45,000.00) Dollars. If you meet our qualifications, we may offer you the right to purchase multiple franchise Territories for an initial franchise fee for three (3) Stores of Ninety-Five Thousand (\$95,000.00) Dollars which is payable in a lump sum or One Hundred Five Thousand (\$105,000.00) Dollars for three (3) Franchisor-Managed Territories. You must execute a Franchise Agreement, and when applicable, a Management Agreement for each Territory. You will develop and open the additional Businesses on a schedule that you and we agree upon. The Initial Franchise Fee is not refundable and is fully earned upon payment and receipt by Franchisor.

5.2 **Royalty.** Franchisee shall pay to the Franchisor a continuing monthly Royalty fee in the amount of five (5%) present of Franchisee’s Net Sales. The Royalty Fee will be paid on the 15<sup>th</sup> day of each month by electronic funds transfer.

5.3 **“Net Sales”** means the aggregate of all monies and receipts derived from all services and products sold in your Foot Solutions business; all revenue derived from the operation of the Franchised Business and the exploitation of the franchise system and/or the Marks by you and whether the Net Sales are evidenced by cash, credit, services, property, or other means of exchange. Net Sales also includes the proceeds of any insurance payments intended to replace your revenue as a result of the interruption of your business. Net Sales does not include all sales taxes imposed by governmental authorities directly on sales and actually collected from customers, provided these taxes are added to the selling price, and are, in fact paid by you to the appropriate governmental authority

#### 5.4 **Payment of Fees**

5.4.1 The Royalty and any other fees required by this Agreement, shall be payable, as applicable, by electronic funds transfer (“EFT”) pursuant to the EFT Authorization attached hereto as Schedule “C” or such other method as Franchisor shall designate, from Franchisee’s designated bank account on the date due. Franchisee agrees to comply with Franchisor’s payment instructions.

5.4.2 Each payment will be preceded or accompanied by a report (“Sales Report”) that itemizes Net Sales for the preceding week generated by the Franchised Business. In cases where the Net Sales data is unavailable on the POS system, franchisee may provide the information in the Sales Report via electronic data communication, facsimile transmission or such other method as Franchisor may reasonably designate.

5.4.3 Franchisee authorizes Franchisor and its affiliates to initiate debit entries and credit correction entries to Franchisee’s savings, checking, operating or other accounts for the payment of the Brand Fund Contributions and any other amounts due from Franchisee under this Agreement or otherwise. Franchisee shall comply with the procedures and instruction in connection with the direct debit process and sign any documents and take any actions that may be required to affect this authorization.

## 5.5 Other Fees and Payments

5.5.1 **Deficiency Cure Expense.** In the event Franchisee fails to cure after notice, any deficiency in the Franchised Business location or operations of the Franchised Business, then Franchisor may, at its option, correct such deficiency in which event Franchisee shall pay to Franchisor, on demand, the reasonable cost, and fees to correct such deficiency.

5.5.2 **Relocating Expense Fees.** In the event Franchisee elects to relocate the Franchised Business within the Territory as provided herein, Franchisee shall pay to Franchisor all costs incurred by Franchisor in assisting Franchisee to relocate the Franchised Business including, but not limited to labor, travel, ground expenses, professional fees, and demographic reports to assist Franchisee in relocating the Franchised Business.

5.5.3 **Accounting Fees.** Franchisor has the right to conduct an audit of the books and records of Franchisee, including all sales and income records and tax returns, as provided herein. If Franchisor elects to conduct such an audit, Franchisor will provide Franchisee with written notice ten (10) days prior to conducting the audit. The audit may be conducted by Franchisor or other persons designated by Franchisor. Franchisor may conduct the audit in Franchisee's offices, Franchisor's offices or at the office of a third party. Franchisee may be required to send such records to such location as Franchisor may designate in its sole discretion and at Franchisee's expense. If Franchisee fails to furnish reports, supporting documents or other information as required by Franchisor in writing, Franchisor may elect to conduct an audit of the books and records of Franchisee and Franchisee shall pay the cost of conducting the audit, including without limitation, travel, lodging, meals, wages, expenses and reasonable accounting and legal fees incurred by Franchisor. The disclosure of certain information by an audit will cause specific consequences, as follows:

(a) If Franchisee has understated Net Sales in any report or statement by less than five percent (5%), Franchisee shall pay Franchisor the underreported amount plus late charges within fifteen (15) days of Franchisee's receipt of Franchisor's written notice;

(b) If Franchisee has understated Net Sales in any report or statement by five percent (5%) or more, Franchisee shall pay the underreported amount plus late charges together with the cost of conducting the audit, including without limitation, travel, lodging, meals, wages, expenses and reasonable accounting and legal fees incurred by Franchisor within fifteen (15) days of Franchisee's receipt of Franchisor's written notice;

(c) If Franchisee has understated Net Sales in any report or statement by five percent (5%) or more then, in addition to the above, Franchisor may also, in its sole discretion, require Franchisee to provide periodic audited statements to Franchisor;

(d) If Franchisee has understated Net Sales in any report or statement by five percent (5%) or more then, in addition to the above, Franchisor may terminate this Agreement, without an opportunity cure, pursuant to Article 15.

5.5.4 **De-identification Expenses.** In addition to Franchisee's obligations stated



in Section 14.6, upon termination or expiration of this Agreement for any reason, Franchisor shall have the right but not the obligation to modify, alter or de-identify the Franchised Business. If Franchisor undertakes efforts to modify, alter or de-identify the Franchised Business, Franchisee shall pay to Franchisor the reasonable cost of such modification, alteration, or de-identification, including but not limited to reasonable attorneys' fees.

**5.5.5 National Meeting Fee.** Franchisor may, in its sole discretion, host a national meeting between the Franchisor and Foot Solutions franchisees. Franchisee, at its sole expense, shall be responsible for paying for all travel, room and board, and wages relating to its attendance at the national meeting.

**5.6 Application of Payments.** Franchisee acknowledges and agrees that Franchisor may apply payments received to amounts due and payable in the order Franchisor determines in its sole discretion.

**5.7 The EFT Account.** Franchisor shall establish an EFT account as described in the Operating Manual or otherwise in writing and Franchisor shall be authorized to make such transfers as are authorized on a separate authorization attached hereto as Schedule "C".

**5.8 Reporting Requirements.** From time to time, Franchisee shall submit to Franchisor such other forms, reports, records, information, and data, in the form and format, and at the time and places reasonably required by Franchisor. Those requirements may be stated in the Operating Manual, or according to Franchisor's then-current financial reporting practices and standards. Franchisee acknowledges and agrees that such reporting is required in addition to and not in lieu of the Sales Reports.

**5.9 Index.** The parties agree that all fixed dollar amounts set out in this Agreement are subject to adjustment up or down, depending on changes in the Index. For the purpose of this Agreement, the term Index is agreed to mean the Consumer Price Index (1982-84=100: all items; CPI- U; all urban consumers) published by the U.S. Bureau of Labor Statistics (or if the Index is no longer published, a successor index that Franchisor may reasonably specify in writing). Franchisor has the right to decide whether or not to make adjustments to fixed dollar amounts set out in this Agreement and if Franchisor decides to invoke that right, Franchisor will make changes not more than once each year by sending Franchisee written notice, but Franchisor will not do so until after the first calendar year after execution of this Agreement.

**5.10 Taxes on Payments and Currency.** In the event that any taxing authority, wherever located, imposes any future tax, levy, or assessment on any payment Franchisee makes to Franchisor, (excluding income tax) Franchisee must, in addition to all payments due to Franchisor, pay such tax, levy, or assessment. All fees and other amounts due Franchisor, or any affiliate thereof, under this Agreement, or any other agreement related to Franchisee's ownership or operation of the Franchised Business, are stated in United States dollars, and must be paid in United States dollars.

**5.11 Insufficient Funds, Closed Accounts, and Other Payment Issues.** It is the responsibility of the Franchisee to maintain an account or credit card on file with the Franchisor to properly ACH, Charge, or Debit any applicable fees owed to the Franchisor. It is the responsibility of the

Franchisee to ensure that proper balances are available to cover any and all fees that may be pulled, charged, or debited. In the event that the Franchisee uses the payment method on file for the Franchisee, and the amounts are unable to be charged by the Franchisor for any reason, a fee of \$50 per occurrence will be charged to the account of the Franchisee. Upon notice of the inability to charge the account, the Franchisee shall have 15 days to remedy the issue and submit updated information for the Franchisor to resubmit any and all charges. In the event that the issue is not remedied, or a Franchisee refuses to remit an acceptable payment method for the Franchisor to keep on file, a fee of \$50 will be charged to the account of the Franchisee every 15 days, until the issue is resolved.

## **6. LICENSED MARKS**

**6.1 Ownership.** Franchisee expressly acknowledges Franchisor's rights in and to the Licensed Marks and agrees not to represent in any manner that Franchisee has acquired any ownership rights in the Licensed Marks. Franchisee agrees not to use any of the Licensed Marks or any marks, names or indicia which are or may be confusingly similar in its own corporate or business name, e-mail address or domain name except as authorized in this Agreement. Franchisee further acknowledges and agrees that any and all goodwill associated with the Foot Solutions System and identified by the Licensed Marks will inure directly and exclusively to the benefit of Franchisor and that, upon the termination or expiration of this Agreement for any reason, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the Licensed Marks.

**6.2 Authorized Use.** Franchisee understands and agrees that any use of the Licensed Marks other than as expressly authorized by this Agreement, without Franchisor's prior written consent, may constitute an infringement of Franchisor's rights therein and that the right to use the Licensed Marks granted herein does not extend beyond the expiration or termination of this Agreement. Franchisee expressly covenants that, during the term of this Agreement and thereafter, Franchisee will not, directly, or indirectly, commit any act of infringement or contest or aid others in contesting the validity of Franchisor's right to use the Licensed Marks or take any other action in derogation thereof. Franchisee must identify itself as the owner of the Franchised Business (in the manner Franchisor prescribes) in conjunction with any use of the Licensed marks including, without limitation, on invoices, contracts, timesheets, checks, receipts, and business stationary, as well as such conspicuous locations as Franchisor may designate in writing at the premises of the Franchised Business.

**6.3 Infringement.** Franchisor will have the sole right to handle disputes with third parties concerning Franchisor's ownership of rights in, or Franchisee's use of, the Licensed Marks or the Foot Solutions System. Franchisee must immediately notify Franchisor in writing if Franchisee receives notice, or learns, of any: (i) improper use of any of the Licensed Marks or elements of the Foot Solutions System; (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Licensed Marks; (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates the Foot Solutions System in a manner likely to confuse or deceive the public; or (iv) claim, challenge, suit or demand asserted against Franchisee based on Franchisee's use of the Licensed Marks or the Foot Solutions System. Franchisor will have the right to take any action it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Licensed Marks or the System. Franchisee must not settle or

compromise any claim, suit or demand asserted against it and agrees to be bound by Franchisor's decisions in handling disputes regarding the Licensed Marks and the Foot Solutions System. Franchisee must cooperate fully with Franchisor and execute any documents and perform any actions that, in Franchisor's judgment, may be necessary, appropriate, or advisable in the defense of such claims, suits or demands and to protect and maintain Franchisor's rights in the Licensed Marks and the System. Unless it is established that a third-party claim asserted against Franchisee is based, directly or indirectly, on Franchisee's misuse of the Licensed Marks or the Foot Solutions System, Franchisor agrees to defend Franchisee against the third-party claim, and hold Franchisee harmless from any claims or damages, provided Franchisee has notified Franchisor immediately after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third-party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Franchisee, on behalf of itself and its owners, hereby waives any claim against Franchisor, Franchisor's Affiliates, and their respective officers, directors, shareholders, employees and agents based on third party claims involving the Licensed Marks or the System including, without limitation, for lost profits or consequential damages of any kind.

**6.4 Operation Under Licensed Marks.** Franchisee must use only the Licensed Marks which Franchisor designates and must use them only in the manner Franchisor authorizes and permits. Franchisee further agrees and covenants to operate and advertise only under the names or marks from time to time designated by Franchisor for use by similarly situated franchisees of Franchisor; to adopt and use the Licensed Marks solely in the manner prescribed by Franchisor, to refrain from using the Licensed Marks to perform any activity or to incur any obligation or indebtedness in such a manner as may, in any way, subject Franchisor to liability therefore; to observe all laws with respect to the registration of trade names and assumed or fictitious names, to include in any application therefore a statement that Franchisee's use of the Licensed Marks is limited by the terms of this Agreement, and to provide Franchisor with a copy of any such application and other registration document(s); to observe such requirements with respect to trademark and service mark registrations and copyright notices as Franchisor may, from time to time, require, including, without limitation, affixing "SM," "TM," or "®" adjacent to all such Licensed Marks in any and all uses thereof; and to utilize such other appropriate notice of ownership, registration and copyright as Franchisor may require. The Franchisee shall not use the Licensed Marks or any part or form thereof as part of the Franchisee's corporate or other legal name.

**6.5 Modification/Replacement of Licensed Marks.** Franchisor reserves the right to designate one or more new, modified or replacement Licensed Marks for use by franchisees and to require the use by Franchisee of any such new, modified or replacement Licensed Marks in addition to or in lieu of any previously designated Licensed Marks. Any expenses or costs associated with the use by Franchisee of any such new, modified or replacement Licensed Marks will be the sole responsibility of Franchisee.

**6.6 Non-Exclusive License.** The license of the Licensed Marks granted to Franchisee herein is nonexclusive and Franchisor retains the right, among others, to (i) use the licensed marks itself in connection with selling products and services; (ii) grant other licenses for the Licensed Marks; and (iii) develop and establish other systems using the Licensed Marks, similar marks, or any other marks, and to grant licenses thereto without providing any rights therein to Franchisee.

## **7. STANDARDS OF OPERATION**

**7.1 Training.** Prior to the Opening Date and within sixty (60) days of signing this Agreement, Franchisee must commence Franchisor's initial training program ("Initial Training"). Franchisee's Operating Principal and its designated and approved Manager must complete Franchisor's Initial Training program to the satisfaction of Franchisor. Failure to complete the Initial Training to Franchisor's satisfaction may result in the termination of this Agreement. We will permit you to designate a replacement Manager who must successfully complete the Initial Training program. Any replacement Managers likewise must complete the Initial Training program to the satisfaction of Franchisor promptly within thirty (30) days of the date they are hired by Franchisee. Franchisee must pay Franchisor's then-applicable fee for all such training and must be responsible for all personnel expenses relating to such training programs.

7.1.1. To assist Franchisee in the operation of Franchisee's business, Franchisor may offer additional training programs and/or refresher courses to Franchisee, Franchisee's Manager and/or Franchisee's employees. Franchisee must attend and satisfactorily complete training on any new products or services offered by Franchisor as a condition to receiving Franchisor's permission to offer those products and services to customers. Franchisor may require Franchisee's attendance at these programs and/or courses. Franchisee is responsible for the expenses of Franchisee, and Franchisee's employees, including transportation to and from the training site and lodging, meals, and salaries during such training.

### **7.2 Hiring and Supervision.**

7.2.1 Franchisee will have sole authority and control over the day-to-day activities of its employees. Franchisee must hire and at all times maintain a sufficient number of qualified, competent personnel, in order to offer prompt, courteous and efficient service to the public, and otherwise operate the Franchised Business in compliance with the System. To protect and maintain the goodwill of the Marks and the System, all employees, engaged in the operation of Franchisee's Franchised Business during working hours must dress conforming to Franchisor's standards, must present a neat and clean appearance (wearing Franchisor's uniforms) in conformance with Franchisor's reasonable standards and must render competent professional service to the customers of Franchisee's business.

7.2.2 The Franchised Business must be under the supervision of the Franchisee (or, if the Franchisee is a business entity, the Franchisee's designated and fully trained Manager) who will devote his or her full time and energy to the operation of the Franchised Business.

7.2.3. Franchisee will keep Franchisor informed at all times of the identity and contact information for any franchise Manager and/or any employee required to enter into the confidentiality and non-competition covenants as required under Sections 11 and 12 of this Agreement, in the form attached hereto as Schedule "F".

7.2.4 Franchisee shall make its best efforts to have at least one (1) employee of the Business obtain certified Pedorthist certification within one (1) year of the opening of the Franchised Business. Franchisor shall provide pre-certification training as part of the Initial Training Program.

Franchisee acknowledges that the laws or regulation of some states requires that a certified Pedorthist be employed at the Business at opening.

7.2.5 Franchisee is responsible for all employment decisions of the Franchised Business, including hiring, firing, training, promotion, wage and hour requirements, recordkeeping, supervision and discipline of employees. All employees must pass any applicable tests required by any governmental entity, submit to pre-employment and random drug tests, and have a criminal background investigation performed. Franchisee is responsible and assumes liability for all hiring decisions. We will not be considered as “joint employers” of any of your employees.

7.3 **Maintenance of Premises.** Franchisee agrees to maintain the Premises, and all fixtures, furnishings, signs, and equipment thereon, in conformity with Franchisor’s then-current standards at all times during the term of this Agreement and to make such repairs and replacements thereto as Franchisor may require. Without limiting the generality of the foregoing, Franchisee specifically agrees:

7.3.1 To keep the Premises at all times in a high degree of repair, order and condition, including, without limitation, replacement of, and/or maintenance and repair to, all fixtures, furnishings, signs and equipment as Franchisor may from time to time reasonably direct;

7.3.2 To meet and maintain at all times all governmental standards and ratings applicable to the operation of the Franchised Business or such higher minimum standards and ratings as set forth by Franchisor from time to time in its Operations Manual or otherwise in writing; and

7.3.3 To cause its employees to wear apparel which conforms strictly to the specifications, design, color, and style approved by Franchisor from time to time.

7.4 **Operation of the Franchised Business.** Franchisee agrees to comply with all rules, regulations, policies, and standards for the Foot Solutions System, which by their terms are mandatory, including, without limitation, those contained in the Operations Manual. Franchisee must operate and maintain the Franchised Business solely in the manner and pursuant to the standards prescribed herein, in the Operations Manual or in other written or electronically published materials provided by Franchisor to Franchisee from time to time and must make such repairs and replacements to the Premises as Franchisor may require to ensure that Franchisor’s required degree of quality, service and image is maintained and must refrain from deviating therefrom and from otherwise operating in any manner which adversely reflects on Franchisor’s name and goodwill or on the Licensed Marks. Without limiting the generality of the foregoing, Franchisee specifically agrees as follows:

7.4.1 To purchase, install and use, at Franchisee’s expense, all such fixtures, furnishings, signs, and equipment, all as may be required by Franchisor, as Franchisor may prescribe from time to time and to refrain from purchasing, installing or using on, about or in connection with the Premises any such item not meeting Franchisor’s standards and specifications.

7.4.2 To maintain in sufficient supply, and use at all times, only inventory, supplies and expendables, as conform with Franchisor’s then-current standards and specifications and to refrain from using non-conforming items without Franchisor’s prior consent.

7.4.3 To sell and to offer for sale all such services and products as Franchisor may, from time to time require, and only those which Franchisor may, from time to time approve, which are not subsequently disapproved, as meeting its quality standards and specifications. In addition to any remodeling, repairs, replacement, and redecoration required by this Article 6, in order to introduce new services and product through all Foot Solutions Businesses, Franchisee may be required to expend additional amounts on new, different or modified software, equipment or fixtures necessary to offer such new services or products.

7.4.4 To use such standardized accounting forms, accounting systems, reporting forms and other forms as may be developed from time to time by Franchisor and to file such forms with Franchisor in a timely manner as may be required by Franchisor.

7.4.5 To record all billings and maintain all business information and records associated with the Franchised Business using the reporting systems, business management software, and associated equipment specified by Franchisor in the Operations Manual and to maintain, without alteration, all information and categories required by Franchisor. Franchisee hereby authorizes Franchisor to access all information maintained by Franchisee whether by inspection of the Premises or through other means of electronic retrieval, as Franchisor deems necessary in its sole discretion at any time. Franchisee acknowledges that all of Franchisee's business information, customer information and customer lists are the property of Franchisor.

7.4.6 To obtain and install and maintain at the Franchised Business, at Franchisee's sole cost and expense, all computer hardware and software Franchisor requires. Franchisee will use such computer systems and software to record all client information, for your accounting and bookkeeping functions, for scheduling, for Internet communication and email, for extranet programs, and as Franchisor may otherwise specify. Franchisee must obtain independent support for all hardware and software. Franchisee must obtain and maintain an approved Payment Card Industry (PCI) compliance program for the Franchised Business. Franchisor may suggest third party PCI compliance vendors to Franchisee, but Franchisee is solely responsible for its own PCI compliance at the Franchised Business.

7.4.7 To use only the Foot Solutions Technology, or such other system as Franchisor may designate from time to time.

7.4.8 To utilize the services of Franchisor or Franchisor's designated vendor for the production of custom orthotics.

7.5 **Participation in Promotions.** Franchisee agrees to participate in system-wide and applicable regional promotions and advertising campaigns that Franchisor originates or approves. These may include promotions via the Internet, e-commerce, electronic media or other media. Franchisee also agrees to participate at its sole expense in all client loyalty, gift certificate and similar programs created by Franchisor.

7.6 **Purchases.** Franchisee acknowledges and agrees that Franchisee's obligations set forth in this Agreement and the Operations Manual are reasonable and necessary for the operation of the Franchised Business and to maintain uniformity throughout the Foot Solutions System. Franchisee

acknowledges that Franchisor may designate a sole approved supplier of any product and that Franchisor or Franchisor's affiliated companies may be the sole source of supply.

Franchisee is required to purchase and maintain a product inventory level sufficient to meet the current needs of its customers. Franchisee must adhere to the standards and specifications set forth in this Agreement and the Operations Manual and any revisions or amendments to same. Franchisee must use signs, furnishings, supplies, fixtures, equipment and inventory, and marketing which comply with Franchisor's then-current standards and specifications (including, without limitation, standards and specifications for products, services, equipment, furnishings, advertising materials, fixtures, and signage) which Franchisor establishes from time to time. Franchisor has the right to change Franchisor's standards and specifications. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense.

7.6.1 Recognizing that preservation of the Foot Solutions System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase certain signs, furnishings, supplies, fixtures, equipment, inventory, and all items bearing the Marks or logo exclusively from Franchisor or from approved or designated third party suppliers as Franchisor specifies, from time to time, in the Operations Manual and otherwise in writing. Franchisee hereby acknowledges that Franchisor, Franchisor's affiliate and/or a third party may be one of several, or the only, approved supplier of any item.

7.6.2 In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee or the supplier must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Nothing in the foregoing will be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Nothing herein will require Franchisor to approve any suppliers for a given item, which approval might, in Franchisor's judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. Franchisor may revoke Franchisor's approval of particular products or suppliers when Franchisor determines that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Franchisee must use products purchased from approved suppliers solely in connection with the operation of Franchisee's business and not for any competitive business purpose.

Franchisor may establish business relationships, from time to time, with suppliers who may produce, among other things, certain furnishings, supplies, fixtures, equipment, and inventory according to Franchisor's proprietary standards and specifications or private label goods which Franchisor has authorized and prescribed for sale by System franchisees ("System Suppliers"). Franchisee recognizes

that such products are essential to the operation of the Franchised Business and to the System generally. Franchisee further recognizes that Franchisee's failure to pay System Suppliers may interfere with such suppliers' willingness to supply the System which may result in other System franchisees' inability to obtain product or ability to obtain product only on less favorable credit terms. Accordingly, Franchisee agrees to pay System Suppliers as and when due.

7.7 **Hours of Business.** Unless otherwise specifically approved by Franchisor, Franchisee's business must be open for the conduct of business at such times and for the minimum number of hours specified by Franchisor in the Operations Manual, as may be amended from time to time or, if different, for such hours as may be required by the terms of any lease of the Premises; and Franchisee must at all times staff the Franchised Business with such number of employees and operate the business diligently so as to maximize the revenues and profits therefrom.

7.8 **Printed Materials.** Franchisee must use only business stationery, business cards, marketing materials, advertising materials, printed materials or forms which have been approved in advance by Franchisor. Any and all supplies or materials purchased, leased or licensed by Franchisee must always meet those standards specified by Franchisor in the Operations Manual or otherwise in writing. Franchisor also reserves the right to specify the useful life or promotional timeline of the advertising materials and additionally where they can be purchased to adhere to brand standards.

7.9 **Identification of the Franchised Business.** In all advertising displays and materials at the Franchised Business, Franchisee must, in such form and manner as may be specified by Franchisor in the Operations Manual, notify the public that Franchisee is operating the business licensed hereunder as a Franchisee of Franchisor and must identify its Foot Solutions Business in the manner specified by Franchisor in the Operations Manual. Franchisee will also post a notice at its Franchised Business notifying all of its employees that they are employees of Franchisee and not Franchisor in the manner prescribed by Franchisor.

7.10 **Client Complaints.** Franchisee must respond promptly to client complaints and take such other steps as may be specified by Franchisor in the Operations Manual or otherwise to ensure positive client relations.

7.11 **Third Party Actions.** Franchisee must notify Franchisor in writing within five (5) days of any written threat or the actual commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchised Business.

7.12 **Inspection of the Business Premises.** Franchisee hereby grants to Franchisor and its agents the right to enter upon the Premises, without notice, at any reasonable time for the purpose of conducting inspections of the Premises, Franchisee's books, records, computer hardware and software, and other business equipment and vehicles, and Franchisee agrees to render such assistance as may reasonably be requested and to take such steps as may be necessary immediately to correct any deficiencies detected during such an inspection upon the request of Franchisor or its agents.

7.13 **Possible Variation in Certain Standards.** Because complete and detailed uniformity



under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege to vary standards for any franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, licensing requirements, existing business practices or any other conditions which Franchisor deems to be of importance to the successful operation of such franchisee's business. Franchisee will have no recourse against Franchisor on account of any variation from standard specifications and practices granted to any franchisee and will not be entitled to require Franchisor to grant Franchisee a like or similar variation hereunder.

**7.14 Attendance at Convention.** Franchisor may hold an annual conference (the "Convention") at a location we select. We will determine the topics and agenda for the Convention to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and our personnel regarding business operations, and recognizing franchisees for their achievements. Franchisee or Franchisee's representative must attend the Convention. All expenses, including Franchisee's and Franchisee's employees' transportation to and from the Convention, and lodging, meals, and salaries during the Convention, are the responsibility of Franchisee.

**7.15 Intellectual Property Belongs to Franchisor.** If Franchisee, Franchisee's employees, or principals develop any new concept, process or improvement in the operation or promotion of the Franchised Business, or the System, Franchisee will promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such concept, process, or improvement will become Franchisor's sole property and Franchisor will be the sole owner of all patents, patent applications, trademarks, copyrights, and other intellectual property rights related thereto. Franchisee and Franchisee's principals hereby assign to Franchisor any rights Franchisee may have or acquire therein, including the right to modify such concept, process, or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and Franchisee's principals hereby irrevocably designate and appoint Franchisor as Franchisee's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process, or improvement. In the event that the foregoing provisions of this Section 7.15 are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

**7.16 Personal Guaranty of Franchisee's Principal Owners.** Franchisee covenants, warrants, and agrees that when Franchisee signs this Agreement, and at all times thereafter, Franchisee will cause each owner of 10% equity in Franchisee, (each, a "Principal Owner") and each successor to any or all of them, to execute and deliver, in his or her individual capacity, the form of Personal Guaranty attached to this Agreement as Schedule "D".

**7.17 Compliance with Laws.** Franchisee will operate the Franchised Business in strict

compliance with all applicable federal, state, and local statutes, regulations, rules, ordinances. Franchisee will: (i) strictly comply with all applicable wage, hour, anti-discrimination, and anti- harassment Laws, and the Americans with Disabilities Act, as amended from time to time; and the successor legislation to any and all of them; (ii) duly file all tax returns Franchisee is required to file; (iii) duly pay all taxes Franchisee is obligated to pay; and (iv) obtain and maintain in good standing all necessary licenses, permits, and other required forms of governmental approval required of Franchisee in order to operate the Franchised Business. You must furnish us with copies of all licenses upon our request.

**7.18 Patriot Act Compliance.** Franchisee hereby covenants, warrants, agrees, represents, and certifies to Franchisor that neither Franchisee nor any of Franchisee's directors, officers, shareholders, partners, members, employees, or agents, nor any of Franchisee's affiliates, or their directors, officers, shareholders, partners, members, employees, or agents, nor any other direct or indirect interest holders of any of the foregoing: (i) are or have been listed on any Governmental Lists (as defined in Paragraph 7.18.1 of this Agreement); (ii) are or have been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No.13224 (Sept. 23, 2001), or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof; (iii) have been indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any offenses under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA Patriot Act"); (iv) are or have been under investigation by any Governmental Authority (as defined in Paragraph 7.18.3 of this Agreement) for alleged criminal activity; or (v) have or have had a reputation in the community for criminal or unethical behavior. As used in this Paragraph 7.18 of this Agreement, the following definitions apply:

7.18.1 "Governmental Lists" means any of the following lists: (i) the "Specially Designated Nationals and Blocked Persons List" maintained by OFAC; (ii) any other list of terrorists, terrorist organizations, or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC; or (iii) any similar list maintained by the United States Department of State, the United States Department of Commerce, or any other Governmental Authority, or pursuant to any Executive Order of the President of the United States.

7.18.2 "OFAC" means the Office of Foreign Assets Control, United States Department of the Treasury, or any other office, agency, or department that succeeds to the duties of OFAC.

7.18.3 "Government Authority" means all federal, state, local, foreign, or other governmental or regulatory agencies, authorities (including self-regulating authorities), instrumentalities, commissions, boards, and bodies.

**7.19 Security Interest.** Franchisee hereby grants to Franchisor and its affiliates a security interest in any and all of Franchisee's inventory, equipment, furniture, fixtures, Operating Assets, all other assets, and any proceeds thereof (including but not limited to all accounts receivable and the proceeds of any insurance). The security interest granted herein secures: (a) all of Franchisee's obligations to Franchisor and its affiliates under this Agreement and any other agreement between Franchisee and Franchisor or its Affiliates; and (b) all costs and expenses which Franchisor and its affiliates may incur in the administration and collection of these obligations. This Agreement shall constitute a security

agreement and upon request of Franchisor or its Affiliates, Franchisee shall execute any additional instruments required to perfect this security interest including without limitation, a standard Uniform Commercial Code (“UCC”) financing statement. Franchisee authorizes Franchisor and/or its Affiliates:

7.19.1 To file a copy of this Agreement, a UCC financing statement and any other documents that may be necessary to perfect the security interest granted herein; and

7.19.2 To sign on behalf of Franchisee and to file in any jurisdiction with or without signature of Franchisee, financing statements with respect to this security interest and security agreement.

## **8. OPERATIONS MANUAL**

8.1 **Compliance with Operations Manual.** In order to protect the reputation and goodwill of the businesses operating under the Foot Solutions System and to maintain standards of operation under the Licensed Marks, Franchisee must conduct the Franchised Business operated under the System in accordance with various written instructions, including technical bulletins and confidential manuals (hereinafter and previously referred to collectively as the “Operations Manual”), including such amendments thereto, as Franchisor may publish from time to time, all of which Franchisee acknowledges belong solely to Franchisor and are on loan from Franchisor during the term of this Agreement. When any provision in this Agreement requires that Franchisee comply with any standard, specification or requirement of Franchisor, unless otherwise indicated, such standard, specification or requirement will be as set forth in this Agreement or as may, from time to time, be set forth by Franchisor in the Operations Manual.

8.2 **Confidential Use.** Franchisee must at all times use its best efforts to keep the Operations Manual and any other manuals, materials, goods and information created or used by Franchisor and designated for confidential use within the System and the information contained therein as confidential and limit access to employees of Franchisee on a need-to-know basis. Franchisee acknowledges that the unauthorized use or disclosure of Franchisor’s confidential information or trade secrets will cause irreparable injury to Franchisor and that damages are not an adequate remedy. Franchisee accordingly covenants that it will not at any time, without Franchisor’s prior written consent, disclose, use, permit the use thereof (except as may be required by applicable law or authorized by this Agreement), copy, duplicate, record, transfer, transmit or otherwise reproduce such information, in any form or by any means, in whole or in part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not known about the System and Franchisor’s products, services, standards, procedures, techniques and such other information or material as Franchisor may designate as confidential will be deemed confidential for purposes of this Agreement.

8.3 **Revisions.** Franchisee understands and acknowledges that Franchisor may, from time to time, revise the contents of the Operations Manual to implement new or different requirements for the operation of the Franchised Business, and Franchisee expressly agrees to comply with all such changed requirements which are by their terms mandatory, provided that such requirements will also be applied in a reasonably nondiscriminatory manner to comparable businesses operated under the Foot Solutions System by other franchisees. Franchisee acknowledges that Franchisor may provide updates to the Operations Manual electronically over its website. Franchisee agrees, therefore, to periodically check

Franchisor's website on at least a weekly basis, for such updates. The implementation of such requirements may require the expenditure of reasonable sums of money by Franchisee. Franchisee must at all times ensure that its copy of the Operations Manual is kept at the Premises and kept current and up to date. In the event of any dispute as to the contents thereof, the terms and dates of the master copy thereof maintained by Franchisor at its principal place of business will be controlling.

## **9. ADVERTISING AND MARKETING**

### **9.1 Local Advertising.**

9.1.1 You are required to spend the greater of One Thousand Five Hundred (\$1,500) Dollars or Five (5%) percent of your Gross Revenue per month for the marketing and promotion of your Foot Solutions Business in your Territory

9.1.2 All Local Advertising will be managed and implemented by Franchisor or such outside agencies as Franchisor shall designate.

9.1.3 All Advertising Materials and other items Franchisor designates must bear the Licensed Marks in the form, color, location and manner Franchisor prescribes and must meet all of Franchisor's standards and requirements. Franchisee's Advertising must be conducted in a dignified manner and conform to Franchisor's standards as stated in the Operating Manual or otherwise.

9.1.4 Franchisee must obtain Franchisor's written approval before Franchisee uses any Advertising Materials if Franchisor has not prepared or approved such materials within the previous twelve (12) months. Franchisee must submit all unapproved Advertising materials and requests to use Social Media Platforms to Franchisor via certified mail or electronic mail. Franchisor will approve or disapprove such request within ten (10) business days after submission. If Franchisee does not receive written approval within ten (10) business days after submission, the request shall be deemed denied. Franchisor may withhold its approval of any Advertising Materials for any reason and no reason at all. Franchisee may not use any unapproved Advertising Materials. Franchisor has the right to revoke its prior approval of any Advertising Materials. Franchisee must promptly discontinue use of any Advertising Materials whether or not previously approved, on notice from Franchisor.

9.1.5 All Advertising Materials must indicate that Franchisee is operating the Franchised Business as an independent franchisee of Franchisor.

9.1.6 Franchisee shall not employ any person to act as a representative of Franchisee in connection with the local promotion of the Franchised Business in any public media without the prior written approval of Franchisor.

9.2 **Grand Opening Advertising.** You are required to spend a minimum of Six Thousand (\$6,000) Dollars to advertise locally beginning at least one month prior to opening to help establish name recognition in your area

9.3 Marketing Cooperatives. Franchisee shall cooperate with other Foot Solutions franchisees within Franchisee's Local Marketing Area ("LMA") to promote the Marks and all Foot Solutions businesses within the LMA. Franchisor has the right to form, organize maintain and otherwise make use of local marketing cooperatives (each, a Co-Op"). If Franchisor forms a Co-Op it may require Franchisee to participate in the Co-Op and to contribute all or a portion of its Local Advertising requirement to the Co-Op.

#### 9.4 Internet Advertising.

We maintain a website that provides information about the Foot Solutions System, the products and services offered by franchisees, and we will have sole discretion and control over it. We also have the sole right to create interior pages on our website(s) that contain information about your business and other franchised and company owned locations. All Franchisees are given access to post on the interior web pages for their location within the Franchisor's guidelines.

You may not establish a presence on, or market using, the Internet without our prior written consent. If we disagree with the content of your Franchisee's Page, our determinations will control. We retain the sole right to advertise or use the Marks on the Internet. We retain ownership of your Facebook, Facebook groups and communities, Google, Yahoo, Bing, Yelp, and any other online business profile pages. We will establish your internet presence and add the franchisee as administrator; however, franchisee must immediately provide all login and password credentials to franchisor if they are changed. We may require you to provide content for our Internet marketing pages. We may require you to provide content for our Internet marketing pages. Should your internet presence become inactive or fails to comply with system standards, Franchisor may assume control of all internet activities for your Store. You must comply with our intranet and Internet usage rules, style guide, and requirements. We retain the sole right to approve any linking to, or other use of, the Foot Solutions site. You must also establish or maintain a landing/splash page, online business profile or other presence on the Internet through any internet or social networking site in connection with the operation of your Store, including but not limited to Facebook, LinkedIn, MySpace, Plaxo, Twitter, Instagram, Snapchat, YouTube or any other social media platforms that may be required by Franchisor that uses any variation of the Marks or references the System. We must also approve your use of linking and framing between web pages and all other websites.

9.5 Social Media. You may not engage in advertising or the promotion of your Franchised Business using social media programs that offer deeply discounted membership fees, such as, but not limited to such programs as Groupon, Living Social, Scout Mob or other similar programs without the express written consent of Foot Solutions, which consent shall be at our sole discretion.

## 10. MODIFICATIONS

10.1 **Modifications to the System.** Franchisee agrees that Franchisor may modify all or any part of the System to adapt to changes in the marketplace, economic conditions, business conditions, the law, demands of consumers, Franchisor's business needs, and the needs of the System. Franchisee further agrees that such modifications may include additions to, deletions from, or modifications to the products and services Franchisee offers for sale or deliver through the Franchised Business; modifications to any

or all of the rules, guidelines, standards, specifications, plans, programs, methods, techniques, and procedures related to the Franchised Business; and additions, deletions, from, and modifications of the Marks. Franchisee agrees that it expects Franchisor to change the System and warrants, covenants, and agrees to comply with all rules, guidelines, standards, specifications, plans, programs, methods, techniques, procedures, and Operations Manuals, related to the System, as we add to, delete from, and modify any or all of them from time to time, and with this Agreement. Franchisor agrees that such additions to, deletions from, and modifications of such rules, guidelines, standards, specifications, plans, programs, methods, techniques, procedures, and Confidential operations Manuals, will not materially and unreasonably increase Franchisee's obligations set forth in this Agreement. Notwithstanding the foregoing, the addition of other products and services to the System may result in the requirement that you purchase additional equipment. Franchisee, shall, however, not be required to add additional optional product or service offerings to its Franchised Business. Franchisor reserves the right to change or modify the Licensed Marks. Franchisor may adopt and use new or modified trade names, trademarks, service marks, logos, equipment, software, products, techniques or concepts. Franchisor may add new and different services and products and withdraw services or products or change their names or image; redesign the trade dress, software programs and equipment or fixture standards; or discontinue them as Franchisor considers appropriate. Franchisee must accept and use the changes as if they were part of this Agreement. If changes are related to the Licensed Marks, then Franchisee will have one hundred twenty (120) days from the date of notice to implement any such changes under this Section 10.1.

**10.2 Modifications Not Requiring Significant Changes in Fixtures or Equipment.** If any changes or modifications involving services or products would not require the installation of new fixtures or equipment, Franchisor may instruct Franchisee to begin offering the new services or products on a date specified in a supplement to the Operations Manual or other notice. Likewise, if the withdrawal of a service or product would not require the removal of fixtures or equipment, Franchisor may direct Franchisee to stop offering the service or product on a date specified in a supplement to the Operations Manual or other notice. Franchisee agrees to comply with these instructions and directions.

**10.3 Modifications Requiring Significant Changes in Fixtures or Equipment.** If any changes or modifications involving new trademarks, concepts, services or products or items necessitate the addition or removal of fixtures, equipment or signs, Franchisor may instruct Franchisee to adapt to the change through a supplement to the Operations Manual. Franchisee will have ninety (90) days from the date of notice to implement any such changes under this Section 10.3.

**10.4 Test Marketing.** If Franchisor permits Franchisee to participate in any new service or product concept test, Franchisee agrees to do so in compliance with Franchisor's standards and requirements.

## **11. STATEMENTS, RECORDS AND FEE PAYMENTS**

**11.1 Maintenance of Records.** Franchisee must obtain the right to use, maintain and update (including any required replacements) the accounting system prescribed by Franchisor in the Operations Manual, or otherwise. Franchisee must, in a manner satisfactory to Franchisor, maintain original, full, and complete register records, accounts, books, data, licenses, contracts and supplier invoices which will accurately reflect all particulars relating to Franchisee's business and such statistical and other information

or records as Franchisor may require and keep all such information for not less than seven (7) years, even if this Agreement is no longer in effect. Upon Franchisor's request, from time to time, Franchisee must furnish Franchisor with copies of any or all supply invoices reflecting purchases by the Franchised Business. In addition, Franchisee must compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products sold by it or data of a similar nature as Franchisor may reasonably request for purposes of evaluating or promoting the Franchised Business or the Foot Solutions System in general.

**11.2 Reports.** Upon Franchisor's request, Franchisee will prepare and furnish Franchisor with signed reports and returns of customer billings, bank statements, monthly unaudited profit and loss statements, use and gross receipt taxes and complete copies of any state or federal income tax returns covering the operation of the Franchised Business and such other reports as Franchisor may reasonably request, all of which Franchisee must certify as true and correct.

**11.3 Unaudited Annual Statements.** In addition to the foregoing statements, within forty-five (45) days after the close of each fiscal year of Franchisee, Franchisee must furnish to Franchisor financial statements which will include a statement of income and retained earnings, a statement of changes in financial position and a balance sheet of Franchisee, all as of the end of such fiscal year, which must be certified to by Franchisee as being true and correct.

## **12. CONFIDENTIALITY**

**12.1 Franchisee Defined.** Unless otherwise specified, the term "Franchisee" as used in this Article 11 will include, collectively and individually, all owners, guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in Franchisee.

**12.2 Confidential Information.** For purposes of this Agreement, "Confidential Information" means any information that the Franchisor regards as confidential or proprietary. "Confidential Information" includes, but is not limited to, the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures and/or improvements relating to the Foot Solutions System, the Operations Manual, the methods of site selection, marketing methods, recruiting, service analysis and selection, service methods and skills, prospective and current customer information, employee information, and any other business information that is not generally known to Franchisor's competitors, as well as the content of this Agreement and any other document executed in connection with this Agreement.

**12.3 Non-Use and Non-Disclosure of Confidential Information.** Franchisee acknowledges that over the term of this Agreement, Franchisee will receive Confidential Information which Franchisor has developed over time and at great expense. Franchisee acknowledges and agrees that Franchisor's Confidential Information is not generally known in the industry and is beyond Franchisee's own present skills and experience, and that it would be expensive, time consuming and difficult for Franchisee to develop. Franchisee further acknowledges that Franchisor's Confidential Information provides a competitive advantage and would be valuable to Franchisee in the development of its business. Accordingly, Franchisee acknowledges that it will not, during the term of this Agreement or for a

continuous period of twenty-four (24) months immediately following the expiration, transfer or termination of this Agreement, use any Confidential Information for any purpose except to operate the Franchised Business. Franchisee will not disclose any Confidential Information to any individual, entity or organization, except to any of Franchisee's representatives to the extent necessary for the operation of the Franchised Business, and only after the representatives are advised of the confidential nature of the information and agree to maintain its confidentiality.

Notwithstanding the foregoing, you are authorized to disclose the terms of this Agreement to any lender providing you financing for the Franchised Business as well as to your landlord. The protections granted hereunder will be in addition to and not in lieu of all other protections for such trade secrets and Confidential Information as may otherwise be afforded in law or in equity.

## **13. COVENANTS**

### **13.1 Covenants**

13.1.1 Franchisee and its Owners acknowledge that Franchisor has granted it the franchise in consideration of and reliance upon the agreement of Franchisee and its Owners to: deal exclusively with Franchisor; maintain the confidentiality of all of the Confidential Information; refrain from using any Confidential Information in any manner not permitted by Franchisor in accordance with Article 12 above; and protect and preserve the goodwill of the Franchisor.

13.1.2 Franchisee and its Owners further acknowledge and agree that (i) pursuant to this Agreement, they will have access from the Franchisor and its affiliates to valuable trade secrets, specialized training and Confidential Information regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; (ii) the System and the opportunities, associations, and experience established by Franchisor and acquired by Franchisee and its Owners under this Agreement are of substantial and material value; (iii) in developing the System, Franchisor and its affiliates have made and continue to make substantial investments of time, technical and commercial research and money; (iv) Franchisor would be unable to adequately protect the System, its trade secrets and its Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information about Foot Solutions franchises if franchisees and their owners were permitted to hold an interest in Competitive Businesses; and (v) restrictions on the right of Franchisee and its Owners to hold interest in or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder the activities of Franchisee and its Owners.

13.1.3 Accordingly, Franchisee and its Owners covenant and agree that during the term of this Agreement and for an uninterrupted period of two (2) years after the later of: (i) the termination (regardless of the cause for termination) or expiration of this Agreement; or (ii) the Transfer, as defined herein; Franchisee and each of its Owners shall not directly or indirectly for itself or through on behalf of or in conjunction with any person, firm, partnership corporation or other entity in any manner whatsoever:

- (a) Divert or attempt to divert any actual or potential business, customer, or



past customer of the Franchised Business to any competitor;

(b) Take any action injurious or prejudicial to the goodwill associated with the Licensed Marks and the System;

(c) Employ, recruit or seek to employ any person who is then employed or who was employed within the immediately preceding twenty-four (24) months, by Franchisor, its Affiliates or any Foot Solutions franchisee; or develop, or otherwise directly or indirectly induce such person to leave his or her employment without obtaining the employer's prior written permission;

(d) Solicit, encourage or assist anyone else to solicit or encourage any independent contractor providing services to Franchisor to terminate or diminish their relationship with Franchisor; or

(e) Own, maintain, develop, operate, engage in, franchise or license, make loans or gifts to or have any direct or indirect interest in or render services as a director, officer, manager, employee, consultant, representative, or agent or give advice to any Competitive Business (as defined below). Notwithstanding the foregoing, equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subsection).

13.1.4 During the term of this Agreement, there is no geographic limitation on these restrictions, meaning that Franchisee and each of its Owners shall not engage in the conduct referred to in subsection 13.1.3 at any location. During the two (2) year period following the later of: (i) the termination (regardless of the cause for termination) or expiration of this Agreement; or (ii) the Transfer of the franchise; or the Transfer of the franchise; these restrictions shall apply:

(a) at the location of the Franchised Business;

(b) within the Territory assigned to the Franchised Business and within ten (10) miles of the outer boundaries of the Territory assigned to the Franchised Business; or

(c) within ten (10) miles of the location of any Foot Solutions business

13.2 Franchisee and its Owners further covenant and agree that for a period of two (2) years following the expiration or termination (regardless of the cause for termination) of this Agreement or a Transfer, Franchisee and its Owners will not either directly or indirectly for itself or through, on behalf of or in conjunction with any person, firm, partnership, corporation or other entity, sell, assign, lease or transfer the Franchised Business location to any person, firm, partnership corporation or other entity that Franchisee or its Owners know or has reason to know intends to operate a Competitive Business at the Franchised Business location.

13.3 Franchisee and its Owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, Franchisor's enforcing the covenants made in Section 13.1 will not deprive Franchisee or its Owners of their personal

goodwill or ability to earn a living.

13.4 Franchisee and its Owners agree and acknowledge that each of the covenants contained herein are reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the know-how, reputation, goodwill and other legitimate business interests of Franchisor and its affiliates. Franchisee and its Owners also agree and acknowledge that the legitimate business interests of Franchisor and its affiliates include but are not limited to: (i) maintaining the confidential nature of the Confidential Information; (ii) preserving the Franchisor's ability to develop franchises at or near the Franchisee's former Franchised Business location, within the Territory assigned to the Franchised Business and within the territorial boundaries of the restrictive covenant described above in subsection 13.1; (iii) preventing potential customer confusion; (iv) protecting other franchisees from competition from Franchisee and its Owners; and/or (v) protecting the System as a whole including the franchisee network. If any provision of Section 13.1 (including any sentences, clauses, or any part thereof) shall be held contrary to law or incomplete or unenforceable in any respect, the remaining provisions shall not be affected but shall remain in full force and effect; any invalidated provisions shall be severed, and this Agreement modified to the extent necessary to render it valid and enforceable.

13.5 Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant contained in Section 13.1 effective immediately upon Franchisee's receipt of written notice and Franchisee agrees to comply forthwith with any covenants as so modified.

#### **13.6 Enforcement of Covenants Not To Compete and Confidentiality**

13.6.1 Franchisee and its Owners acknowledge and agree that Franchisor has a compelling interest in protecting the System and that the provisions of this Article 13 protect Franchisor's System. Franchisee and its owners acknowledge that violation of the provisions of this Article 13 would result in immediate and irreparable injury to Franchisor and its affiliates for which no adequate remedy at law will be available. Accordingly, Franchisee and its Owners hereby consent to the entry of an injunction procured by Franchisor and/or its Affiliates prohibiting any conduct by Franchisee and its Owners in violation of the terms, covenants and/or restrictions on the use of Confidential Information set forth in Articles 12 or 13 without the need of a bond. Franchisee and its Owners expressly agree that it may conclusively be presumed in any legal action that any violation of the terms, covenants and/or restrictions of Articles 12 or 13 was accomplished by and through the unlawful utilization of the Confidential Information. Further, Franchisee and its Owners expressly agree that any claims Franchisee or its Owners may have against Franchisor and its affiliates, whether or not arising from this Agreement, will not constitute a defense to the enforcement of the terms, covenants and/or restrictions set forth in Articles 12 or 13 by Franchisor and/or its Affiliates. Franchisee and its Owners agree to pay all costs and expenses (including attorneys' fees, experts' fees, court costs and all other expenses obligation) incurred by Franchisor and/or its Affiliates in connection with the enforcement of the terms, covenants and/or restrictions of Articles 12 or 13.

#### **13.7 Definitions**

13.7.1 The term "affiliates" (with respect to Franchisee) means any and all corporations,

limited liability companies, partnerships, trusts, or other entities controlling, controlled by or under common control with Franchisee, including but not limited to subsidiaries, parents and sibling entities.

13.7.2 The term “control” shall mean the control or ownership of ten percent (10%) or more of the beneficial interest in the person or entity referred to.

13.7.3 The term “Competitive Business” means (i) any business that sells or engages in the business of selling or fitting comfort shoes and accessories, orthotics, computerized foot screening or custom shoe inserts; (ii) any business authorized by Franchisor to be conducted by System Franchisees under the Licensed Mark; or (iii) any business granting franchises or licenses to others to operate such a business (other than a franchised business operated under a franchise agreement with Franchisor).

13.7.4 The term “Owners” shall mean any individual or entity (including all spouses, partners, members or shareholders of such individual or entity) that has any direct or indirect ownership interest of over ten percent (10%) in Franchisee, (or at such later time as they assume such status) whether or not such interest is of record, beneficially or otherwise. The term “Owners” shall also include individuals, partners, members and shareholders and (spouses of such individuals, partners, members and shareholders) with an ownership interest of more than ten percent (10%) in any partnership, corporation or limited liability company that holds a controlling interest in the Franchisee entity.

### **13.8 Procurement of Additional Covenants**

Franchisee acknowledges and agrees to require and obtain the execution of the Confidentiality, Non-Use and Non-Competition Agreement Form (Schedule “F”): (i) Franchisee’s manager at the same time as the execution of this Agreement (or at such later time as he/she assumes such status) and his/her spouse; (ii) before employment or any promotion of all personnel Franchisee employs who have received training from Franchisor or from Franchisee or who will have access to the Confidential Information; and (iii) Franchisee’s Owners, at the same time as the execution of this Agreement (or at such later time as they assume such status); and (iv) all other personnel designated by Franchisor. Franchisee agrees to furnish Franchisor with copies of all executed Confidentiality, Non-Use and Non- Competition Agreement Forms upon Franchisor’s request.

### **13.9 Franchisee’s Enforcement of Confidentiality, Non-Use and Non-Competition Agreements**

Franchisee and its Owners acknowledge and agree to vigorously and vigilantly prosecute breaches of any Confidentiality, Non-Use and Non-Competition Agreement Form executed by any of the individuals referenced herein. Franchisee agrees to prosecute such actions to the fullest extent permitted by law. Moreover, if provisions of Franchisor’s Confidentiality, Non-Use and Non- Competition Agreement Form have been breached by an individual employed, engaged or otherwise serving the Franchised Business, but who has not executed a Confidentiality, Non-Use and Non- Competition Agreement Form, Franchisee must nevertheless vigorously and vigilantly prosecute such conduct to the fullest extent permitted by law. Franchisee agrees to prosecute such actions to the fullest extent permitted by law. Franchisee and its Owners acknowledges Franchisor’s right, to be exercised in Franchisor’s sole

judgment, to enforce the terms of each such executed Confidentiality, Non-Use and Non-Competition Agreement Forms against any of the individuals referenced herein. Franchisee further acknowledges that Franchisor shall have the right, but not the obligation, to bring civil actions to enforce its terms. In the event Franchisor elects to exercise its rights to enforce the provisions of the Confidentiality, Non-Use and Non-Competition Agreement Form from any of the individuals referenced herein, Franchisee shall be required to reimburse Franchisor for Franchisor's reasonable attorney's fees, experts' fees, court costs and all other expenses of litigation in connection with Franchisor's enforcement of the provisions of any Confidentiality, Non-Use, and Non-Competition Agreement Form against any of the individuals referenced herein.

#### **13.10 Lesser Included Covenants Enforceable At Law**

If all or any portion of the covenants not to compete set forth in this Article are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court, arbitrator or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits and should not by necessity invalidate the entire covenants. Franchisee and its Owners acknowledge and agree to be bound by any lesser covenant subsumed within the terms of this Article 13 as if the resulting covenants were separately stated in and made a part of this Agreement.

#### **13.11 Severability of Covenants**

The parties agree that each of the covenants contained in this Article 13 shall be construed independent of each other and any other covenant or provision within this Agreement.

### **14. TRANSFER AND ASSIGNMENT**

**14.1 Transfer by Franchisor.** Franchisee acknowledges that Franchisor maintains a staff to manage and operate the System and that staff members can change as employees come and go. Franchisee represents that it has not signed this Agreement in reliance on any particular shareholder, director, officer, or employee remaining with Franchisor in that capacity or no capacity at all. Franchisor may change its ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. In the event of Franchisor's assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Franchisor no longer will have any performance or other obligations under this Agreement.

**14.2 Transfer by Franchisee.** Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that Franchisor has granted Franchisee the right to operate the Franchised Business in reliance on many factors, including, without limitation, the individual or collective character, skill, aptitude and business and financial capacity of Franchisee and Franchisee's principals. Accordingly, neither Franchisee nor any person owning any direct or indirect equity interest therein, will, without Franchisor's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or any portion or aspect thereof, or any equity or voting interest in Franchisee (any such act or event is

referred to as a “Transfer”). Any such purported Transfer occurring by operation of law or otherwise, including any assignment by a trustee in bankruptcy, without Franchisor's prior written consent will be a material default of this Agreement.

**14.3 Representations as to Ownership.** Franchisee represents that as of the execution of this Agreement its equity and voting control is owned as shown in Schedule “A” hereto. If Franchisee, or any approved successor thereof, is a partnership, limited liability company or privately-held corporation, Franchisee will submit to Franchisor prior to any proposed Transfer of an equity or voting interest, and at any other time upon request, a list of all Owners reflecting their respective present and/or proposed direct or indirect interests in Franchisee, in such form as Franchisor may require.

**14.4 Conditions to Franchisor’s Consent to Transfer.** Franchisee understands and acknowledges the vital importance of the performance of Franchisee to the market position and overall image of Franchisor. Franchisee also recognizes the many subjective factors that comprise the process by which Franchisor selects a suitable Franchisee. Franchisor will not unreasonably withhold its consent to a Transfer by Franchisee of any interest in this Franchise or any equity or voting interest in Franchisee and such consent will remain a subjective determination and will include, but not be limited to, the following conditions:

14.4.1 The transferee must demonstrate to Franchisor’s sole satisfaction that it meets all of Franchisor's requirements for becoming a Franchisee, including, without limitation, that it meets Franchisor’s financial, entrepreneurial, and managerial and business standards then in effect for similarly situated franchisees, possesses a good moral character, business reputation and satisfactory credit rating, will comply with all instruction and training requirements of Franchisor and has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related business experience or otherwise).

14.4.2 As of the effective date of the proposed Transfer, all obligations of Franchisee hereunder and under any other agreements between Franchisee and Franchisor are fully satisfied.

14.4.3 Franchisee has satisfied all monetary obligations owed to Franchisor, its affiliates and its designated suppliers.

14.4.4 Franchisee has been in substantial compliance with the Franchise Agreement and all other agreements between Franchisee and Franchisor, its affiliates, or its designated suppliers through the initial and any renewal term of this Agreement;

14.4.5 As of the effective date of the proposed Transfer, all obligations of the proposed transferee to the Franchisor, its affiliates, and designated suppliers (if any) must be fully satisfied.

14.4.6 As of the effective date of the proposed Transfer, the transferee must have the unconditional right to occupy the Premises.

14.4.7 The proposed transferee does not have an interest in a business which is

competitive with the Franchised Business.

14.4.8 Franchisee or the transferee must pay to Franchisor a transfer fee of Seven Thousand Five Hundred (\$7,500.00) Dollars (the “Transfer Fee”).

14.4.9 The transferor must execute a general release under seal where required, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its parent, subsidiaries, affiliates and their officers, directors, attorneys, Owners and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the performance of this Agreement in the form substantially similar to Schedule “I”.

14.4.10 The proposed transferee must execute Franchisor’s then-current form of franchise agreement, which may contain terms and conditions substantially different from those in this Agreement.

14.4.11 The transferee and/or its designated managerial personnel must have completed, to Franchisor’s satisfaction, the training then required of comparable System franchisees.

14.4.12 The transferee must obtain all licenses and/or registrations necessary to operate the Franchised Business.

14.4.13 Franchisor may, depending on all of the applicable circumstances, waive any of the above conditions and qualifications, especially for transfers among original Owners, transfers to trusts created for the benefit of a spouse or children and transfers to family members.

14.4.14 Franchisee and its principals, owners, officers, directors, and employees agree to comply with the post-termination provisions of this Agreement, including the non-competition and non-disclosure covenants.

14.4.15 Franchisee and Transferee agree to perform all maintenance and upgrades required to bring the Franchised Business up to Franchisor’s then-current standards, including upgrading any computer hardware and software, and replacing any Service Vehicles that do not meet Franchisor’s then-current requirements for new System Franchisees, as Franchisor may require.

14.4.16 Franchisee or transferee must provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee’s assumption of and agreement to faithfully perform all of Franchisee’s obligations under this Agreement, for Franchisor’s prior written approval.

14.4.17 Franchisee must request that Franchisor provide the prospective transferee with Franchisor’s current form of disclosure document.

14.4.18 Franchisor’s approval of the transfer will not constitute a waiver of any claims

Franchisor may have against the transferring party.

14.4.19 Franchisor will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchisee's Business as Franchisee has supplied Franchisor hereunder.

14.4.20 If Franchisee finances any part of the purchase price, Franchisee agrees that all of the transferee's obligations under any promissory notes, agreements, or security interests reserved in the Franchised Business are subordinate to the transferee's obligation to pay Brand Fund Contributions, and any other amounts due to Franchisor, its Affiliates, Suppliers and otherwise to comply with this Agreement.

14.4.21 In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.

**14.5 Transfer to Entity.** If the Franchisee wishes to transfer the Franchise Agreement or any interest therein to a corporation or limited liability company which shall be controlled by the Franchisee, which entity is being formed for the financial planning, tax or other convenience of the Franchisee, the Franchisor's consent to such transfer shall be conditioned upon the following requirements:

14.5.1 The corporate Franchisee shall be newly organized and its articles of incorporation (or like documents) shall provide that its activities are confined exclusively to the operation of the Franchised Business.

14.5.2 The Franchisee shall retain total ownership of the outstanding stock or other capital interest in the transferee entity, and the Franchisee shall act as the principal officer or officers and directors thereof.

14.5.3 All obligations of the Franchisee to Franchisor and to the landlord shall be fully paid and satisfied prior to the Franchisor's consent.

14.5.4 The entity assignee shall enter into a written agreement with Franchisor expressly assuming the obligations of this Franchise Agreement and all other agreements relating to the operation of this business or the use and occupancy of the Premises. If the consent of any other contracting party to any such agreement be required, the Franchisee shall have obtained such written consent and provided the same to the Franchisor prior to the Franchisor's consent.

14.5.5 All owners of ten (10%) percent of the stock or other ownership interest of the transferee entity shall enter into an agreement with the Franchisor jointly and severally guaranteeing the full payment of the entity's obligations to the Franchisor and the performance by the transferee entity of all the obligations of the Franchise Agreement.

14.5.6 Each stock certificate or other ownership interest certificate of the transferee entity shall have conspicuously endorsed upon the face thereof a statement in a form satisfactory to the

Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Franchise Agreement.

14.5.7 Copies of the transferee entity's Articles of Incorporation, Articles of Organization, or documents including resolutions of the Board of Directors authorizing entry into this Franchise Agreement shall be promptly furnished to the Franchisor. Any amendment to any such documents shall also be furnished to the Franchisor immediately upon adoption.

14.5.8 The term of the transferred franchise shall be the unexpired term of this Franchise Agreement.

14.5.9 The payment of an administrative fee of Five Hundred and No/100 (\$500.00) Dollars.

14.6 **Franchisee May Not Encumber this Agreement.** The Franchisee shall not, without the prior written consent of the Franchisor, enter into any agreement to borrow money ancillary to which the lender acquires or purports to acquire the right, upon default by the borrower, to assume ownership or control of, or to execute upon, any franchise rights or any ownership interest in this Franchise Agreement. This franchise and this Franchise Agreement may not be used as collateral for borrowing without the prior written consent of the Franchisor. The Franchisee, in connection with any borrowing, will provide to the lender a copy of this Franchise Agreement and call the lender's attention specifically to this provision.

14.7 **Transfer in the Event of Death or Mental Incapacity.** Upon the death or mental incapacity (as reasonably determined by an independent third party such as a licensed doctor) of any person with any direct or indirect interest in Franchisee, the executor, administrator, or personal representative of such person must transfer his interest to a third party approved by Franchisor within six months after the death or incompetence. Such transfers will be subject to the same conditions as set forth in Section 14.4. If the heirs or beneficiaries of any such person are unable to meet the conditions in Section 14.4 hereof, Franchisor may terminate this Agreement. If the transfer is to the spouse or adult child who has otherwise been approved by Franchisor, no Transfer Fee shall be charged.

14.8 **Consent to Transfer Not a Waiver.** Franchisor's consent to a Transfer of any interest in Franchisee will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

14.9 **Noncompliance.** Any Transfer that does not comply with this Article 14 shall be null and void.

14.10 **Franchisor's Right of First Refusal.** If Franchisee determine at any time to Transfer any interest in Franchisee or the Franchised Business as set forth in Article 14 of this Agreement, Franchisee will obtain a bona fide executed written offer to purchase such interest from a responsible and fully disclosed purchaser and will submit an exact copy of such offer to Franchisor, along with any other information concerning the proposed transfer and/or transferee as Franchisor may request. Franchisor will, for a period of thirty (30) days from the date Franchisor receives such documented offer, have the



right, but not the obligation, exercisable by written notice to Franchisee, to purchase all of such interest for the price, minus any sales commission that would have been payable as a result of the proposed sale, and on substantially the terms and conditions contained in such offer; provided, however, Franchisor may substitute cash for any other form of consideration proposed in such offer. Franchisor may deduct from the purchase price any unpaid debts Franchisee owes to Franchisor and may pay out of the purchase price any of Franchisee's unpaid trade creditors. If Franchisor does not exercise such right of first refusal, Franchisee may complete such Transfer of such interest to such purchaser on the same terms as offered to Franchisor, subject to the provisions of Article 14. If such Transfer to such proposed Transferee is not completed within sixty (60) days after delivery of such offer to Franchisor, or if the proposed Transferee makes any proposed material modification to such offer, Franchisor will again have the right of first refusal set forth in this Section 14.10.

## **15. DEFAULT AND TERMINATION**

**15.1 Termination By Franchisee.** If Franchisee is in compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure the breach within sixty (60) days after written notice of the breach is delivered to Franchisor, Franchisee may terminate this Agreement effective ten (10) days after delivery to Franchisor of a notice of termination. Franchisee shall remain obligated to comply with all post-termination covenants and outstanding obligations to Franchisor as provided herein.

**15.2 Termination by Franchisor With Cause.** Franchisor may terminate this Agreement if Franchisee defaults under the Agreement as provided herein or is in default under any other agreement with Franchisor, its Affiliates or third parties. Franchisor's election to terminate this Agreement with Franchisee in no way constitutes a waiver of Franchisor's rights hereunder or any other rights or remedies available at law or in equity, including its right to damages. Termination of this Agreement encompasses termination of any and all rights granted to Franchisee by Franchisor hereunder.

**15.3 Termination Without Notice.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following, which Franchisee agrees constitute good cause for termination:

**15.3.1 Voluntary Bankruptcy.** If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business.

**15.3.2 Involuntary Bankruptcy.** If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within 60 days.

**15.3.3 Unauthorized Transfer.** If Franchisee purports to sell, transfer or otherwise

dispose of Franchise or any interest in the Franchise Business in violation of Section 14 hereof.

15.3.4 Sale of Unapproved or Unauthorized Products. If Franchisee offers or sells any product in the operation of the Business that has not previously been authorized by Franchisor.

15.4 **Termination With Notice and Without Opportunity to Cure**. Franchisor has the right to terminate this Agreement upon notice without providing Franchisee an opportunity to cure for any of the following breaches or defaults:

15.4.1 Criminal Acts/Other Misconduct. If Franchisee or Franchisee's principals are convicted of or plead guilty or no contest to a felony or take part in any criminal misconduct or other misconduct that negatively impacts the Licensed Marks or the operation of the Franchised Business.

15.4.2 Fraud. If Franchisee or Franchisee's Principal Owners commit any fraud or misrepresentation in the operation of the Franchised Business.

15.4.3 Misrepresentation. If Franchisee or Franchisee's Principal Owners make any misrepresentation or omission in connection with Franchisee's franchise application, including but not limited to any financial misrepresentation.

15.4.4 Failure to Complete Training. If Franchisee fails to complete the Initial Training or such other training as Franchisor may require.

15.4.5 Repeated Breaches. Franchisee (or any of its owners) (a) fails on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not Franchisor notifies Franchisee of the failures, and, if Franchisor does notify Franchisee of the failures, whether or not Franchisee corrects the failures after Franchisor's delivery of notice; or (b) fails on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, whether or not Franchisor notifies Franchisee of the failures, and if Franchisor does notify Franchisee of the failures, whether or not Franchisee corrects the failures after Franchisor's delivery of notice.

15.4.6 Misuse of the Licensed Marks or Confidential Information. If Franchisee or Franchisee's principals materially violate any provision hereof pertaining to the Licensed Marks or Confidential Information or misuse the Licensed Marks or Confidential Information.

15.4.7 Violation of Health or Safety Code. If Franchisee violates any health, safety or sanitation law, ordinance or regulation or operates the Franchised Business in a manner that presents a health or safety hazard to customers, or the general public and fails to cure said violation within seventy-two (72) hours of receiving notice from Franchisor or any third party.

15.4.8 Violation of In-term Restrictive Covenant. If Franchisee violates the in-term restrictive covenant contained in Article 13.

15.4.9 Liens. If a levy of writ of attachment or execution or any other lien is placed

against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within 30 days.

15.4.10 Insolvency. If Franchisee or any of Franchisee's principals become insolvent.

15.4.11 Abandonment. If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue the Franchised Business in accordance with the terms of this Agreement and will apply if Franchisee fails to operate the Franchised Business for a period of three (3) or more consecutive business days without Franchisor's prior written approval.

15.4.12 Insurance. Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fail to adhere to the requirements of Section 17.

15.4.13 Government Regulations. Franchisee fails, within thirty (30) calendar days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Franchised Business.

15.4.14 Government Actions. Any government action is taken against Franchisee that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

15.4.15 Anti-Terrorist Activities. Franchisee fails to comply with the provisions of Section 6.23.

15.4.16 Franchisee underreports Gross Revenues by five (5%) percent or more in any Sales Report or Franchisee underreports Gross Revenues by more than two (2%) percent in three (3) Sales Reports during any thirty-six (36) month period.

15.4.17 Breach of Other Agreements. If Franchisee commits any fraud, criminal acts or other misconduct or makes any misrepresentation or omission to Franchisor relating to any other agreement with Franchisor or Franchisor's affiliates.

**15.5 Termination by Franchisor After Notice and Opportunity to Cure.** Franchisee will have ten (10) days or any greater number of days permitted by Franchisor or required by law, to cure any default for which Franchisor has given written notice of termination to Franchisee under this Section 15.5 and to provide Franchisor with evidence of the cure. If a default is not cured within that period, or any longer period permitted by Franchisor or required by law, this Agreement will terminate without the need for further notice to Franchisee, effective immediately on the expiration of the ten (10) day cure period permitted by Franchisor or required by law. Franchisor may give written notice of termination under this Section 15.5 if any of the following events occur or conditions exist:

15.5.1 Nonpayment. If Franchisee fails to pay when due any sums owed to Franchisor, any of Franchisor's affiliates, or any of Franchisor's suppliers or vendors.

15.5.2 Failure to Open. If Franchisee fails to commence operations of the Franchised Business by the Opening Date, as described in Section 6.2 of this Agreement.

15.5.3 Interruption of Service. If Franchisee fails to maintain the prescribed months, days or hours of operation at the Franchised Business.

15.5.4 Failure to Personally Supervise Business Operations or Employ Adequate Personnel. If Franchisee fails to personally, or through an approved manager, supervise the day-to-day operation of the Franchised Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time.

15.5.5 Quality Control. If Franchisee fails to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual.

15.5.6 Licenses and Permits. Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of the Franchised Business.

15.5.7 Franchisee fails to comply with the transfer requirements of Article 14.

15.5.8 Except as provided herein, Franchisee (or any of its Owners) fails to comply with any other provision of this Agreement, any System Standards or as specified in the Operating Manual, or otherwise by Franchisor in writing.

15.5.9 Franchisee fails to make the required Local Advertising expenditures.

15.5.10 Franchisee or its owners default in any other agreement with Franchisor, its Affiliates, any supplier or third-party and such default is not cured in accordance with the terms of such agreement.

15.5.11 Franchisee fails to meet the Minimum Revenue Requirement.

15.6 **Nonwaiver**. Franchisor's delay in exercising or failing to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due hereunder will not constitute a waiver of Franchisor's rights against Franchisee.

15.7 **Step In Rights**. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right, or any other rights Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter upon the premises of the Franchised Business and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines that the default has been cured, and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with its operation of the Franchised Business including, without limitations, costs of personnel for supervising and staffing the Franchised Business and their travel and

lodging accommodations, as well as pay a fee of up to \$500 per day. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's operation of the Franchised Business.

**15.8 Franchisor's Right to Withhold Services or Products.** During any period of uncured default by Franchisee, Franchisor shall have the right to withhold or discontinue providing all services to Franchisee, including but not limited to the right to suspend Franchisee's right to purchase products from Franchisor's affiliates.

## **16. POST TERM OBLIGATIONS**

**16.1 Obligations upon Termination, Expiration, Non-Renewal or Transfer.** Upon the termination, expiration, non-renewal, or transfer of this Agreement for any reason, Franchisee must immediately:

16.1.1 Cease to be a franchisee of Franchisor under this Agreement and cease to operate the former Franchised Business under the System. Franchisee must not thereafter, directly or indirectly, represent to the public that the former Franchised Business is or was operated or in any way be connected with the Foot Solutions Franchise System, or hold itself out as a present or former Franchisee of Franchisor;

16.1.2 Pay all sums owing to Franchisor. Upon termination for any default by Franchisee, such sums will include actual damages, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor as a result of the default;

16.1.3 Return to Franchisor the Operations Manual, Confidential Information, and all trade secrets, confidential materials, and other property owned by Franchisor. Franchisee may not retain a copy or record of any of the foregoing, provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties and any other document which Franchisee reasonably needs for compliance with any applicable provision of law. Business cards, brochures, marketing materials and other promotional materials must be returned to Franchisor.

16.1.4 Provide Franchisor a complete list of Franchisee's employees, clients, customers, and contacts and their respective addresses and any outstanding obligations Franchisee may have to any third parties, and all business records of Franchisee that Franchisor may request;

16.1.5 Cease to use in any manner whatsoever, including in Franchisee's business operations and advertising, any methods, procedures, technology or other component of the Foot Solutions System in which Franchisor has any right, title or interest. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes and take possession of such items at Franchisee's sole risk and expense and without liability for trespass or compensation to Franchisee; and

16.1.6 Cease to use the Licensed Marks and any other marks and indicia of operation associated with the Foot Solutions System including stationary and other printed matter and remove all trade dress, physical characteristics, color combinations and other indications of operation under the Foot Solutions System from the Premises. Without limiting the generality of the foregoing, Franchisee agrees that in the event of any termination or expiration of this Agreement, it will remove all signage bearing the Licensed Marks, and remove any items which are characteristic of the System's trade dress from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass or compensation to Franchisee.

16.1.7 Franchisee agrees to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to its use of any Principal Trademark within fifteen (15) days;

16.1.8 Franchisee must de-identify the Franchised Business by making all physical changes necessary, including but not limited to removing any and all trade dress, decor, physical characteristics, color combination, signage and uniforms indicative of the System. Franchisee agrees to return to Franchisor (at no charge or cost to Franchisor) within thirty (30) days all signs, sign-faces, sign-cabinets, Advertising Materials, Social Media Materials, forms, and other materials containing any Licensed Mark or otherwise identifying or relating to the Franchised Business that Franchisor requests and to allow Franchisor, without liability to Franchisee or third parties, to remove these items from the Franchised Business location and to make any change Franchisor deems appropriate including the removal of any of the aforementioned items from the Franchised Business location;

16.1.9 Franchisee shall immediately cease using the Confidential Operating Manual, training materials, proprietary software, database material, customer lists, records, files, instructions, forms, advertising and promotional materials, signs and related items which bear the Principal Trademarks, all trade secrets and any Confidential Information and any copies, equipment and other property owned by Franchisor or its Affiliates and shall return such to Franchisor (at no charge or cost to Franchisor) within thirty (30) days of termination or expiration of this Agreement. Franchisee shall retain no copy or record of any of the foregoing, provided however, Franchisee may retain its copy of this Agreement, any correspondence between the parties and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;

16.1.10 Franchisee and its Owners shall comply with all post-term covenants as set forth in Article 13 of this Agreement and the Confidentiality, Non-Use and Non-Competition provisions of Schedules "E" and "F", all of which shall survive termination or expiration of this Agreement;

16.1.11 Franchisee shall notify the telephone company, all telephone directory publishers, Internet and website listing services and directories, websites, URLs, domain name registers, email hosts and providers and any and all other web based platforms or programs or other media, including but not limited to all Social Media Platforms in which the Franchised Business is listed or Licensed Marks displayed of the termination or expiration of its right to use any telephone, facsimile or other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, Internet and website directory listings, web based platform and program accounts, including but not limited to Social Media Platform accounts and other media in which the Franchised Business is listed or the Licensed

Marks is displayed;

16.1.12 Franchisee shall allow Franchisor to utilize the Assignment of Telephone and Internet Listings and Advertisements attached hereto as Schedule “G”;

16.1.13 Franchisee shall authorize and not interfere with the transfer of Franchisee’s telephone, facsimile and other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, Internet and website directory listings, Social Media Platform accounts and other media in which the Franchised Business is listed, or the Licensed Marks displayed to Franchisor;

16.1.14 Franchisor shall instruct the telephone company, all websites, URLs and any other advertising entities or websites to forward all calls made to Franchisee’s telephone, facsimile or other numbers as well as Internet and website searches made for Franchisee’s websites and URLs, to those telephone number(s) and website(s) and URL(s) that Franchisor specifies and Franchisee shall take all actions necessary to effectuate the forwarding of such calls and Internet and website searches to telephone number(s), website(s) and/or URL(s) Franchisor specifies;

16.1.15 Franchisee agrees and acknowledges that in addition to any other rights and remedies to which Franchisor and its affiliates may be entitled, Franchisor and its affiliates may enforce any rights and remedies of a secured party under the UCC as enacted in the state where the Territory is located, pursuant to the security interest granted in Section 5.11 herein, including but not limited to the right to enter the Franchised Business location to remove and repossess any products or goods in which Franchisor and its affiliates have been granted a security interest, without notice to Franchisee. Franchisee hereby waives and releases Franchisor and its affiliates from any and all claims in connection therewith and arising therefrom. At the request of Franchisor or its affiliates following the event of a default, Franchisee shall assemble and make available to Franchisor and its affiliates all products and goods in which Franchisor and its affiliates have been granted a security interest at a place to be designated by Franchisor or its affiliates which is reasonably convenient to both parties; and

16.1.16 Franchisee shall give Franchisor, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to Franchisor of Franchisee’s compliance with these obligations.

## **16.2 Right to Purchase Franchised Business**

Subject to Franchisor’s rights as a secured party under Section 6.24, upon termination or expiration of this Agreement (except where Franchisee acquires a successor franchise) Franchisor shall have the right but not the obligation to acquire the assets of the Franchised Business, including but not limited to the Operating Assets as Franchisor may determine at the book value of such assets with no value attributable to goodwill, which the parties hereby agree and acknowledge belongs solely to Franchisor. Franchisor may in its sole discretion, deliver cash, notes payable monthly in no less than five (5) years or some combination of each as payments for any assets of the Franchised Business.

## 17. DISPUTE RESOLUTION AND CORRESPONDING PROCEDURES

17.1 **Mediation.** All claims or disputes between Franchisee and Franchisor or their respective affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, the Franchised Business, or any of the parties' respective rights and obligations arising out of this Agreement, must be submitted first to mediation prior to a hearing in binding arbitration (except as noted in Section 17.3 below). Such mediation will take place in Atlanta, Georgia (or Franchisor's then-current headquarters) under the auspices of the Judicial Arbitration and Mediation Services ("JAMS"), in accordance with the JAM's Commercial Mediation Rules then in effect. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Each party will bear their own costs of mediation and share equally the filing fee imposed by JAMS and the mediator's fees. We reserve the right to specifically enforce Franchisor's right to mediation. Prior to mediation, and before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies in detail, the precise nature and grounds of such claim or dispute.

17.2 **Arbitration.** If not resolved by mediation and except as qualified below, any dispute between Franchisee and Franchisor or their respective affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or the Franchised Business must be submitted to binding arbitration in Atlanta, Georgia (or Franchisor's then-current headquarters) in accordance with the Federal Arbitration Act and the Commercial Arbitration Rules of the Judicial Arbitration and Mediation Services ("JAMS") then in effect. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any proceedings involving their parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties must submit all claims to the jurisdiction of the courts. The Federal Arbitration Act, as amended, will govern the rights and duties of the parties to this Agreement to resolve any disputes by arbitration. The following will supplement and, in the event of a conflict, govern any arbitration: The matter will be heard before a single arbitrator from the JAM's list of arbitrators. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least 5 years of significant experience in franchise law. Each party must bear its own costs of arbitration; provided, however, that the neutral or the single arbitrator's fee will be shared equally by the parties. If within thirty (30) days after a demand for arbitration is made, the parties are unable to agree on a single arbitrator, an arbitrator shall be selected in the following manner: Franchisor and Franchisee shall obtain an identical list of arbitrators from JAMS, containing an odd number of arbitrators, and shall take alternating turns striking the name of an arbitrator off the list until one name remains. Franchisee shall strike the first name off the list.

The arbitrator's award must be rendered within 7 days of the close of the hearing and will include all fees, costs and attorneys' fees for Franchisor if Franchisor is the prevailing party. The arbitrator will have no authority to determine class action claims and will have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law may be given



preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties.

Judgment upon the award of the arbitrator must be submitted for confirmation to the Superior Court of Fulton County, Georgia (or a court of general jurisdiction in the county of Franchisor's then-current headquarters), and, if confirmed, may be subsequently entered in any court having competent jurisdiction. The decision of the arbitrator(s) will be final and binding on all parties to the dispute; however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages, or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business. This agreement to arbitrate will survive any termination or expiration of this Agreement.

**17.3 Exceptions to Arbitration.** Notwithstanding Section 17.2, the parties agree that the following claims will not be subject to arbitration:

17.3.1 any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder.

17.3.2 any claim of Franchisor of non-payment by Franchisee of any fee or other sum due by Franchisee to Franchisor.

**17.4 Prior Notice of Claims.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the discovery of the violation or breach and grant Franchisor reasonable opportunity to cure any alleged default. Failure to timely give such notice will preclude any claim for damages.

**17.5 Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days. The provisions of this Section are intended to benefit and bind certain third-party non-signatories (including without limitation Franchisee's Owners and guarantors) and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**17.6 No Right to Offset.** Franchisee may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

**17.7 Venue.** Nothing contained in this Agreement will prevent Franchisor or Franchisee from

applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard such party's interests. In the event of any litigation arising out of this Agreement or based upon the relationship between the parties, venue for any such litigation shall be any court of general jurisdiction in Cobb County, Georgia or the United States District Court for the Northern District of Georgia, Atlanta Division. Franchisee hereby accepts and submits to, generally and unconditionally, for itself and with respect to its property, the jurisdiction of any such courts in any such action or proceeding and hereby waives, to the greatest extent permitted by applicable law defenses based on jurisdiction, venue, or forum non conveniens. The provisions of this Section 17.7 shall be self-executing and shall remain in full force and effect after the termination or expiration of this Agreement. Franchisee acknowledges that this Agreement has been entered into in the State of Georgia, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Atlanta, Georgia, including but not limited to assistance, support and the development of the System.

**17.8 Limitation on Actions.** The parties further agree that no cause of action arising out of or under this Agreement may be maintained by either party against the other unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the complaining party becomes aware of facts or circumstances reasonably indicating that such party may have a claim against the other party hereunder, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense or set-off.

**17.8.1** Franchisee hereby waives the right to obtain any remedy based on the alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any arbitration, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

**17.9 Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

**17.10 Jury Trial Waiver.** With respect to any proceeding not subject to arbitration, the parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or

equity, regardless of which party brings suit. This waiver will apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Franchisee's purchase from Franchisor of the franchise and/or any goods or services.

## **18. INSURANCE**

18.1 Prior to Franchisee opening its Franchised Business, Franchisee must obtain insurance coverage for the Franchised Business in at least the amounts specified below. This insurance coverage must be maintained during the term of the Agreement and must be obtained from a responsible carrier or carriers rated "A" or better by AM. Best & Company, Inc., and be approved by Franchisor. The insurance coverage must include the following:

(a) Commercial general liability insurance providing coverage on an occurrence form basis with limits of not less than \$1,000,000 per person per occurrence for bodily injury and property damage combined, \$2,000,000 annual general aggregate, \$2,000,000 products and completed operations annual aggregate. All the liability insurance policies must:

(b) include operations liability coverage, products and completed operations liability coverage and broad form property damage coverage including completed operations;

(c) include blanket contractual liability coverage including, to the maximum extent possible, defense costs outside the limits of liability, coverage for Franchisee's indemnification obligations under the Agreement;

(d) provide that the insurance company has the duty insured under the policy, to defend all parties;

(e) provide that the defense costs are paid in addition to, and not in depletion of, any of the policy limits; and

(f) cover liabilities arising out of or incurred in connection with Franchisee's use, operation, occupancy, franchising, licensing, leasing or ownership of the Franchised Business;

(g) Workers' compensation insurance or similar insurance as required by applicable law of the state or jurisdiction in which the Franchised Business is located.

(h) Any insurance required by law in the state or locality in which the Franchised Business will operate.

(i) Franchisee may, with Franchisor's prior written consent, elect to have reasonable deductibles under the coverage required above. All of the policies must name Franchisor, its Affiliates and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees of each of them, as additional insureds and must

include a waiver of subrogation in favor of all parties.

(j) Franchisee must provide Franchisor with written proof of Franchisee's purchase of the above required insurance policies no later than the business day before Franchisee intends to commence operations of the Franchised Business. Franchisee must provide Franchisor with proof of Franchisee's continued insurance coverage no later than thirty (30) days before the expiration of Franchisee's insurance policies. For purposes hereof, proof of purchase of insurance and/or continued insurance coverage shall include written evidence of insurance issued by the insurance company to Franchisee showing compliance with the above requirements. In the event Franchisee fails to purchase the required insurance, Franchisor may, in its sole discretion pay for the required insurance policies on behalf of Franchisee. Franchisor reserves the right to charge Franchisee a reimbursement fee equal to Franchisor's expenditures in obtaining Franchisee's insurance policies. Franchisee's insurance policies will not be limited in any way by any insurance policy maintained by Franchisor.

(k) Franchisor may in its sole discretion, revise its insurance requirements for franchisees. Franchisor may in its sole discretion, require Franchisee to obtain additional or different insurance policies in accordance with Franchisor's then-current insurance requirements for Franchisees.

(l) Franchisee may not reduce any insurance limit, restrict any insurance coverage, or cancel, alter or amend any insurance policy without Franchisor's written consent. If Franchisee fails to obtain or maintain any required insurance, Franchisor may terminate the Agreement as provided for herein.

(m) Franchisee shall require its insurance providers to provide written notice to Franchisor in advance of any alteration, amendment, upgrade, termination or expiration of any insurance policy maintained by Franchisee.

(n) Franchisee agrees and acknowledges that Franchisor's review of and/or consent to any of Franchisee's insurance policies is solely for Franchisor's benefit and is not a guaranty that Franchisee's insurance coverage is sufficient. Franchisee further agrees and acknowledges that it is solely responsible for determining whether or not its insurance coverage is sufficient for the Franchised Business.

**18.2 Insurance Certificates.** Franchisee must make timely delivery of certificates of all required insurance to Franchisor, each of which must contain a statement by the insurer that the policy will not be cancelled or materially altered without at least written notice per state statutory guidelines to Franchisor. Franchisee agrees to carry such insurance as may be required by the lease of the Approved Location or by any of Franchisee's lenders or equipment lessors and such workers compensation insurance as may be required by applicable law. Franchisee must add Franchisor to all insurance contracts as an additional insured per state guidelines under the insurance policies, the cost of which will be paid by Franchisee.

**18.3 Notification of Claims.** Franchisee will give Franchisor notice of any Claim against

Franchisee or the Franchised Business immediately upon Franchisee receiving notice of any such Claim. Franchisee will respond to all Claims within the time required by law. Franchisee will cooperate with Franchisor or our designee in every manner and in all respects to defend Franchisee or Franchisor against any and all Claims which cooperation may require Franchisee, among other things, to appear at administrative or other hearings to present or reinforce Franchisee's or Franchisor's defenses.

**18.4 No Relief from Indemnity Requirement.** The procurement and maintenance of such insurance will not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement. Franchisee must, at its expense and no later than upon commencement of the business contemplated by this Agreement, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Operations Manual or otherwise in writing which must be in such amounts as may from time to time be required by Franchisor and which must designate Franchisor as an additional insured as required by this written agreement.

**18.5 Administrative Fee.** If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect and Franchisee must pay Franchisor, on demand, the premium cost thereof and administrative costs of 18% in connection with Franchisor's obtaining the insurance. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon state statutory notice to Franchisee, and Franchisee must comply with any such modification within the time specified in said notice.

## **19. FRANCHISEE'S OWNERSHIP AND ORGANIZATION**

**19.1 Disclosure of Ownership Interests.** Franchisee and each of its Owners represents, warrants, and agrees that Schedule "A" is current, complete and accurate. Franchisee agrees that updates to Schedule "A" attached hereto will be furnished promptly to Franchisor, so that Schedule "A" (as so revised and signed by Franchisee) is at all times current, complete, and accurate. Each Owner must be an individual acting in his or her individual capacity unless Franchisor waives this requirement.

**19.2 Organizational Documents.** If Franchisee is, or at any time becomes, a business corporation, partnership, limited liability company or other legal entity, Franchisee and each of its Owners represents, warrants and agrees that: (a) Franchisee is duly organized and validly existing under the laws of the state of its organization; (b) Franchisee has the authority to execute and deliver the Franchise Agreement and all related agreements and to perform its obligations under all such agreements; (c) the articles of incorporation, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest in Franchisee is restricted by the terms of the Franchise Agreement; and (d) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued bear a legend in conformity with applicable law reciting or referring to such restrictions.

**19.3 Personal Guaranty Covenants and Assumption of Obligations.** Each Owner of a 10% interest in Franchisee must sign and irrevocably be bound by the Personal Guarantee included as Schedule "D".

## 20. TAXES, PERMITS AND INDEBTEDNESS

20.1 **Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes including, without limitation, unemployment and sales taxes, levied or assessed with respect to any services or products furnished, used or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the business licensed hereunder.

20.2 **Permits.** Franchisee must comply with all federal, state, and local laws, rules and regulations and timely obtain any and all permits, certificates and licenses for the full and proper conduct of the business licensed hereunder.

20.3 **Full and Sole Responsibility for Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

## 21. INDEMNIFICATION AND INDEPENDENT CONTRACTOR

21.1 **Indemnification.** Franchisee shall indemnify, defend and hold harmless Franchisor, its Affiliates and their respective shareholders, officers, directors, employees, agents, successors and assignees (the “Indemnified Parties”) against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages arising directly or indirectly from the operation of the Franchised Business or Franchisee’s breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party’s negligence or willful misconduct, unless (and then only to the extent that) the claims, obligations or damages are determined to be caused solely by Franchisor’s gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. This provision shall survive termination and expiration of this Agreement.

For purposes of this Section 21.1, “claims” include all obligations, damages (actual, consequential or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it including, without limitation, reasonable accountants’, arbitrators’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at Franchisee’s expense and agree to settlements or take any other remedial, corrective or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Franchisee under this subparagraph. Franchisee agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this subsection.

21.2 **Cost of Enforcement or Defense.** If Franchisor is required to hire an attorney or spend any money to enforce this Agreement or to defend against any claim because Franchisee has not

performed its obligations under this Agreement, Franchisor will be entitled to recover reasonable attorneys' fees and other expenses in enforcing the obligation or in defending against the claim.

**21.3 No Fiduciary Relationship; Independent Contractor Status.** In all dealings with third parties including, without limitation, franchisees, employees, suppliers, and clients, Franchisee must disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties neither to create a fiduciary relationship between them nor to constitute Franchisee as a subsidiary, joint venturer, partner, agent, or employee of Franchisor for any purpose whatsoever. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any warranty or representation on behalf of Franchisor other than those contained in any disclosure document prepared by Franchisor for use by Franchisee, nor is Franchisee authorized to create any obligation or enter into any contract binding on Franchisor.

## **22. WRITTEN APPROVALS, WAIVERS, AND AMENDMENT**

**22.1 Approval Process.** Whenever this Agreement requires Franchisor's prior approval, Franchisee must make a timely written request. Unless a different time period is specified in this Agreement, Franchisor will respond with its approval or disapproval within thirty (30) calendar days. In addition, Franchisor's approval will not be unreasonably withheld.

**22.2 No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof will constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. A waiver or approval by Franchisor of any particular default by Franchisee will not be considered a waiver or approval by Franchisor of any preceding or subsequent breach by Franchisee of any term, covenant or condition of this Agreement.

**22.3 Amendments.** No amendment change or variance from this Agreement will be binding upon Franchisor or Franchisee except by mutual written agreement. If an amendment of this Agreement is executed at Franchisee's request, any legal fees or preparation cost in connection therewith must be paid by Franchisee.

**22.4 Non-uniform Agreements.** No warranty or representation is made by Franchisor that all other agreements with Foot Solutions franchisees heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements granted to other Foot Solutions franchisees in a non-uniform manner, subject, however, to those provisions of this Agreement which require Franchisor to act toward its franchisees and franchise owners on a reasonably nondiscriminatory basis.

## **23. NOTICES**

Any notice required to be given hereunder must be in writing and be mailed by registered or

certified mail, hand-delivered by a recognized courier service, personally delivered, or telecopied and acknowledged by appropriate means. Notices to Franchisee must be addressed to it at the address listed on the first page of this Agreement. Notices to Franchisor must be addressed to Franchisor at: 223 Roswell St., Suite 202, Alpharetta, Georgia 30009, Attention: John Prothro, CEO, with a copy to Joseph J. Gottlieb, Esq., Shires Peake & Gottlieb, LLC, 284 North Main St., Alpharetta, Georgia 30009. Either party may modify or change its address for delivery of notice by notifying the other party in writing in a timely manner of such modification or change. Any notice complying with the provisions hereof will be deemed received five days after the date of mailing or on the actual date of receipt, as the case may be, whichever is earlier.

## **24. GOVERNING LAW**

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the franchise, and all claims arising from the relationship between Franchisor and Franchisee (and/or any of our affiliates) and Franchisee will be governed by the laws of the State of Georgia, without regard to its conflicts of laws rule. Should however, the restrictive Covenants set forth in Section 12 herein be deemed unenforceable under Georgia law, the law of the state in which the Franchised Business is located, shall be applied solely to the interpretation and enforcement of those covenants. This Agreement will become a valid and enforceable contract when we accept it and sign it in Atlanta, Georgia. Franchisee and Franchisor expressly agree that this Agreement has been made in the State of Georgia, that substantially all performance of the obligations hereunder has been and will be rendered in the State of Georgia, and that there is a regular stream of business activity between Franchisee and franchisor from and into the State of Georgia. The Covenant Not To Compete in Section 12 of this Agreement shall be interpreted in accordance with the laws of the state in which the Franchisee is located.

## **25. SEVERABILITY AND CONSTRUCTION**

**25.1 Severability.** Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, such provision will be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement will in no way be affected and will remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this Article 24 will operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to effectuate fully the provisions hereof. Franchisee understands and acknowledges that Franchisor will have the right to reduce the scope of any covenant of this Agreement binding upon Franchisee, or any portion hereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which will be fully enforceable.

**25.2 Execution in Counterparts.** This Agreement may be executed in any number of



counterparts, each of which when so executed and delivered will be deemed an original, but such counterparts together will constitute one and the same instrument.

**25.3 Headings and Captions.** The headings and captions contained herein are for the purposes of convenience and reference only and are not to be construed as part of this Agreement. All terms and words used herein will be construed to include the number and gender as the context of this Agreement may require. The parties agree that each section of this Agreement will be construed independently of any other section or provision of this Agreement.

**25.4 Interpretation of Rights and Obligations.** The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties.

25.4.1 Franchisor's Rights. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute, and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify any express limitations set forth in this Agreement.

25.4.2 Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises Reasonable Business Judgment in making a decision or exercising a right. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decisions or actions are intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Licensed Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing, or encouraging modernization and improving the competitive position of the System.

## **26. ENTIRE AGREEMENT**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document it furnished to Franchisee.

Franchisee acknowledges that it is entering into this Agreement as a result of its own independent investigation of Franchisor's franchise offering and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to

applicable law.

## **27. FORCE MAJEURE.**

In the event of an act of God, terror, war, insurrection, civil commotion, strike, lockout, or embargo; or lack of materials or telephone transmissions specified or reasonably necessary in connection with the operation of your Franchised Business or the System; or fire, unavoidable casualties, and any other occurrence, event, or condition beyond the reasonable control of Franchisee or Franchisor, whichever is applicable (a “Force Majeure”), Franchisor or Franchisee, as applicable, will be relieved of their respective obligations to the extent that Franchisee or Franchisor are necessarily prevented, or materially hindered or delayed, in such performance during the period of such Force Majeure. The party whose performance is affected by a Force Majeure shall give prompt written notice to the other party of such Force Majeure.

## **28. ACKNOWLEDGMENTS**

**28.1 The Franchisee acknowledges that it has conducted an independent investigation of the business licensed hereunder to the extent of the Franchisee’s desire to do so, and the Franchisee recognizes and acknowledges that the business venture contemplated by this Franchise Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessman. The Franchisor expressly disclaims the making of, and the Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, that the Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits or success.**

**28.2 The Franchisee acknowledges and agrees that: (i) all obligations of Franchisor under this Agreement are owed by Franchisor alone; and (ii) no other entity, including without limitation Franchisor’s and our affiliates’ directors, officers, shareholders, partners, members, employees, agents, or attorneys shall be subject to liability under this Agreement.**

**28.3 The Franchisee acknowledges that it and each of its owners has received, fully read, and understood, and all questions have been answered regarding, a copy of our Franchise Disclosure Document with all exhibits at least fourteen (14) calendar days prior to signing any binding documents or paying any sums.**

**28.4 The Franchisee understands, acknowledges and agrees that: (i) Franchisor has a limited operating history and have been offering franchises for a limited period of time; and (ii) there may be instances where Franchisor has varied, or will vary, the terms on which Franchisor offers franchises, the charges Franchisor (and/or Franchisor’s affiliates) make or otherwise deal with our franchisees to circumstances of a particular transaction, the particular circumstances of that franchisee, or otherwise.**

**28.5 The Franchisee acknowledges that it has not received nor relied on (nor has Franchisor or any representative of Franchisor provided, except as may have been contained in the**

Franchise Disclosure Document received by Franchisee): (i) any sales, income or other projections of any kind or nature; or (ii) any statements, representations, charts, calculations or other materials which stated or suggested any levels or range of sales, income, profits or cash flow; or (iii) any representations as to any profits Franchisee may realize in the operations of the franchise business or any working capital or other funds necessary to reach any “break- even” or any other financial levels.

**28.6      Variances.** Franchisee acknowledges and agrees that: i) Franchisor may from time to time approve exceptions or changes to the standards and specifications of the System (including without limitation the amount and payment terms of any fee) that Franchisor deems necessary or desirable under particular circumstances (the “Variances”); Franchisee will have no right to require Franchisor to disclose any Variances to Franchisee or grant Franchisee the same or similar Variances; and (iii) other franchisees, whether existing now or in the future, may operate under different forms of agreement, and that as a result their rights and obligations may differ materially from yours.

**28.7      The Franchisee acknowledges that it (and each of its owners, if an entity) has had the opportunity and has been advised us to have this Agreement and all other documents reviewed by its own attorney, accountant or and/or other advisor, and that Franchisee has read, understood, had an opportunity to discuss, and agrees to each provision of this Agreement. Franchisee agrees that it has been under no compulsion to sign this Agreement.**

## **29.      NO IMPLIED COVENANT**

Franchisee and Franchisor have negotiated the terms of this Agreement and agree that neither party shall claim the existence of an implied covenant of good faith and fair dealing to contravene or limit any express written term or provision of this Agreement.

## **30.      SUBMISSION OF AGREEMENT**

Submission of this Agreement to Franchisee does not constitute an offer to enter into a contract. This Agreement will become effective only on its execution by Franchisee and Franchisor and will not be binding on Franchisor unless and until it is signed by Franchisor’s authorized officer and delivered to you.

**(SIGNATURES CONTINUED ON FOLLOWING PAGE)**

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Agreement, which may be executed in duplicate the day and year first above written.

Franchisor:

Franchisee:

**FOOT SOLUTIONS, INC.**

By: \_\_\_\_\_  
John Prothro, CEO

By: \_\_\_\_\_  
\_\_\_\_\_  
Print Name and Title

## RIDER TO THE FOOT SOLUTIONS, INC.

### FRANCHISE AGREEMENT FOR USE IN ILLINOIS

**THIS RIDER** is made and entered into on \_\_\_\_\_, 202\_\_ (the “Effective Date”) by and between **Foot Solutions, Inc.**, a corporation formed under the laws of the State of Georgia, with “us,” or, “our”), and \_\_\_\_\_, a \_\_\_\_\_ [corporation, limited liability company, general partnership, or limited partnership] formed under the laws of the State of \_\_\_\_\_, [or a sole proprietorship] with its principal business address at \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 202\_\_ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Foot Solutions franchise that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.
2. Illinois law governs the agreements between the parties to this franchise.
3. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
4. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
6. Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.
7. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i)

waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

Foot Solutions, Inc., a Georgia corporation

By: \_\_\_\_\_

John Prothro, CEO

**FRANCHISE OWNER**

\_\_\_\_\_

[Print Name of Franchise Entity]

By: \_\_\_\_\_

[Signature of person signing

on behalf of entity]

Title of Signatory: \_\_\_\_\_

**FRANCHISE AGREEMENT**

**SCHEDULE "A"**

**INITIAL FRANCHISE FEE, TERRITORY, APPROVED LOCATION,  
AND FRANCHISEE OWNERSHIP**

1. Initial Franchise Fee:

2. Description of Territory:

3. Address of Franchisee: \_\_\_\_\_

\_\_\_\_\_

Telephone Number and cell: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

4. Address of Approved Location:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. Name and Address of Each Owner of Franchisee and Percentage of Ownership:

\_\_\_\_\_ %

\_\_\_\_\_ %

\_\_\_\_\_ %

6. Form of Franchisee (check applicable entity):

\_\_\_\_\_ Corporation;

\_\_\_\_\_ Partnership;

\_\_\_\_\_ Limited Partnership;

\_\_\_\_\_ Limited Liability Company;

\_\_\_\_\_ Sole Proprietorship;

Other (Specify) \_\_\_\_\_

Organized Under the Laws of the State or Commonwealth of: \_\_\_\_\_



## **FRANCHISE AGREEMENT SCHEDULE “B”**

### **ADDENDUM TO FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT FOR TRANSACTIONS REGULATED BY CALIFORNIA**

To the extent of any conflict between the following Special Stipulations and the printed provisions of the Franchise Agreement and Multi-Unit Development Agreement, the Special Stipulations shall control:

1. If this Agreement contains a provision that is inconsistent with California Business and Professions Code Sections 20000 through 20043, California Business and Professions Code Sections 20000 through 20043 shall control.

2. This Agreement requires the Franchisee to sign a general release of claims as a condition of renewal or transfer of the franchise. Section 31512 of the California Corporations Code provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Franchise Investment Law or any rule or order under it is void. Therefore, any general release of claims that you are required to sign under the Franchise Agreement will be considered amended to delete any waiver of Foot Solutions’ compliance with the Franchise Investment Law. This will not prevent Foot Solutions from requiring you to sign a general release of claims arising under the Franchise Investment Law, as part of the negotiated settlement of a dispute.

3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by the franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a Multi-Unit Development Agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement in duplicate as of the \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

FOOT SOLUTIONS, INC.

FRANCHISEE

By: \_\_\_\_\_  
John Prothro, CEO

By: \_\_\_\_\_  
Name and Title

## **FRANCHISE AGREEMENT**

### **SCHEDULE “C”**

#### **ELECTRONIC FUNDS AUTHORIZATION**

- a) As of the effective date of the Franchise Agreement (the “Agreement”) and throughout the term of the Agreement, Franchisee agrees to establish and maintain a segregated bank account at a bank or other financial institution which Franchisor approves (the “Bank Account”). Franchisee may, in Franchisor’s discretion, be required to establish and maintain an electronic funds transfer account (“EFT Account”) and Franchisor or any affiliate may withdraw funds from the EFT Account in the amount of the Brand Fund Contribution, and any other amounts due to Franchisor or any affiliates of Franchisor. Withdrawals may be made on the first business day the Brand Fund Contribution, or any other amounts defined in the Agreement become due or on any succeeding day thereafter and if applicable, the amount of the withdrawal will be based on Gross Revenues, as indicated in the Sales Report. The Bank Account must be established and maintained solely for the purposes set forth in the Agreement and the Operating Manual.
- b) All Gross Revenues, as defined in the Agreement, shall be deposited into the Bank Account. Check stubs, bank statements and other records must be available for review in the event of an audit. Franchisee may use the Foot Solutions® logo on trust or bank account checks, but only as part of the trade name and a statement that the Franchised Business is an “independently owned and operated Foot Solutions business” must appear on the face of all such checks.
- c) If Franchisor so requires, Franchisee agrees to instruct the institution holding the Bank Account to allow Franchisor or its affiliates access to the Bank Account for collection of all fees and payments provided for in the Agreement, as well as access to any and all records Franchisor deems necessary to review. The Bank Account must have the capacity to make payments and receive credits through electronic debiting. Franchisee hereby grants to Franchisor or its affiliates the right upon Franchisor’s election to debit the Bank Account (electronically or otherwise) for Brand Fund Contributions or any other amounts due and any and all amounts Franchisee owes Franchisor or its affiliates under the Agreement and Franchisee agrees to execute whatever documents the institution holding the Bank Account and Franchisor’s financial institutions may require for this purpose. Under no circumstances will Franchisor’s access to the Bank Account be deemed Franchisor’s control or the joint control of the Bank Account. Franchisee shall execute and/or provide any documents or information necessary to fulfill these requirements.
- d) Franchisee agrees to continuously maintain a minimum balance in the Bank Account adequate to cover the Franchisee’s obligations under the Agreement or some higher continuous minimum balance as Franchisor deems reasonably necessary. Franchisee agrees to reimburse Franchisor for all costs Franchisor incurs in collecting or attempting to collect funds due to Franchisor and/or its affiliates from the Bank Account (for example and without limitation, charges for insufficient funds, uncollected funds or other discrepancies in deposits or maintenance of the Bank Account balance as

required by the terms of the Agreement).

- e) Franchisor will notify Franchisee of the date and amount of each debit Franchisor makes from Franchisee's Bank Account at the time and in the manner specified in the Confidential Operating Manual.
- f) The Bank Account must be established so that Franchisor can audit it at any time upon notice to Franchisee. If an electronic funds transfer system enabling Franchisor to electronically debit Franchisee's Bank Account is not functioning at any time for any reason, Franchisee agrees to ensure that Franchisor and/or its affiliates otherwise receive payment for any and all amounts due Franchisor and/or its affiliates and by the date due, in the form of a check, money order or any other form acceptable to Franchisor.
- g) Upon the termination or expiration of the Agreement, Franchisee agrees to keep the Bank Account open and to continue Franchisor's ability to debit the Bank Account until Franchisee has satisfied all financial obligations to Franchisor and its affiliates.

Franchisee:

\_\_\_\_\_

By: \_\_\_\_\_

Foot Solutions, Inc.

By: \_\_\_\_\_  
John Prothro, CEO

## FRANCHISE AGREEMENT

### SCHEDULE “D”

#### PERSONAL GUARANTY OF FRANCHISEE’S PRINCIPAL OWNERS

**THIS GUARANTY** is given this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

By (list each guarantor):

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In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “Agreement”) on this date by Foot Solutions, Inc. (“us,” “we,” or “our”), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including any extensions, renewals and modifications thereof) and afterward as provided in the Agreement, that \_\_\_\_\_ (“Franchisee”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, transfer, and arbitration requirements.

Each of the undersigned consents and agrees that: (i) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (ii) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (iii) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; (iv) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time granted to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as we have any cause of action against Franchisee or its owners; and (v) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we shall be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above- listed costs and expenses we incur.

Subject to the arbitration obligations and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be commenced in the state or federal court of general jurisdiction in whose district our headquarters is then located and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled.

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

**Percentage of Ownership**  
**SIGNATURES OF EACH GUARANTOR**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**IN FRANCHISEE**

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## FRANCHISE AGREEMENT

### SCHEDULE "E"

#### CONFIDENTIALITY, NON-USE AND NON-COMPETITION AGREEMENT

This Confidentiality, Non-Use and Non-Competition Agreement ("Agreement"), dated this \_\_\_\_ day of \_\_\_\_\_, by and between Foot Solutions, Inc. ("Franchisor") having an address at 223 Roswell St., Suite 202, Alpharetta, Georgia 30009 and \_\_\_\_\_ having an address at \_\_\_\_\_ ("Franchisee"); and \_\_\_\_\_ Franchisee's owners, having an address at \_\_\_\_\_ ("Owners").

#### WITNESSETH:

WHEREAS, Franchisor is principally engaged in the business of developing and selling franchises under the name Foot Solutions®. Franchises will operate businesses that offer comfort shoes and accessories, foot orthotics, computerized foot scanning, and custom shoe inserts; and

WHEREAS, Franchisee is an individual or enterprise which has entered into a Franchise Agreement with Franchisor ("Franchise Agreement") for the operation of a Foot Solutions® business ("Franchised Business");

WHEREAS, if Franchisee is an enterprise, Franchisee's Owners agree to be bound by the terms and conditions of this Agreement; and

WHEREAS, during the course of the relationship between Franchisor and Franchisee certain information may be provided to and received by Franchisee and its Owners relating to Franchisor, including without limitation certain information, knowledge, know-how, methods and procedures some of which constitutes trade secrets under applicable law regarding the Franchisor and its affiliates, and the development, management and operation of Foot Solutions® businesses, which Franchisor and its affiliates consider proprietary, (collectively the "Confidential Information"), including without limitation:

- (a) Site selection criteria;
- (b) The Confidential Operations Manual and other training and operations materials and manuals;
- (c) Methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating the Foot Solutions® business;
- (d) Advertising, marketing and promotional programs for the System, including Advertising Materials, Social Media Materials and use of Social Media Platforms;
- (e) Knowledge of specifications for and Suppliers of Operating Assets, products, supplies, any computer software and similar technology which is proprietary to Franchisor or its Affiliates including without limitation, digital passwords and identifications and any source code as well as data, reports and other printed materials;
- (f) Knowledge of the operating results and financial performance of Foot Solutions® business other than the Franchised Business; and
- (g) Graphic designs and related intellectual property.

NOW, THEREFORE, for One Dollar (\$1.00) and other good and valuable consideration, receipt of which is hereby acknowledged the parties hereto agree as follows:

1. Acknowledgments.

(a) Franchisee and its Owners acknowledge that Franchisee and its Owners have been and/or will be given access to Confidential Information during the course of the relationship between Franchisee and Franchisor.

(b) Franchisee and its Owners acknowledge that (i) Franchisor and its affiliates own all right, title and interest in and to the System; (ii) the System consists of trade secrets, Confidential Information and know-how that gives the Franchisor and its affiliates a competitive advantage; (iii) the Franchisor and its affiliates have taken all measures necessary to protect the trade secrets, Confidential Information and know-how comprising the System; (iv) all Confidential Information now or hereafter provided or disclosed to Franchisee and its Owners regarding the System is disclosed in confidence; (v) Franchisee and its Owners have no right to disclose any Confidential Information to anyone who is not an employee, agent or independent contractor of Franchisee; (vi) Franchisee and its Owners will not acquire any ownership interest in the System; and (vii) the use or duplication of the System or any part of the System by Franchisee and its Owners in any other business would constitute an unfair method of competition, for which Franchisor would be entitled to all legal and equitable remedies, including injunctive relief without posting a bond.

2. Non-Disclosure and Return of Confidential Information.

(a) Franchisee and its Owners pledge and agree that for a period commencing on the date of this Agreement and continuing thereafter, in the absence of prior written consent by Franchisor they: (i) will keep all Confidential Information in strict confidence; (ii) will not communicate or disclose Confidential Information to any individual or entity; (iii) will not use the Confidential Information for any purpose other than as directed by and needed for Franchisor's use; (iv) will not reproduce or use the Confidential Information; and (v) will have a system in place to ensure that all recipients who require access to any of the Confidential Information, execute the Confidentiality, Non-use and Non- Competition Agreement Form in the form attached to the Franchise Agreement as Schedule "F" thereto.

(b) Confidential Information provided by Franchisor and/or its Affiliates to Franchisee and its Owners in the course of the parties' relationship shall be returned promptly to Franchisor upon termination of the Franchise Agreement. Franchisee and its Owners shall not retain any book, record, report, design, plan, material, copy, note, abstract, compilation, summary, extract or other reproduction, whether in paper or electronic form, of the Confidential Information, except as the parties hereto may agree in writing.

3. Covenants.

(a) Franchisee and its Owners acknowledge and agree that Franchisor has granted it the franchise in consideration of and reliance upon the agreement by Franchisee and its Owners to, among other things, to: (i) deal exclusively with Franchisor; (ii) maintain the confidentiality of all of the Confidential Information; (iii) ensure that all recipients with access to the Confidential Information execute the Confidentiality, Non-Use and Non-Competition Agreement in the Form attached hereto as

Schedule “F”; (iv) refrain from using any Confidential Information in any manner not permitted by Franchisor in accordance with Section 2 above; and (v) protect and preserve the goodwill of the Franchisor.

(b) Franchisee and its Owners further acknowledge and agree that (i) pursuant to the Franchise Agreement, they will have access from the Franchisor and its affiliates to valuable trade secrets, specialized training and Confidential Information regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; (ii) the System and the opportunities, associations, and experience established by Franchisor and acquired by Franchisee and its Owners under the Franchise Agreement are of substantial and material value; (iii) in developing the System, Franchisor and its affiliates have made and continue to make substantial investments of time, technical and commercial research and money; (iv) the Franchisor would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information about Foot Solutions franchises if franchisees were permitted to hold interests in Competitive Businesses; and (v) restrictions on the right of Franchisee and its Owners to hold interests in or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder the activities of Franchisee and its Owners.

(c) Accordingly, Franchisee and its Owners covenant and agree that during the term of this Agreement and for an uninterrupted period of two (2) years after the later of: (i) the termination (regardless of the cause for termination) or expiration of the Franchise Agreement; (ii) a Transfer, as defined in the Franchise Agreement; or (iii) the date of a final non-appealable judgment, order or award of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 3, Franchisee and each of its Owners shall not directly or indirectly for itself or through on behalf of or in conjunction with any person, firm, partnership corporation or other entity in any manner whatsoever:

(i) Divert or attempt to divert any actual or potential business or customer of the Franchised Business to any competitor;

(ii) Take any action injurious or prejudicial to the goodwill associated with the Principal Trademarks and the System;

(iii) Employ, recruit, or seek to employ any person who is then employed or who was employed within the immediately preceding twenty-four (24) months, by Franchisor, its Affiliates or any Foot Solutions franchisee or develop, or otherwise directly or indirectly induce such person to leave his or her employment without obtaining the employer’s prior written permission;

(iv) Solicit, encourage or assist anyone else to solicit or encourage any independent contractor providing services to Franchisor to terminate or diminish their relationship with Franchisor; or

(v) Own, maintain, develop, operate, engage in, franchise or license, make loans or gifts to or have any direct or indirect interest in or render services as a director, officer, manager, employee, consultant, representative, or agent or give advice to any Competitive Business (as defined below).



(d) During the term of the Franchise Agreement, there is no geographical limitation on these restrictions, meaning that Franchisee and each of its Owners shall not engage in the conduct referred to in subsection 3(c) at any location. During the two-year period following the later of:

(i) the termination (regardless of the cause for termination) or expiration of the Franchise Agreement; (ii) a Transfer, as defined in the Franchise Agreement; or (iii) the date of a final non-appealable judgment, order or award of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 3, these restrictions shall apply:

(i) at the location of the Franchised Business;

(ii) within the Territory assigned to the Franchised Business and within ten (10) miles of the outer boundaries of the Territory assigned to the Franchised Business;

(iii) within ten (10) miles of the location of any Foot Solutions business;

(iv) within the territory assigned to any Foot Solutions business and within ten (10) miles of the outer boundaries of the territory assigned to any Foot Solutions business; owned, in operation, under development or to be developed (i) as of the date of the Franchise Agreement; (ii) as of the date of termination (regardless of the cause for termination) or expiration of the Franchise Agreement or a Transfer, as defined in the Franchise Agreement; and (iii) as of the franchise; or as of the date of any final non-appealable judgment, order or award of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 3.

(e) Franchisee and its Owners further covenant and agree that for a period of two (2) years following the expiration or termination (regardless of the cause for termination) of the Franchise Agreement, or a Transfer, as defined in the Franchise Agreement, Franchisee and its Owners will not either directly or indirectly for itself or through, on behalf of or in conjunction with any person, firm, partnership, corporation or other entity, sell, assign, lease or transfer the location of the Franchised Business to any person, firm, partnership corporation or other entity that Franchisee or its Owners know or has reason to know intends to operate a Competitive Business at the location of the Franchised Business.

(f) Franchisee and its Owners covenant not to engage in any activity which might injure the goodwill of the Principal Trademarks or the System at any time. This provision shall survive termination of the Franchise Agreement.

(g) Franchisee and its Owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, Franchisor's enforcing the covenants made in this Section 3 will not deprive Franchisee or its Owners of their personal goodwill or ability to earn a living.

(h) Franchisee and its Owners agree and acknowledge that each of the covenants contained herein are reasonable limitations as to time, geographical area and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the know-how, reputation, goodwill and other legitimate business interests of Franchisor and its affiliates. Franchisee and its Owners also agree and acknowledge that Franchisor's legitimate business interests include but are not limited to: (i) maintaining the confidential nature of the Confidential Information; (ii) preserving the Franchisor's ability to develop franchises at or near the Franchisee's former Franchised Business location, within

the Territory assigned to Franchisee's Franchised Business and within the territorial boundaries of the restrictive covenant described above in subsection 3(d); (iii) preventing potential customer confusion; (iv) protecting other franchisees from competition from Franchisee and its Owners; and (v) protecting the System as a whole including the franchisee network. If any provision of this Section 3 (including any sentences, clauses, or any part thereof) shall be held contrary to law or incomplete or unenforceable in any respect, the remaining provisions shall not be affected but shall remain in full force and effect; any invalidated provisions shall be severed, and this Agreement modified to the extent necessary to render it valid and enforceable.

(i) Franchisor shall have the right to reduce the scope of any covenant contained in this Section 3 effective immediately upon the receipt by Franchisee and its Owners of written notice and Franchisee and its Owners agree to comply forthwith with any covenants as so modified which will be enforceable notwithstanding the provisions of Section 6.

4. Enforcement. Franchisee and its Owners acknowledge that violation of the provisions of this Agreement would result in immediate and irreparable injury to Franchisor and its affiliates for which no adequate remedy at law will be available. Accordingly, Franchisee and its Owners hereby consent to the entry of an injunction procured by Franchisor and/or its Affiliates prohibiting any conduct by Franchisee and its Owners in violation of the terms, covenants and/or restrictions on the use of Confidential Information set forth in this Agreement without the need of a bond. Franchisee and its Owners expressly agree that it may conclusively be presumed in any legal action that any violation of the terms, covenants and/or restrictions of this Agreement was accomplished by and through the unlawful utilization of the Confidential Information. Further, Franchisee and its Owners expressly agree that any claims Franchisee may have against Franchisor and its affiliates, whether or not arising from this Agreement, will not constitute a defense to the enforcement of the terms, covenants and/or restrictions set forth in this Agreement by Franchisor and/or its Affiliates. Franchisee and its Owners agree to pay all costs and expenses (including attorneys' fees, experts' fees, court costs and all other expenses obligation) incurred by Franchisor and/or its Affiliates in connection with the enforcement of the terms, covenants and/or restrictions of this Agreement.

5. Definitions.

(a) The term "affiliates" (with respect to Franchisee) means any and all corporations, limited liability companies, partnerships, trusts or other entities controlling, controlled by or under common control with Franchisee, including but not limited to subsidiaries, parents and sibling entities.

(b) The term "control" shall mean the control or ownership of ten percent (10%) or more of the beneficial interest in the person or entity referred to.

(c) The term "Competitive Business" means (1) any business involving the sale of comfort shoes and accessories, foot orthotics, computerized foot scanning and custom inserts for shoes, or such other services that are authorized to be offered by Foot Solutions franchisees during the term of the Franchise Agreement, or (ii) any business granting franchises or licenses to others to operate such a business (other than a franchised business operated under a franchise agreement with Franchisor).

(d) The term "Owners" shall mean any individual or entity (including all spouses, partners, members or shareholders of such individual or entity) that has any direct or indirect ownership interest of over ten percent (10%) in Franchisee, (or at such later time as they assume such status) whether

or not such interest is of record, beneficially or otherwise The term “Owners” shall also include individuals, partners, members and shareholders and (spouses of such individuals, partners, members and shareholders) with an ownership interest of over ten percent (10%) in any partnership, corporation or limited liability company that holds a controlling interest in the Franchisee entity.

(e) Any capitalized term that is not defined in this Agreement shall have the meaning given to it in the Franchise Agreement.

6. Miscellaneous.

(a) Franchisor makes no representations or warranties as to the accuracy or completeness of the Confidential Information provided to Franchisee and its Owners and shall not be liable, directly or indirectly, to Franchisee, its Owners or any of Franchisee’s affiliates as a result of any use of the Confidential Information by or on behalf of Franchisee, its Owners and/or its affiliates. Franchisee and its Owners specifically waive any and all claims for any loss or damage suffered by them due to their use of the Confidential Information and agree to indemnify and hold Franchisor and its affiliates harmless for any claims made against Franchisor based upon the provision by Franchisee or its Owners of the Confidential Information to third parties.

(b) If all or any portion of the covenants not to compete set forth in this Agreement are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court, arbitrator or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits and should not by necessity invalidate the entire covenants. Franchisee and its Owners acknowledge and agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenants were separately stated in and made a part of this Agreement.

(c) This Agreement shall be binding upon and shall inure to the benefit of Franchisee, its Owners, Franchisor and their respective affiliates, successors and assigns.

(d) This Agreement shall be governed by the laws of the State of Georgia without recourse to Georgia (or any other) choice of law or conflict of law principles.

(e) This Agreement contains the complete understanding of Franchisee and its Owners and Franchisor with respect to the Confidential Information and this Confidentiality, Non-Use and Non-Competition Agreement shall not be amended without the prior written consent of the parties.

(f) This Agreement may be executed in counterparts and each copy so executed and delivered shall be deemed an original.

7. Dispute Resolution and Choice of Law and Venue

(a) Except as provided in subsection 7(b) below, the parties agree to submit any claim and/or controversy arising out of or relating to this Agreement (and any related document), the relationship created by this Agreement, and any and all disputes between Franchisee and Franchisor or Franchisor’s affiliates, whether sounding in contract, statute, tort, or otherwise, to arbitration to be held in Atlanta, Georgia, before and in accordance with the Commercial Rules of Arbitration of the Judicial Arbitration and Mediation Services (“JAMS”).

(i) Any arbitration under this subsection 7(a) shall be conducted by a single arbitrator mutually agreed to by the parties. If within thirty (30) days after a demand for arbitration is made, the parties are unable to agree on a single arbitrator, an arbitrator shall be selected in the following manner: Franchisor and Franchisee shall obtain an identical list of arbitrators from JAMS, containing an odd number of arbitrators, and shall take alternating turns striking the name of an arbitrator off the list until one name remains. Franchisee shall strike the first name off the list.

(ii) In no event shall the arbitrator be entitled to award punitive, incidental, special or consequential damages against the Franchisor.

(iii) Any award rendered in connection with an arbitration pursuant to this subsection 7(a) shall be final and binding. The parties may initiate litigation in any court of competent jurisdiction to confirm, enter and enforce such arbitration award.

(iv) Franchisor and Franchisee agree that arbitration will be conducted only on an individual, not a class-wide, basis, and that an arbitration proceeding between Franchisor (including its subsidiaries, affiliates, shareholders, officers, directors, managers, representatives and employees) and Franchisee (including its Owners, principals and guarantors, if applicable) may not be consolidated with any other arbitration proceeding between them and any other person or legal entity. No findings, conclusions, orders or awards emanating from any arbitration proceeding conducted hereunder may be introduced, referred to or used in any subsequent or other proceeding as a precedent, to collaterally estop any party from advancing any claim or defense or from raising any like or similar issues, or for any other purpose whatsoever. The parties agree that the principles of collateral estoppel shall not apply in any arbitration proceeding conducted under this Section.

(v) Franchisor and Franchisee hereby agree and acknowledge that this subsection 7(a) shall bind Franchisee's guarantors, whether or not such guarantors were named parties to the mediation, arbitration and/or litigation.

(b) Notwithstanding anything to the contrary above, Franchisor may institute litigation (without first proceeding with arbitration) exclusively in a court of competent jurisdiction: (1) to protect the Trademarks, any intellectual property and Confidential Information; (2) to determine the validity of termination of the Franchise Agreement and/or any other related agreement; (3) to enforce the termination of the Franchise Agreement and/or any other related agreement; (4) to enforce this Agreement and any other agreement executed by Franchisee; (5) to confirm, enter and enforce an arbitrator's award; (6) for monies owed; and (7) to enjoin or restrain Franchisee from otherwise causing immediate and irreparable harm to Franchisor and/or its affiliates.

(c) The parties agree that for purposes of Subsection 7(b), a court of competent jurisdiction shall mean any court of competent jurisdiction, wherever situated, that Franchisor selects, including but not limited to a Georgia state court in Cobb County or the United States District Court for the Northern District of Georgia in Atlanta, Georgia. Franchisee agrees that any dispute as to the venue for any litigation Franchisor institutes will be submitted to and resolved exclusively by the court of competent jurisdiction in which Franchisor commenced the litigation. Franchisee hereby waives and covenants never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non

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conveniencs). Franchisee further agrees that all depositions in connection with any litigation between the parties shall occur in the jurisdiction and venue described above at Franchisor’s option.

(d) This Agreement is to be exclusively construed in accordance with and/or governed by the laws of the State of Georgia without recourse to Georgia (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Georgia, and if the Franchised Business is located outside of Georgia and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, “implied covenant,” unfair competition, fiduciary or any other doctrine of law of the State of Georgia or any other state, which would not otherwise apply.

(e) Franchisee explicitly affirms and recognizes the unique value and secondary meaning attached to the System, the Principal Trademarks, any intellectual property and the Confidential Information. Accordingly, Franchisee agrees that any non-compliance by Franchisee with the terms of this Agreement and/or the terms of any Confidentiality, Non-Use and Noncompetition Agreement, Franchisee's operation of the franchise post-termination or any unauthorized or improper use of the System, the Principal Trademarks, any intellectual property, or Confidential Information by Franchisee, will cause irreparable damage to the Franchisor, its affiliates and other Foot Solutions franchisees. Franchisee therefore agrees that if it engages in any non-compliant, post-termination operation of the franchise or unauthorized and/or improper use of the System, Trademarks or Confidential Information during or after the period of this Agreement, Franchisor will be entitled to a declaration, temporary injunctive relief and permanent injunctive relief, without the need of a bond, against Franchisee from any court of competent jurisdiction, wherever situated, as Franchisor may select, in addition to all other remedies which the Franchisor may have at law.

(f) The provisions of this Section are intended to benefit and bind certain third-party non-signatories (including without limitation Franchisee’s Owners and guarantors) and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

ATTEST:

\_\_\_\_\_  
(Franchisee)

By: \_\_\_\_\_

Foot Solutions, Inc.

By: \_\_\_\_\_  
John Prothro, CEO

**FRANCHISE AGREEMENT  
SCHEDULE "F"**

**CONFIDENTIALITY, NON-USE AND NON-COMPETITION AGREEMENT FORM**

This Confidentiality, Non-Use and Non-Competition Agreement ("Agreement"), dated this \_\_\_\_ day of \_\_\_\_\_, by and between \_\_\_\_\_ ("Franchisee") having an address at \_\_\_\_\_ and \_\_\_\_\_ having an address at \_\_\_\_\_ ("Recipient"),

**WITNESSETH:**

WHEREAS, Franchisee is principally engaged in the business of operating a franchise offering comfort shoes and accessories, foot orthotics, computerized foot scanning and custom shoe inserts under the name FOOT SOLUTIONS® (the "Franchised Business") pursuant to a franchise agreement with Foot Solutions, Inc. ("Franchise Agreement");

WHEREAS, Recipient is an individual or enterprise who is about to be employed by Franchisee, has entered into some form of contractual relationship with Franchisee or is considering the same; and

WHEREAS, during the course of the relationship between Franchisee and Recipient certain information knowledge, know-how, methods and procedures some of which constitutes trade secrets under applicable law has been and/or will be provided to and received by Recipient regarding the Franchisor and its affiliates and the development, management and operation of Foot Solutions franchised businesses, which Franchisor and its affiliates consider proprietary (collectively "Confidential Information"), including without limitation:

- (a) Site selection criteria;
- (b) The Confidential Operating Manual and other training and operations materials and manuals;
- (c) Methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating the Foot Solutions franchised businesses;
- (d) Advertising, marketing and promotional programs for the System, Advertising Materials, Social Media Materials and use of Social Media Platforms;
- (e) Knowledge of specifications for and Suppliers of Operating Assets, products, supplies, any computer software and similar technology which is proprietary to Franchisor or its Affiliates including without limitation, digital passwords and identifications and any source code as well as data, reports and other printed materials;

- (f) Knowledge of the operating results and financial performance of Foot Solutions businesses other than the Franchised Business; and
- (g) Graphic designs and related intellectual property.

NOW, THEREFORE, for One Dollar (\$1.00) and other good and valuable consideration, receipt of which is hereby acknowledged the parties hereto agree as follows:

1. Acknowledgments.

(a) Recipient acknowledges that Recipient has been and/or will be given access to the Confidential Information during the course of the relationship between Franchisee and Recipient.

(b) Franchisee acknowledges that (i) Franchisor and its affiliates own all right, title and interest in and to the System; (ii) the System consists of trade secrets, Confidential Information and know-how that gives the Franchisor and its affiliates a competitive advantage; (iii) the Franchisor and its affiliates have taken all measures necessary to protect the trade secrets, Confidential Information and know-how comprising the System; (iv) all Confidential Information now or hereafter provided or disclosed to Recipient regarding the System is disclosed in confidence; (v) Franchisee has no right to disclose any Confidential Information to anyone who is not an employee, agent or independent contractor of Franchisee; (vi) Franchisee will not acquire any ownership interest in the System; and (vii) Franchisee's use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which Franchisor would be entitled to all legal and equitable remedies, including injunctive relief without posting a bond.

2. Non-Disclosure and Return of Confidential Information.

(a) Recipient pledges and agrees that for a period commencing on the date of this Agreement and continuing thereafter, in the absence of prior written consent by Franchisee: (i) will keep all Confidential Information in strict confidence; (ii) will not communicate or disclose Confidential Information to any individual or entity; (iii) will not use the Confidential Information for any purpose other than as directed by and needed for Franchisee's use; and (iv) will not reproduce the Confidential Information.

(b) Confidential Information provided by Franchisor, its Affiliates and/or Franchisee to Recipient in the course of the parties' relationship shall be delivered promptly to Franchisee upon termination of Recipient's relationship with Franchisee. Recipient shall not retain any book, record, report, design, plan, material, copy, note, abstract, compilation, summary, extract or other reproduction, whether in paper or electronic form, of the Confidential Information, except as the parties hereto may agree in writing.

3. Covenants.

(a) Recipient acknowledges that Franchisee has entered into the relationship described above in consideration of and reliance upon, among other things, Recipient's agreement to: deal with Franchisee; maintain the confidentiality of all of the Confidential Information; refrain from using any

Confidential Information in any manner not permitted by Franchisor, its Affiliates and/or Franchisee in accordance with Section 2 above; and protect and preserve the goodwill of the Franchisor.

(b) Recipient further acknowledges and agrees that (i) pursuant to this Agreement, it will have access from the Franchisor, its Affiliates and/or Franchisee to valuable trade secrets, specialized training and Confidential Information regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; (ii) the System and the opportunities, associations, and experience established by Franchisor, its Affiliates and/or Franchisee and acquired by Recipient under this Agreement are of substantial and material value; (iii) in developing the System, Franchisor and its affiliates have made and continue to make substantial investments of time, technical and commercial research and money; (iv) the Franchisor would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information about Foot Solutions franchises if recipients were permitted to hold interests in Competitive Businesses; and (v) restrictions on Recipient's right to hold interest in or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder Recipient's activities.

(c) Accordingly, Franchisee covenants and agrees that during the term of this Agreement and for an uninterrupted period of two (2) years after the later of: (i) the termination (regardless of the cause for termination) or expiration of Recipient's relationship with Franchisee; or (ii) the date of a final non-appealable judgment, order or award of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 3, Recipient shall not directly or indirectly for itself or through or on behalf of or in conjunction with any person, firm, partnership corporation or other entity in any manner whatsoever:

(i) Divert or attempt to divert any actual or potential business or customer of the Franchised Business to any competitor;

(ii) Take any action injurious or prejudicial to the goodwill associated with the Principal Trademarks and the System;

(iii) Employ, recruit or seek to employ any person who is then employed or who was employed within the immediately preceding twenty-four (24) months, by Franchisor, its Affiliates, Franchisee or any other Foot Solutions franchisee or develop, or otherwise directly or indirectly induce such person to leave his or her employment without obtaining the employer's prior written permission;

(iv) Solicit, encourage or assist anyone else to solicit or encourage any independent contractor providing services to Franchisor to terminate or diminish their relationship with Franchisor or Franchisee; or

(v) Own, maintain, develop, operate, engage in, franchise or license, make loans or gifts to or have any direct or indirect interest in or render services as a director, officer, manager, employee, consultant, representative, or agent or give advice to any Competitive Business (except



that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subsection).

(d) During the term of the Recipient's relationship with Franchisee, there is no geographical limitation on these restrictions, meaning that Recipient shall not engage in the conduct referred to in subsection 3(c) at any location. During the two-year period following the later of: (i) the termination (regardless of the cause for termination) or expiration of Recipient's relationship with Franchisee; or (ii) the date of a final non-appealable judgment, order or award of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 3, these restrictions shall apply:

(i) from the location of the Franchisee's Franchised Business;

(ii) within the Territory assigned to the Franchisee's Franchised Business and within ten (10) miles of the outer boundaries of the Territory assigned to the Franchisee's Franchised Business;

(iii) within ten (10) miles of the location of any other Foot Solutions business;  
and

(iv) within the territory assigned to any other Foot Solutions business and within ten (10) miles of the outer boundaries of any territory assigned to any Foot Solutions business; owned, in operation, under development or to be developed (1) as of the date of this Agreement; (2) as of the date of termination (regardless of the cause for termination) or expiration or Recipient's employment or contractual relationship with Franchisee; and (3) as of the date of any final non-appealable judgment, order or award of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 3.

(e) Recipient further covenants and agrees that for a period of two years following the expiration or termination of Recipient's relationship with Franchisee, Recipient will not either directly or indirectly for itself or through, on behalf of or in conjunction with any person, firm, partnership, corporation or other entity, sell, assign, lease or transfer the Franchisee's Franchised Business location to any person, firm, partnership corporation or other entity that Recipient knows or has reason to know intends to operate a Competitive Business at the Franchisee's Franchised Business location.

(f) Recipient covenants not to engage in any activity which might injure the goodwill of the Principal Trademarks or the System at any time. This provision shall survive termination of Recipient's relationship with Franchisee.

(g) Recipient expressly acknowledge that his or her skills and abilities are of a general nature and Recipient has other opportunities for exploiting these skills. Consequently, enforcement of the covenants made in this Section 3 will not deprive Recipient of his or her personal goodwill or ability to earn a living.

(h) Recipient agrees and acknowledges that each of the covenants contained herein are reasonable limitations as to time, geographical area and scope of activity to be restrained and do not

impose a greater restraint than is necessary to protect the know-how, reputation, goodwill and other legitimate business interests of Franchisor and its affiliates. Recipient also agrees and acknowledges that the reputation, goodwill and foregoing are legitimate business interests of Franchisor and its affiliates and they require the protection of the covenants contained herein. The legitimate business interests of Franchisor and its affiliates also include but not limited to: (i) maintaining the confidential nature of the Confidential Information; (ii) preserving the Franchisor's ability to develop franchises at or near the Franchisee's Franchised Business location, within the Territory assigned to the Franchisee's Franchised Business and within the territorial boundaries of the restrictive covenant described in this Section 3; (iii) preventing potential customer confusion; (iv) protecting Franchisee and other franchisees from competition from Recipient; and (v) protecting the System as a whole including the franchisee network. If any provision of this Confidentiality, Non-Use and Non-Competition Agreement Form (including any sentences, clauses, or any part thereof) shall be held contrary to law or incomplete or unenforceable in any respect, the remaining provisions shall not be affected but shall remain in full force and effect; any invalidated provisions shall be severed and this Agreement modified to the extent necessary to render it valid and enforceable.

(i) Franchisor, its Affiliates and Franchisee shall have the right to reduce the scope of any covenant contained in this Section 3 effective immediately upon Recipient's receipt of written notice and Recipient agrees to comply forthwith with any covenants as so modified which will be enforceable notwithstanding the provisions of Section 6.

5. Enforcement. Recipient acknowledge that violation of the provisions of this Agreement would result in immediate and irreparable injury to Franchisee, Franchisor and its affiliates for which no adequate remedy at law will be available. Accordingly, Recipient hereby consents to the entry of an injunction procured by Franchisee, Franchisor and/or its Affiliates prohibiting any conduct by Recipient in violation of the terms, covenants and/or restrictions on the use of Confidential Information set forth in this Agreement without the need of a bond. Recipient expressly agrees that it may conclusively be presumed in any legal action that any violation of the terms, covenants and/or restrictions of this Agreement was accomplished by and through the unlawful utilization of the Confidential Information. Further, Recipient expressly agrees that any claims Recipient may have against Franchisee, Franchisor and its affiliates, whether or not arising from this Agreement, will not constitute a defense to the enforcement of the terms, covenants and/or restrictions set forth in this Agreement by Franchisee, Franchisor and/or its Affiliates. Recipient further agrees to pay all costs and expenses (including attorneys' fees, experts' fees, court costs and all other expenses of litigation) incurred by Franchisee, Franchisor and/or its Affiliates in connection with the enforcement of the terms, covenants and/or restrictions of this Agreement.

6. Definitions.

(a) The term "affiliates" (with respect to Recipient) means any and all corporations, limited liability companies, partnerships, trusts or other entities controlling, controlled by or under common control with Recipient, including but not limited to subsidiaries, parents and sibling entities.

(b) The term "control" shall mean the control or ownership of ten percent (10%) or more of the beneficial interest in the person or entity referred to.

(c) The term “Competitive Business” means (1) any business involving the sale of comfort shoes and accessories, foot orthotics, computerized foot screening and custom inserts for shoes or the sale of any products or services that are authorized to be offered by Foot Solutions franchisees during the term of the Franchise Agreement, or (ii) any business granting franchises or licenses to others to operate such a business (other than a franchised business operated under a franchise agreement with Franchisor).

(d) The term “Owners” shall mean any individual or entity (including all spouses, partners, members or shareholders of such individual or entity) that has any direct or indirect ownership interest of over ten percent (10%) in Recipient, (or at such later time as they assume such status) whether or not such interest is of record, beneficially or otherwise. The term “Owners” shall also include individuals, partners, members and shareholders and (spouses of such individuals, partners, members and shareholders) with an ownership interest of over five percent (5%) in any partnership, corporation or limited liability company that holds a controlling interest in the Recipient entity.

(e) Any capitalized term that is not defined in this Agreement shall have the meaning given to it in the Franchise Agreement.

7. Miscellaneous.

(a) Franchisee makes no representations or warranties as to the accuracy or completeness of the Confidential Information provided to Recipient and shall not be liable, directly or indirectly, to Recipient or any of Recipient’s affiliates as a result of any use of the Confidential Information by or on behalf of Recipient and/or its affiliates. Recipient specifically waives any and all claims for any loss or damage suffered by it due to its use of the Confidential Information and agrees to indemnify and hold Franchisee harmless for any claims made against Franchisee based upon Recipient’s provision of the Confidential Information to third parties.

(b) If all or any portion of the covenants not to compete set forth in this Agreement are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court, arbitrator or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits and should not by necessity invalidate the entire covenants. Recipient acknowledges and agrees to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenants were separately stated in and made a part of this Agreement.

(c) This Agreement shall be binding upon and shall inure to the benefit of Franchisee and Recipient and their respective affiliates, successors and assigns.

(d) This Agreement shall be governed by the laws of the State of Georgia without recourse to Georgia (or any other) choice of law or conflicts of law principles.

(e) This Agreement contains the complete understanding of Recipient and Franchisee

with respect to the Confidential Information and this Agreement shall not be amended without the prior written consent of the parties.

(f) Recipient acknowledges that Foot Solutions, Inc., its Affiliates, successors and assigns are third-party beneficiaries under this Agreement and may enforce this Agreement. Recipient further acknowledges that: (i) a copy of this Agreement is being delivered to Franchisor; (ii) Franchisor is relying on the parties' compliance with this Agreement; and (iii) this Agreement may not be amended or terminated, nor any rights or obligations of Recipient waived hereunder without the prior written consent of Franchisor.

(g) This Agreement may be executed in counterparts and each copy so executed and delivered shall be deemed an original.

#### 8. Choice of Law and Venue

(a) This Agreement is to be exclusively construed in accordance with and/or governed by the laws of the State of Georgia without recourse to Georgia (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Georgia, and if the Franchised Business is located outside of Georgia and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law of the State of Georgia or any other state, which would not otherwise apply.

(b) Recipient and Franchisee agree to institute any litigation that the undersigned may commence arising out of or related to this Agreement or the Franchise Agreement; any breach of the Franchise Agreement; the relations between the parties; and any and all disputes between the parties, whether sounding in contract, tort, or otherwise, exclusively in a court of competent jurisdiction in a Georgia state court in Fulton County or the United States District Court for the Northern District of Georgia in Atlanta, Georgia. The undersigned hereby waive and covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens). The undersigned further agree that Franchisor may institute any litigation that it commences arising out of or related to this Agreement or the Franchise Agreement; any breach of this Agreement or the Franchise Agreement; the relations between the parties; and any and all disputes between the parties, whether sounding in contract, tort, or otherwise, in any court of competent jurisdiction, wherever situated, that Franchisor selects. The undersigned agree that any dispute as to the venue for the litigation Franchisor institutes will be submitted to and resolved exclusively by the court of competent jurisdiction in which Franchisor commenced the litigation. The undersigned hereby waive and covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens). All depositions in connection with any litigation between the parties shall be held in the jurisdiction and venue where such litigation is commenced.

**(SIGNATURES ON FOLLOWING PAGE)**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

Recipient:

By: \_\_\_\_\_

Franchisee:

\_\_\_\_\_

By: \_\_\_\_\_

**FRANCHISE AGREEMENT**

**SCHEDULE “G”**

**ASSIGNMENT OF TELEPHONE AND INTERNET LISTINGS AND ADVERTISEMENTS**

Pursuant to its obligations under a certain franchise agreement dated \_\_\_\_\_ by and among Foot Solutions, Inc. as “Franchisor” and \_\_\_\_\_ as Franchisee (the “Franchise Agreement”), for good and valuable consideration the receipt and sufficiency is hereby acknowledged, does hereby assign, sell, transfer and convey to Franchisor all of Franchisee's right, title and interest as of the date hereof in and to all telephone, facsimile and other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, Internet and website directory listings, web based platform and program accounts, including but not limited to Social Media Platform (as defined in the Franchise Agreement) accounts and other media in which the Franchised Business is listed or the Principal Trademarks displayed (collectively “Telephone and Internet Listings and Advertisements”) in existence as of the date of the expiration or termination of the Franchise Agreement.

Without limitation, the Telephone and Internet Listings and Advertisements include the following:

Telephone, facsimile and other numbers:

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Telephone directory listings:

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Email addresses:

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Domain names:

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Website addresses:

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---

URLs:

---

---

Internet and website directory listings:

---

---

Web based platform and program accounts, including but not limited to Social Media Platform accounts:

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Other Media referencing the Franchised Business:

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Upon the expiration or termination of the Franchise Agreement, Franchisor shall have the right but not the obligation, and is hereby authorized to take possession of the Telephone and Internet Listings and Advertisements and assume all of the rights, title and interest of the Franchisee in the Telephone and Internet Listings and Advertisements.

Franchisee represents and warrants to Franchisor that it is the lawful owner of the Telephone and Internet Listings and Advertisements, and that Franchisee has the right to assign the Telephone and Internet Listings and Advertisements free and clear of any interest therein.

Franchisee hereby appoints Franchisor and/or its successors and assigns as attorney-in-fact for Franchisee to execute such documents as are necessary or desirable to affect the assignment of the Telephone and Internet Listings and Advertisements to Franchisor. Franchisee authorizes Franchisor and/or its successors and assigns as attorney-in-fact to insert references to those Telephone and Internet Listings and Advertisements in existence as of the date of the expiration or termination of the Franchise Agreement where applicable above at such times as Franchisor may determine, including but not limited to upon the expiration or termination of the Franchise Agreement. Franchisee will, at any time and from time to time after the date hereof, upon the reasonable request of Franchisor, do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged or delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney or assurances as may be required for transferring, assigning, conveying and confirming to Franchisor, or for aiding and assisting in reducing to possession by Franchisor, any of the Telephone and Internet Listings and Advertisements or rights being assigned hereunder, or to vest in Franchisor good, valid and marketable rights to such Telephone and Internet Listings and Advertisements.

This Assignment of Telephone and Internet Listings and Advertisements shall inure to the benefit of Franchisor and shall be binding upon Franchisee and its successors and assigns.

IN WITNESS WHEREOF, Franchisee has caused this Assignment of Telephone and Internet Listings and Advertisements to be duly executed this \_\_\_\_ day of \_\_\_\_\_.

ASSIGNOR:

\_\_\_\_\_  
By: \_\_\_\_\_



STATE OF \_\_\_\_\_

ss:

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, 20\_\_, before me personally came \_\_\_\_\_,

to me known, who, duly sworn, did depose and say that deponent resides at \_\_\_\_\_, that deponent is the \_\_\_\_\_ of Franchisee, the corporation/limited liability company described in the foregoing Assignment of Telephone and Internet Listings and Advertisements, and which executed said Assignment of Telephone and Internet Listings and Advertisements, that deponent knows the seal of the corporation, that the seal affixed to the Assignment of Telephone and Internet Listings and Advertisements is the corporate seal, that it was affixed by order of the board of directors of the corporation/limited liability; and that deponent signed deponent's name by like order.

IN WITNESS WHEREOF I have herewith set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission expires:

## FRANCHISE AGREEMENT

### SCHEDULE "H"

#### LEASE ADDENDUM

This Addendum to Lease, dated \_\_\_\_\_, 202\_\_\_\_, is entered into by and between \_\_\_\_\_("Lessor"), and \_\_\_\_\_("Lessee").

A. The parties hereto have entered into a certain Lease Agreement, dated \_\_\_\_\_, 202\_\_\_\_, and pertaining to the premises located at \_\_\_\_\_("Lease").

B. Lessor acknowledges that Lessee intends to operate a \_\_\_\_\_ from the leased premises ("Premises") pursuant to a Franchise Agreement ("Franchise Agreement") with Foot Solutions, Inc. ("Franchisor") under the name "FOOT SOLUTIONS" or other name designated by Franchisor (herein referred to as "Franchised Business" or "Franchise Business").

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Assignment. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, subsidiary, or affiliate (including another franchisee) at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor's consent. However, no assignment shall be effective until the time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its parent unless and until the Lease is assigned to, and accepted in writing by, Franchisor or its parent, subsidiary or affiliate. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Landlord's consent in accordance with Section 3(a).

2. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). Franchisor will have an additional 15 days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage

prepaid, to the following address:

Foot Solutions, Inc.  
Attn: John Prothro, Pres.  
223 Roswell St., Suite 202  
Alpharetta, GA 30009

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

3. Termination or Expiration.

(a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign the Lease to a new franchisee without Landlord's consent and to be fully released from any and all liability to Landlord upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Landlord will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Presents of Mine trademarks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

4. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

5. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

6. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

7. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

**IN TESTIMONY WHEREOF**, witness the signatures of the parties hereto as of the day, month and year first written above.

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## **FRANCHISE AGREEMENT**

### **SCHEDULE "I"**

#### **FORM OF GENERAL RELEASE**

To all to whom these Presents shall come or may Concern, Know That \_\_\_\_\_ [a corporation organized under the laws of the State of \_\_\_\_\_ [an individual domiciled in the State of \_\_\_\_\_ ("Franchisee"), its Owners (as defined in the Franchise Agreement) and officers collectively as RELEASOR, in consideration of the consent of FOOT SOLUTIONS, INC. to the Assignment or Renewal of the Franchise created pursuant to the franchise agreement between Franchisee and FOOT SOLUTIONS, INC. (the "Franchise Agreement"), any Transfer of any interest in the Franchise or the assets of Franchisee or the Franchised Business; or any relocation of the Franchised Business location, and for other good and valuable consideration, RELEASOR hereby releases and discharges FOOT SOLUTIONS, INC. as RELEASEE, RELEASEE'S corporate parents, subsidiaries and affiliates and the respective officers, directors, shareholders, agents, attorneys, contractors and employees of each of the foregoing entities (in their corporate and individual capacities), and RELEASEE'S heirs, executors, administrators, successors and assigns (the "Released Parties"), from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, which against the Released Parties RELEASOR ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that all liabilities arising under rights enjoyed by RELEASOR under said Franchise Agreement and any causes of action arising in his, her or its favor from the laws of the State of Georgia without recourse to Georgia (or any other) choice of law or conflicts of laws principle and any regulations issued by the State of Georgia shall remain in force; it being the intent of this proviso that any non-waiver provision of the laws of the State of Georgia shall be satisfied. Additionally, any liabilities arising under any other applicable state law that may not be released in this context shall not be released and shall be excluded from this release without otherwise offering the validity of the Release.

Whenever the text hereof requires, the use of singular number shall include the appropriate plural number as the text of the within instrument may require.

This RELEASE may not be changed orally.

**(SIGNATURES CONTINUED ON FOLLOWING PAGE)**

**IN WITNESS WHEREOF**, the RELEASOR (if an individual) has executed this RELEASE, and if a corporation) has caused this RELEASE to be executed by a duly authorized officer and its corporate seal to be hereunto affixed on \_\_\_\_\_.

RELEASOR

By: \_\_\_\_\_

[SEAL]

**ACKNOWLEDGMENT FOR CORPORATE RELEASOR**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_ before me \_\_\_\_\_ personally came, to me known, who, by me duly sworn, did depose and say that deponent resides at \_\_\_\_\_, that deponent is the \_\_\_\_\_ of \_\_\_\_\_ the corporation described in the foregoing RELEASE, and which executed said RELEASE, that deponent knows the seal of the corporation, that the seal affixed to the RELEASE is the corporate seal, that it was affixed by order of the board of directors of the corporation; and that deponent signed deponent's name by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_  
My Commission expires: \_\_\_\_\_(NOTARY SEAL)

**ACKNOWLEDGMENT FOR LIMITED LIABILITY COMPANY RELEASOR**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

ss:

On \_\_\_\_\_ before me personally came \_\_\_\_\_, to me known, who by me duly sworn, did depose and say that deponent resides at \_\_\_\_\_, that did depose and say that deponent resides at \_\_\_\_\_, that deponent is the \_\_\_\_\_ of \_\_\_\_\_ the limited liability company described in the foregoing RELEASE, and which executed said RELEASE, that this RELEASE was approved by the members of the limited liability company in accordance with their operating agreement, articles of organization or other governing documents; and that deponent signed deponent's name by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_ (NOTARY SEAL)

**ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR**

STATE OF \_\_\_\_\_

ss:

COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, before me \_\_\_\_\_ (Name of Notary) the undersigned officer, personally appeared, to me personally known, and known to me to be the same person whose name is signed to the foregoing RELEASE and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_



## **SCHEDULE K**

### **CONVERSION ADDENDUM TO FRANCHISE AGREEMENT**

## FOOT SOLUTIONS, INC.

### CONVERSION FRANCHISE ADDENDUM

This Conversion Franchise Addendum (this “Addendum”) amends the Franchise Agreement between Foot Solutions, Inc., a Georgia corporation (“we”, “us”, “our”, or “Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”. “you”, or “your”) of even date herewith.

#### RECITALS

**WHEREAS**, Franchisee is the owner of a retail store that sells products and services similar to those products and services offered by stores operating under Franchisor’s registered trademark, “FOOT SOLUTIONS” and operating pursuant to the Foot Solutions System; and

**WHEREAS**, Franchisor has offered Franchisee an opportunity to convert its store to a FOOT SOLUTIONS franchised business pursuant to the terms of the Franchise Agreement as modified by the terms of this Addendum; and

**WHEREAS**, Franchisee desires to convert its business to a FOOT SOLUTIONS franchised business as set forth in the Franchise Agreement and this Addendum.

**NOW, THEREFORE**, the parties in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby mutually agree as follows:

**1. Definitions.** Capitalized terms used but not otherwise defined in this Addendum shall have the same meanings as are ascribed to them in the Franchise Agreement.

**2. Term and Termination.**

2.1 The Franchise Agreement as modified by this Addendum shall commence on the Effective Date of the Franchise Agreement and shall continue in full force and effect for a period of twelve (12) months, unless sooner terminated. Within thirty (30) days of the expiration of the term of this Addendum, unless this Addendum and Franchise Agreement have been previously terminated, Franchisee will notify Franchisor of its desire whether to continue as a FOOT SOLUTIONS franchisee. Franchisor shall not unreasonably withhold its approval of such request, provided that Franchisee has complied with all terms and conditions of the Franchise Agreement and this Addendum. In such event, Franchisee shall continue as a Foot Solutions Franchisee pursuant to the terms of the Franchise Agreement.

2.2 In the event Franchisee does not wish to continue as a FOOT SOLUTIONS franchisee, upon the expiration of this Addendum, or sooner termination of the Franchise Agreement, Franchisee shall be bound by all post-termination provisions of Article 16 of the Franchise Agreement. Notwithstanding the foregoing, the provisions of Section 13.1 (Post-term Covenant not to Compete) and Franchisee’s obligation to transfer its telephone number as required by Sections 16.1.11 and 16.1.12 and Schedule G of the Franchise Agreement shall be of no further force or effect.

**3. Miscellaneous.**

3.1 Time. Time is of the essence to the performance of all obligations of Franchisee to be performed under the Franchise Agreement and this Addendum.

3.2 Amendments. This Addendum may not be amended except by a written agreement signed by the duly authorized officers of the parties.

3.3 Waiver and Delay. No waiver or delay by Franchisor in requiring strict compliance with respect to any obligation of the Franchise Agreement or this Addendum, or in the exercise of any right or remedy provided in the Franchise Agreement or this Addendum, or at law, in equity, or otherwise, and no custom or practice at variance with the requirements of the Franchise Agreement or this Addendum, will constitute a waiver or modification of any such obligation, right, remedy, or requirement, or preclude the exercise of any such right or remedy or the right to require strict compliance with any obligation set forth in the Franchise Agreement or this Addendum, or will preclude, affect, or impair enforcement of any right or remedy provided in the Franchise Agreement or this Addendum, at law, in equity, or otherwise, with respect to any subsequent default. All remedies under the Franchise Agreement or this Addendum at law, in equity, or otherwise, afforded to Franchisor shall be cumulative and not alternative, and may be exercised simultaneously or sequentially in any order.

3.4 Governing Law. All matters arising out of or related to the Franchise Agreement or this Addendum, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of the Franchise Agreement or this Addendum, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Georgia applicable to agreements made and to be entirely performed in the State of Georgia, which laws shall prevail in the event of any conflict of laws.

3.5 Attorneys' Fees. In the event of any dispute arising out of or related to the Franchise Agreement or this Addendum, including without limitation any dispute arising out of or related to the making of the Franchise Agreement or this Addendum, each party shall bear its own attorneys' fees and costs.

#### **4. Construction.**

4.1 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to Franchisee's or Principal's obligations set forth in the Franchise Agreement or this Addendum, or arising out of or related to the matters set forth in the Franchise Agreement or this Addendum, Franchisee, for itself and its Principal, hereby directs any third party construing the Franchise Agreement or this Addendum, including without limitation any court, mediator, master, jury, or other party acting as a trier of fact or law, to construe such provisions broadly in favor of enforcement.

4.2 Merger; Entire Agreement, Compliance. This Addendum, together with the Franchise Agreement, is a complete integration that sets forth the entire agreement between the parties, fully superseding any and all prior negotiations, agreements, representations, or understandings between Franchisor and Franchisee, whether oral or written, related to the subject matter of the Franchise Agreement and this Addendum. Franchisor and Franchisee hereby expressly affirm that there are no oral or written agreements, "side-deals," arrangements, or understandings between them except as expressly set forth in the Franchise Agreement and this Addendum. No course of dealing, whether occurring before or after the Effective Date of this Addendum, shall operate to amend, terminate, or waive any express written provision of the Franchise Agreement or this Addendum. In the event of any conflict between any provision of this Addendum and a provision of the Franchise Agreement, the provision set forth in this Addendum shall control. Except as specifically amended by this Addendum, all provisions of the

Franchise Agreement shall remain in full force and effect according to their terms, and the parties shall continue to be bound by such Franchise Agreement as modified by this Addendum.

4.3 Partial Invalidity. If any provision of this Addendum is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of the Addendum shall remain in full force and effect, and the parties agree that they would have signed this Addendum as so modified.

4.4 Survival of Obligations. All obligations of the Franchise Agreement or this Addendum that expressly or by their nature require performance after the termination or expiration of the Franchise Agreement or this Addendum, or that by their nature would reasonably be expected to continue in effect after termination or expiration of the Franchise Agreement or this Addendum, shall continue in full force and effect after and notwithstanding the Franchise Agreement's or this Addendum's termination or expiration, until they are satisfied in full or by their nature expire.

4.5 Submission of Agreement. Submission of the Franchise Agreement or this Addendum to Franchisee does not constitute an offer to enter into a contract. The Franchise Agreement and this Addendum shall become effective only on their execution by Franchisor and Franchisee and shall not be binding on Franchisor unless and until they are signed by Franchisor's authorized officer and delivered to Franchisee.

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Addendum as of the Effective Date.

**FRANCHISOR:**

**FRANCHISEE:**

FOOT SOLUTIONS, INC.

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

John Prothro

Title: CEO

Title:\_\_\_\_\_

## **EXHIBIT C**

### **MULTI-UNIT DEVELOPMENT AGREEMENT**

**FOOT SOLUTIONS, INC.**  
**MULTI-UNIT DEVELOPMENT**  
**AGREEMENT**

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### Schedules:

- A - Development Area and Development Fee
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**FOOT SOLUTIONS, INC.**  
**MULTI-UNIT DEVELOPMENT AGREEMENT**

This Multi-Unit Development Agreement (this “Agreement”) is entered into between Foot Solutions, a Georgia corporation, and \_\_\_\_\_, a \_\_\_\_\_ (“Developer”, or “You”) on the date set forth below (the “Effective Date”).

RECITALS:

**WHEREAS**, Developer desires to enter into an agreement with Franchisor to obtain the rights to develop multiple FOOT SOLUTIONS<sup>®</sup> businesses using the system developed by Franchisor or its affiliate, including standardized methods and procedures for the operation of a business offering specialty retail health, wellness, and foot care centers providing comfort shoes and accessories, foot orthotics, computerized foot scanning, and custom, inserts for shoes for work, dress and play, distinctive specifications for sales techniques, marketing, advertising, and procedures for operation and management of a Foot Solutions business in the manner set forth in this Agreement and in the Operations Manual provided by Franchisor and modified from time to time (the “Foot Solutions System” or “System”); and

**WHEREAS**, Developer has applied to us for the right to develop multiple franchise units (“Stores”) to use the System, and we desire to grant you the development rights, all subject to the terms and conditions of this Agreement and such application has been approved in reliance upon all of the representations made therein; and

NOW THEREFORE, for and in consideration of the covenants and agreements hereinafter set forth, it is mutually understood, agreed and covenanted as follows:

**1. GRANT OF DEVELOPMENT RIGHTS**

During the term of this Agreement, Franchisor grants to Developer, subject to the terms and conditions contained herein, the right to establish and operate the number of Stores in the Development Area identified in Exhibit A and set forth in the Development Schedule attached hereto as Schedule “B”. The operation of any Store established pursuant to this Agreement shall be governed by an individual Foot Solutions Franchise Agreement to be entered into between Franchisor and Developer in accordance with Section 4 herein (each, a “Franchise Agreement”)

**2. TERRITORIAL PROTECTION AND RESERVATION OF RIGHTS**

2.1 Territorial Protection. Developer may establish the Stores required to be developed hereunder at any location within the Development Area provided that Franchisor, in its sole discretion, consents in writing to the location, the location is in a state where Franchisor is permitted to sell franchised Stores, and the location is not located in a territory in which any other Foot Solutions Franchisee has exclusive rights or a right of first refusal. Provided Developer shall meet its obligations hereunder, Franchisor shall not grant the right to open a Store to any other franchisee, not shall it or any affiliate of Franchisor open a Store in the Development Area.

2.2 Franchisor’s Reservation of Rights. Franchisor retains the right, in its sole discretion, to (i) establish and operate, and grant to other Franchisees or licensees the right to operate, a Store at any location outside of the Development Area on any terms and conditions that Franchisor deems appropriate; (ii) develop, use and franchise anywhere the rights to any trade names, trademarks, service marks, commercial symbols, logos, emblems, signs, slogans, insignia, patents or copyrights, for use with similar or different franchise systems for the



sale of similar or different products and services than those constituting part of the Foot Solutions System, without granting Developer any rights therein; (iii) offer, ship, sell and provide products or services identified by the Franchisor's trademarks, service marks, commercial symbols or emblems to customers located anywhere through any distribution channel or method, including catalogs, internet, within and outside of the Development Area irrespective of the proximity to any Store established hereunder or by Developer hereunder without compensation to Developer, and (iv) engage in any other activity, action or undertaking that Franchisor is not expressly prohibited from taking under this Agreement or the Franchise Agreement.

### **3. TERM**

Unless earlier terminated in accordance with the terms and conditions set forth herein, this Agreement shall commence as of the Effective Date and shall automatically expire, without any action on the part of either party being necessary, on the last date for the opening of the final Store to be developed hereunder in accordance with the Development Schedule.

### **4. FRANCHISE AGREEMENT**

Contemporaneous with the execution of this Agreement, Developer shall execute the Franchise Agreement for the first Store to be developed pursuant to this Agreement. Within ten (10) days after Franchisor approves each approved site for each Store to be developed hereunder, Developer must sign and deliver to Franchisor two copies of Franchisor's then-current Franchise Agreement for that Restaurant together with any ancillary agreements required by the Franchise Agreement. Once Franchisor has received the signed Franchise Agreement and all ancillary agreements it requires in satisfactory form, Franchisor will countersign the Franchise Agreement and return one fully signed copy to Developer.

### **5. DEVELOPMENT FEE**

Developer shall pay to Franchisor a development fee in an amount set forth on Schedule "A" (the "Development Fee"). The Development Fee shall be paid in full at the time of the execution of this Agreement. Developer acknowledges and agrees that the Development Fee is paid as consideration for Franchisor granting Developer the right to open and operate the number of Stores set forth in the Development Schedule, and that the Development Fee is fully earned by Franchisor at the time this agreement is signed and shall not be refundable for any reason. The Development Fee shall be payment in full for all of the Stores to be developed by Developer pursuant to this Agreement. No additional Initial Franchise Fees shall be due and payable by Developer for the Stores to be developed pursuant to this Agreement. If for any reason this Agreement terminates before all Stores have been developed, Franchisor will retain the Development Fee previously paid by Developer.

### **6. DEVELOPMENT SCHEDULE**

Developer must (i) establish and open the specified minimum number of Stores on or before each of the dates specified on the Development Schedule; and (ii) maintain the specified minimum number of Stores in continuous operation as specified on the Development Schedule. Developer's failure to comply with the foregoing requirements shall constitute a material default under this Agreement. Developer understands that time is of the essence with respect to its obligations to comply with the Development Schedule. Developer acknowledges and understands that this Agreement requires it to open Stores in the future pursuant to the Development Schedule. Developer further acknowledges and understands that the estimated investment requirement set forth in the Franchisor's current Disclosure Document are subject to increase and change over time and that future Stores developed hereunder will most likely require a greater initial investment and increased operating capital than those detailed in the Disclosure Document provided to Developer in connection with the execution of this Agreement.

## **7. SITE SELECTION AND ACCEPTANCE**

7.1 Developer is responsible for locating a site for the Store. We will evaluate your proposed location within 15 days of your submission to us of a complete site approval package. We may assist you in selecting a site for your Store, but we will not be obligated to do so. Our approval of any site that you propose shall not be construed as a representation or warranty by us that your Store will be successful at the approved site. You acknowledge that we will have no liability to you relating to the approved site. In approving a site that you have proposed, we will take into consideration such factors as demographics, traffic patterns, competition, and any other factors that we deem relevant.

7.2 Lease of the Premises. Franchisee must deliver copies of the proposed lease agreement and related documents to Franchisor prior to signing them. You agree not to sign any lease agreement or related documents (or any renewal of it) unless we have previously approved them. Our approval, which will not be unreasonably withheld, will be limited to ensuring that the lease is consistent with this Agreement. If we approve the lease, you agree to deliver a copy of the signed lease to us within five (5) days of its execution along with the Lease Addendum. You will give the landlord our form of the Lease Addendum when you begin discussions with the prospective landlord. You agree not to sign any lease or renewal of a lease unless you have also obtained the Lease Addendum signed by the landlord.

## **8. NO RIGHT TO OPERATE OR USE TRADEMARKS**

Developer acknowledges and agrees that (i) until a Franchise Agreement has been entered into for a specific Store, Developer shall not have, nor be entitled to exercise, any of the rights, powers and privileges granted by the Franchise Agreement, including, without limitation, the right to use the Marks or the System; (ii) the execution of this Agreement shall not be deemed to grant any such rights, powers or privileges to Developer; and (iii) Developer may not under any circumstances commence operations of any Store prior to Franchisor's execution of a Franchise Agreement for that particular Store.

## **9. TRANSFER OR ASSIGNMENT OF DEVELOPMENT RIGHTS**

9.1 Assignment by Franchisor. This Agreement may be unilaterally assigned by the Franchisor and shall inure to the benefit of its successors and assigns. Developer agrees and affirms that Franchisor may sell itself, its assets, the Marks and/or the System to a third party; may go public, may engage in private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Developer further agrees and affirms that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or noncompetitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as FOOT SOLUTIONS Stores operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which Developer acknowledges may be proximate to any of its Stores. With regard to any of the above sales, assignments and dispositions, Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Marks (or any variation thereof) and the System and/or the loss of association with or identification of Foot Solutions, Inc. under this Agreement. If Franchisor assigns its rights in this Agreement, nothing in this Agreement shall be deemed to require Franchisor to remain in the comfort shoe and custom orthotic business or to offer or sell any products or services to Developer.

9.2 Assignment by Developer. Developer shall not subfranchise, sell, assign, transfer, merge, convey or encumber (each, a “Transfer”) this Agreement or any of its rights or obligations hereunder, or suffer or permit any such Transfer of this Agreement or its rights or obligations hereunder to occur by operation of law or otherwise without the prior express written consent of Franchisor. In addition, if Developer is a corporation, limited liability company, partnership, business trust, or similar association or entity, the shareholders, members, partners, beneficiaries, investors, or other equity holders, as the case may be, may not Transfer their equity interests in such corporation, limited liability company, partnership, business trust, or similar association or entity, without the prior written consent of Franchisor. Furthermore, in the event that any shareholder, member, partner, investor or other equity holder of Developer (the “Equity Holder”) is a corporation, limited liability company, partnership, business trust, or similar association or entity, the interests of the shareholders, members, partners, beneficiaries, investors or other equity holders, as the case may be, in such Equity Holder, may not be Transferred, without the prior written consent of Franchisor. Notwithstanding anything to the contrary in this Agreement, Franchisor shall have the right to approve or disapprove a Transfer under this Section 9.2 in its sole discretion. Any Transfer in violation of this Section shall be void and of no force and effect.

9.3 Death or Disability of Developer. Upon Developer’s death or Disability (as such term is hereinafter defined), this Agreement or the ownership interest of any deceased or disabled shareholder, partner, member or other equity holder of the Developer or an Equity Holder must be Transferred to a party approved by Franchisor. Any Transfer, including, without limitation, transfers by devise or inheritance or trust provisions, shall be subject to the same conditions for Transfers set forth in Section 9.4 below. Franchisor shall not unreasonably withhold its consent to the Transfer of this Agreement or any ownership interest to the deceased or disabled Developer’s or Equity Holder’s spouse, heirs or members of his or her immediate family, provided all requirements of Section 9.4 have been complied with (except payment of the transfer fee, which shall not apply to such Transfers). A “Disability” shall have occurred with respect to Developer if Developer, or, if Developer is a corporation, partnership or limited liability company, its controlling shareholder, partner, member or other equity holder, is unable to actively participate in its activities as Developer hereunder for any reason for a continuous period of six months. As used in this Section 9.3, “Developer” may include a disabled or deceased controlling shareholder, partner or member where the context so requires.

9.4 Approval of Assignment. Franchisor’s approval of any Transfer is, in all cases, contingent upon the following: (i) the purchaser and/or the controlling persons of the purchaser having a satisfactory credit rating, being of good moral character, having business qualifications satisfactory to Franchisor, and being willing to enter into an agreement in writing to assume and perform all of Developer’s duties and obligations hereunder and/or enter into a new Development Agreement for the Development Area, if so requested by Franchisor, and agreeing to enter into any and all agreements with Franchisor that are being required of all new developers, including a guarantee provision or agreement and any other agreement which may require payment of different or increased fees from those paid under this Agreement; (ii) the terms and conditions of the proposed transfer (including, without limitation, the purchase price) being satisfactory to Franchisor; (iii) all monetary obligations (whether hereunder or not) of Developer to Franchisor or Franchisor’s affiliates or subsidiaries being paid in full; Developer not being in default hereunder or any other agreement between Developer and Franchisor, including any Franchise Agreement; (v) Developer and its owners executing a general release of any and all claims against Franchisor and its affiliates, subsidiaries, members, managers, officers, directors, employees and agents, in a form satisfactory to Franchisor; (vi) Developer paying to Franchisor a transfer fee of \$10,000 per undeveloped Store, plus reimbursement for all legal, training and other expenses incurred by Franchisor in connection with the Transfer.

## **10. DEFAULT AND TERMINATION**

10.1 You will be deemed in default under this Agreement if you breach any of the terms of this Agreement or if you or any “Affiliate” of yours breaches any of the terms of any Franchise Agreement or any

other agreement that you or your affiliates have with us or our affiliates. For purposes of this Agreement, an “Affiliate” of any person or entity will be any person or entity that controls that person or entity, is under the control of that person or entity, or is under common control with that person entity.

10.2 All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if: (i) you become insolvent, commit any affirmative action of insolvency or file any action or petition of insolvency, (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority, (iii) you make a general assignment or other similar arrangement for the benefit of your creditors, (iv) a final judgment against you remains unsatisfied of record for thirty (30) days or longer, (v) execution is levied against your business or property, or the business or property of any of your affiliates that have entered into Franchise Agreements with us, (vi) suit to foreclose any lien or mortgage against premises or equipment is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed, (vii) you fail to meet your development obligations set forth in the Development Schedule, (viii) you fail to comply with any other material provision of this Agreement, or you or any of your Affiliates fail to comply with any other agreement you or they have with us or our affiliates and do not correct the failure within thirty (30) days after written notice of that failure is delivered to the breaching party (except that if the failure to comply is third failure with any provision of any agreement that you or any of your affiliates have with us or an affiliate of ours within twelve (12) consecutive months, then we need not provide any opportunity to cure the default), or (x) we have delivered to you or any of your affiliates a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

## **11. RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate and all remaining rights granted to you to develop Stores under this Agreement will automatically be revoked and will be null and void. You will not be entitled to any refund of any fees.

## **12. OWNERSHIP OF DEVELOPER**

Attached as Schedule “C” is a description of the legal organization of Developer (whether a corporation, limited liability company, partnership or otherwise), the names and addresses of each person or entity owning an interest in Developer, and the percentage of such interest owned by such person or entity. Developer agrees to notify Franchisor in writing whenever there is any change in the organizational structure or ownership interest of Developer.

## **13. COST OF ENFORCEMENT**

If either party institutes or prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party will be entitled to recover from the losing party, in addition to any judgment, reasonable attorney's fees, court costs and all the prevailing party's expenses in connection with any action at law

## **14. NO WAIVER**

No failure, forbearance, neglect or delay of any kind on the part of Franchisor for with the enforcement or exercise of any rights under this Agreement will affect or diminish Franchisor's right to strictly enforce and take full benefit of each provision of this Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice with regard to this Agreement by you, Franchisor or other Developers will preclude the strict enforcement of this Agreement in accordance with its literal terms. No waiver by Franchisor of performance of any provision of this Agreement will constitute or be implied as a waiver of Franchisor's right to enforce that provision at any future time.

## **15. ENTIRE AGREEMENT**

This Agreement and all Exhibits constitute the entire understanding and agreement between you and Franchisor related to the subject matter hereof, and supersedes all prior understandings, whether oral or written, pertaining to either this Agreement. You acknowledge and agree that no claims, representations or warranty of earnings, sales, profits or success of the Stores to be developed hereunder have been made to you other than those set out in Item 19 of the Franchise Disclosure Document. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, will be effective or binding upon you or Franchisor unless in writing signed by you and Franchisor, except that a waiver needs to be signed only by the party waiving. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

## **16. SEVERABILITY**

If any term or provision of this Agreement or the application thereof to any person, property or circumstances will to any extent be invalid or unenforceable, the remainder of this Agreement will be unaffected and will remain in full force and effect and each term and provision will be valid and enforced as fully extent permitted by law.

## **17. GOVERNING LAW**

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the franchise, and all claims arising from the relationship between Franchisor and Developer (and/or any of our affiliates) and Developer will be governed by the laws of the State of Georgia, without regard to its conflicts of laws rule. This Agreement will become a valid and enforceable contract when we accept it and sign it in Atlanta, Georgia. Developer and Franchisor expressly agree that this Agreement has been made in the State of Georgia, that substantially all performance of the obligations hereunder has been and will be rendered in the State of Georgia, and that there is a regular stream of business activity between Developer and Franchisor from and into the State of Georgia.

## **18. DISPUTE RESOLUTION**

18.1 Mediation. All claims or disputes between Developer and Franchisor or their respective affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or any of the parties' respective rights and obligations arising out of this Agreement, must be submitted first to mediation prior to a hearing in binding arbitration (except as noted in Section 18.3 below). Such mediation will take place in Atlanta, Georgia (or Franchisor's then-current headquarters) under the auspices of the Judicial Arbitration and Mediation Services ("JAMS"), in accordance with the JAM's Commercial Mediation Rules then in effect. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Each party will bear their own costs of mediation and share equally the filing fee imposed by JAMS and the mediator's fees. We reserve the right to specifically enforce Franchisor's right to mediation. Prior to mediation, and before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies in detail, the precise nature and grounds of such claim or dispute.

18.2 Arbitration. If not resolved by mediation and except as qualified below, any dispute between Developer and Franchisor or their respective affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, must be submitted to binding arbitration in Atlanta, Georgia (or Franchisor's then-current headquarters) in accordance with the Federal Arbitration Act and the Commercial Arbitration Rules of the Judicial Arbitration and Mediation Services ("JAMS") then in effect. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any proceedings involving their parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties must submit all claims to the jurisdiction of the courts. The Federal Arbitration Act, as amended, will govern the rights and duties of the parties to this Agreement to resolve any disputes by arbitration. The following will supplement and, in the event of a conflict, govern any arbitration: The matter will be heard before a single arbitrator from the JAM's list of arbitrators. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least 5 years of significant experience in franchise law. Each party must bear its own costs of arbitration; provided, however, that the neutral or the single arbitrator's fee will be shared equally by the parties.

The arbitrator's award must be rendered within seven (7) days of the close of the hearing and will include all fees, costs and attorneys' fees for Franchisor if Franchisor is the prevailing party. The arbitrator will have no authority to determine class action claims and will have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law may be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties.

Judgment upon the award of the arbitrator must be submitted for confirmation to a court of general jurisdiction in Fulton County, Georgia (or a court of general jurisdiction in the county of Franchisor's then-current headquarters), and, if confirmed, may be subsequently entered in any court having competent jurisdiction. The decision of the arbitrator(s) will be final and binding on all parties to the dispute; however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages, or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business. This agreement to arbitrate will survive any termination or expiration of this Agreement.

18.3 Exceptions to Arbitration. Notwithstanding Section 18.2, the parties agree that the following claims will not be subject to arbitration:

- (i) any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder.

- (ii) any claim of Franchisor of non-payment by Franchisee of any fee or other sum due by Developer to Franchisor.

18.4 Prior Notice of Claims. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Developer must notify Franchisor within thirty (30) days after the discovery of the violation or breach and grant Franchisor reasonable opportunity to cure any alleged default. Failure to timely give such notice will preclude any claim for damages.

18.5 Third Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Developer. As a condition precedent to commencing

an action for damages or for violation or breach of this Agreement, Developer must notify Franchisor within thirty (30) days.

18.6 Venue. Nothing contained in this Agreement will prevent Franchisor or Developer from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard such party's interests. In the event of any litigation arising out of this Agreement or based upon the relationship between the parties, venue for any such litigation shall be any court of general jurisdiction in Fulton County, Georgia or the United States District Court sitting in Atlanta, Georgia. Developer hereby accepts and submits to, generally and unconditionally, for itself and with respect to its property, the jurisdiction of any such courts in any such action or proceeding and hereby waives, to the greatest extent permitted by applicable law defenses based on jurisdiction, venue, or forum non conveniens. The provisions of this Section 18.6 shall be self-executing and shall remain in full force and effect after the termination or expiration of this Agreement. Developer acknowledges that this Agreement has been entered into in the State of Georgia, and that Developer is to receive valuable and continuing services emanating from Franchisor's headquarters in Atlanta, Georgia, including but not limited to assistance, support and the development of the System.

18.7 Limitation on Actions. The parties further agree that no cause of action arising out of or under this Agreement may be maintained by either party against the other unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the complaining party becomes aware of facts or circumstances reasonably indicating that such party may have a claim against the other party hereunder, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense or set-off.

18.8 Franchisee hereby waives the right to obtain any remedy based on the alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any arbitration, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

18.9 Waiver of Punitive Damages. Developer hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Developer's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

18.10 Jury Trial Waiver. With respect to any proceeding not subject to arbitration, the parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver will apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Franchisee's purchase from Franchisor of the franchise and/or any goods or services.

## **19. NOTICES**

All notices and other communications provided for in this Agreement must be in writing and will be delivered in person or mailed by certified mail, or by Federal Express or U.S. Express Mail for overnight delivery if to you, at your address or, if to Franchisor at our address, 223 Roswell St., Suite 202, Alpharetta, Georgia 30009, Attention: John Prothro, with a copy to Joseph J. Gottlieb, Esq., Shires Peake & Gottlieb, 284 North Main

St., Alpharetta, Georgia 30009. Franchisor or you may change, by providing notice thereof in writing, the address to which future notices will be sent. Notices delivered in person will be deemed given when delivered and mailed notices will be deemed given three (3) days after mailing if by certified or other receipted mail, or one (1) day after mailing if by Federal Express or U.S. Express Mail. If you are a corporation, some other legal entity, or more than one (1) individual, then you will authorize one (1) natural person as correspondent with authority to bind you.

## **20. ACKNOWLEDGEMENTS**

**YOU ACKNOWLEDGE THAT YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FOOT SOLUTIONS SYSTEM AND RECOGNIZE THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISK AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF YOU AS AN INDEPENDENT BUSINESSPERSON. FOOT SOLUTIONS, INC. EXPRESSLY DISCLAIMS THE MAKING OF, AND YOU ACKNOWLEDGE THAT YOU HAVE NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT;**

**YOU ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTAND THIS AGREEMENT, AND THAT FOOT SOLUTIONS, INC. HAS ACCORDED YOU AMPLE TIME AND OPPORTUNITY AND HAS ENCOURAGED YOU TO CONSULT WITH ADVISORS, COUNSELORS, AND BOTH LEGAL AND FINANCIAL PROFESSIONALS OF YOUR OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT;**

**YOU ACKNOWLEDGE THAT THE SUCCESS OF DEVELOPER IN OWNING AND OPERATING THE FOOT SOLUTIONS FRANCHISED BUSINESS IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, DEVELOPER'S INDEPENDENT BUSINESS ABILITY. NO REPRESENTATIONS OR PROMISES, EXPRESS OR IMPLIED, HAVE BEEN MADE BY FRANCHISOR OR ANY EMPLOYEE, BROKER OR REPRESENTATIVE OF FRANCHISOR, TO INDUCE DEVELOPER TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED IN THIS AGREEMENT. NO EMPLOYEE, OFFICER, DIRECTOR, BROKER OR REPRESENTATIVE IS AUTHORIZED TO DO OTHERWISE;**

**IN ALL OF ITS DEALINGS WITH FRANCHISOR, ITS EMPLOYEES, BROKERS (IF ANY), AND OTHER REPRESENTATIVES, EACH HAVE ACTED ONLY IN A REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT, AND ALL BUSINESS DEALINGS BETWEEN DEVELOPER AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT, ARE SOLELY BETWEEN DEVELOPER AND FRANCHISOR;**

**FRANCHISOR MAKES NO WARRANTY AS TO DEVELOPER'S ABILITY TO DEVELOP THE REQUIRED NUMBER OF STORES AS REQUIRED BY THIS AGREEMENT IN THE DEVELOPMENT AREA.**

This entire Agreement, including corrections, changes and all attachments and addendums, will only be binding upon Franchisor when executed or initialed by a member, director or officer of Franchisor.

**[Signatures on following page]**



WHEREFORE, Developer and Franchisor, intending to be legally bound, have duly executed, sealed and delivered this Agreement in duplicate.

DEVELOPER:

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

FOOT SOLUTIONS, INC.

By: \_\_\_\_\_

John Prothro, President

Date: \_\_\_\_\_

**SCHEDULE “A”**

**DEVELOPMENT AREA and DEVELOPMENT FEE**

## SCHEDULE B

### DEVELOPMENT SCHEDULE

There shall be open for business to the general public and operating the indicated number of Foot Solutions Stores within the Development Area by the dates indicated below:

| <b>Year</b><br><br>(12 Months Commencing on<br>Date of Agreement) | <b>Franchises Open by End of<br/>Year</b> | <b>Cumulative Number of Stores<br/>to be Open and Operating</b> |
|-------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------|
| <b>1</b>                                                          |                                           |                                                                 |
| <b>2</b>                                                          |                                           |                                                                 |
| <b>3</b>                                                          |                                           |                                                                 |

**FRANCHISOR:**

FOOT SOLUTIONS, INC.

**DEVELOPER:**

By: \_\_\_\_\_  
John Prothro, President

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

## **SCHEDULE C**

### **LEGAL ORGANIZATION OF DEVELOPER**

**RIDER TO THE FOOT SOLUTIONS, INC.**

**MULTI UNIT DEVELOPMENT AGREEMENT FOR USE IN ILLINOIS**

**THIS RIDER** is made and entered into on \_\_, 202\_\_\_\_ (the “Effective Date”) by and between **Foot Solutions, Inc.**, a corporation formed under the laws of the State of Georgia, with “us,” or, “our”), and\_\_\_\_, a \_\_\_\_\_ [**corporation, limited liability company, general partnership, or limited partnership**] formed under the laws of the State of \_\_\_\_\_, [**or a sole proprietorship**] with its principal business address at \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Multi-Unit Development Agreement dated \_\_, 202\_\_\_\_ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Foot Solutions franchise that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.
2. Illinois law governs the agreements between the parties to this franchise.
3. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
4. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
8. Payment of Initial Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.
9. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

Foot Solutions, Inc., a Georgia corporation

By: \_\_\_\_\_

John Prothro, CEO

**FRANCHISE OWNER**

\_\_\_\_\_

[Print Name of Franchise Entity]

By: \_\_\_\_\_

[Signature of person signing

on behalf of entity]

Title of Signatory: \_\_\_\_\_

**EXHIBIT D**

**LIST OF OUTLETS**

|                        |                |                                                                                              |                                                                        |            |
|------------------------|----------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------|
| Scottsdale, AZ         | Sue Orischak   | <a href="mailto:scottsdale@footsolutions.com">scottsdale@footsolutions.com</a>               | 14202 N<br>Scottsdale Rd<br>Ste 151<br>Scottsdale, AZ<br>85254         | 4806643450 |
| Little Rock, AR        | Mike Smith     | <a href="mailto:littlerock@footsolutions.com">littlerock@footsolutions.com</a>               | 1101 S<br>Bowman Rd.<br>Suite A-5<br>Little Rock,<br>AR 72211          | 5012233383 |
| Costa Mesa, CA         | Jim Richter    | <a href="mailto:jim@footsolutions.biz">jim@footsolutions.biz</a>                             | Mobile Unit                                                            | 9497342020 |
| Encinitas, CA          | Roudi Martin   | <a href="mailto:encinitas@footsolutions.com">encinitas@footsolutions.com</a>                 | 1347<br>Encinitas<br>Blvd.<br>Encinitas, CA<br>92024                   | 7606341600 |
| Fremont, CA            | Sherrie Zhang  | <a href="mailto:fremont@footsolutions.com">fremont@footsolutions.com</a>                     | 40823<br>Fremont Blvd.<br>Fremont, CA<br>94538                         | 5102261530 |
| Jacksonville Beach, FL | Jimmie Thomas  | <a href="mailto:jacksonvillebeach@footsolutions.com">jacksonvillebeach@footsolutions.com</a> | 4126 3rd St. S<br>Space SC - 22.<br>Jacksonville<br>Beach, FL<br>32250 | 9042470460 |
| Largo, FL              | Dharmesh Patel | <a href="mailto:largo@footsolutions.com">largo@footsolutions.com</a>                         | 13002<br>Seminole<br>Blvd Suite 6<br>Largo, FL<br>33778                | 7275854200 |
| Naples, FL             | Shaun Chetty   | <a href="mailto:naples@footsolutions.com">naples@footsolutions.com</a>                       | 11196<br>Tamiami Trail<br>N. Naples, FL<br>34110                       | 2392545033 |
| Orange Park, FL        | Jimmie Thomas  | <a href="mailto:jacksonvillebeach@footsolutions.com">jacksonvillebeach@footsolutions.com</a> | 2175 Park<br>Ave Suite<br>101. Orange<br>Park, FL<br>32073             | 9042691100 |



|                                |                         |                                                                                |                                                                    |            |
|--------------------------------|-------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------|------------|
| Delray, FL                     | Jon Ostenson            | <a href="mailto:jon@franbridgeconsulting.com">jon@franbridgeconsulting.com</a> | 9173 W<br>Atlantic Ave<br>Suite 118<br>Delray Beach,<br>FL 33446   | 5615365846 |
| Acworth, GA                    | Ron and Julie Cliborn   | <a href="mailto:acworth@footsolutions.com">acworth@footsolutions.com</a>       | 3450 Cobb<br>Pkwy NW<br>Suite 170<br>Acworth, GA<br>30101          | 7705752238 |
| East Cobb, GA                  | Jon Kushner             | <a href="mailto:eastcobb@footsolutions.com">eastcobb@footsolutions.com</a>     | 4101 Roswell<br>Rd. NE #800<br>Marietta, GA<br>30062               | 7709840844 |
| Peachtree City, GA             | Michael and Marie Muncy | <a href="mailto:PTC@footsolutions.com">PTC@footsolutions.com</a>               | 1211 North<br>Peachtree<br>Pkwy.<br>Peachtree<br>City, GA<br>30269 | 7704865567 |
| Brookhaven, GA                 | Gary Falcon             | <a href="mailto:brookhaven@footsolutions.com">brookhaven@footsolutions.com</a> | 2484<br>Briarcliff Rd<br>NE #38<br>Atlanta, GA<br>30329            | 4047373338 |
| Ft. Wayne, IN                  | Rex Bruick              | <a href="mailto:ftwayne@footsolutions.com">ftwayne@footsolutions.com</a>       | 513 E<br>Coliseum<br>Blvd. Ft.<br>Wayne, IN<br>46805               | 2604848966 |
| Granger, IN                    | Edward Tapia            | <a href="mailto:granger@footsolutions.com">granger@footsolutions.com</a>       | 323 Florence<br>Ave. Granger,<br>IN 46530                          | 5742723668 |
| Birmingham (SOUTHFIELD),<br>MI | Karen Ingham            | <a href="mailto:southfield@footsolutions.com">southfield@footsolutions.com</a> | 30180<br>Southfield Rd.<br>Southfield, MI<br>48076                 | 2485939600 |

|               |                  |                                                                              |                                                             |            |
|---------------|------------------|------------------------------------------------------------------------------|-------------------------------------------------------------|------------|
| Henderson,NV  | Allen Wong       | <a href="mailto:henderson@footsolutions.com">henderson@footsolutions.com</a> | 10520 S<br>Eastern Ave<br>#100<br>Henderson,<br>NV 89052    | 7028388111 |
| Summerlin, NV | Jack Crowder     | <a href="mailto:summerlin@footsolutions.com">summerlin@footsolutions.com</a> | 2257 N<br>Rampart Blvd.<br>Las Vegas,<br>NV 89128           | 7028363668 |
| Caldwell, NJ  | Angie Sebastiano | <a href="mailto:caldwell@footsolutions.com">caldwell@footsolutions.com</a>   | 756<br>Bloomfield<br>Ave. West<br>Caldwell, NJ<br>07006     | 9732261300 |
| Hickory, NC   | Scott Garmon     | <a href="mailto:hickory@footsolutions.com">hickory@footsolutions.com</a>     | 242 Union<br>Square NW<br>Hickory, NC<br>28601              | 8283289844 |
| Beachwood, OH | Cara Kuhnle      | <a href="mailto:Beachwood@footsolutions.com">Beachwood@footsolutions.com</a> | 3355<br>Richmond Rd.<br>Ste 181<br>Beachwood,<br>OH 44122   | 2168313322 |
| Toledo, OH    | Zach Ostrowski   | <a href="mailto:toledo@footsolutions.com">toledo@footsolutions.com</a>       | 4204 W<br>Sylvania Ave.<br>Toledo, OH<br>43623              | 4192143668 |
| Tulsa, OK     | Karen Allen      | <a href="mailto:tulsa@footsolutions.com">tulsa@footsolutions.com</a>         | 6130 East 71st<br>St. Suite 17.<br>Tulsa, OK<br>74136       | 9183694848 |
| Portland, OR  | Maureen Wiese    | <a href="mailto:footsolutions1@hotmail.com">footsolutions1@hotmail.com</a>   | 11211 SE<br>82nd Ave.<br>Happy Valley,<br>OR 97086          | 5036538700 |
| Easton, PA    | Dewitt Paul      | <a href="mailto:easton@footsolutions.com">easton@footsolutions.com</a>       | 3601 Nazareth<br>Rd No 4<br>Space D.<br>Easton, PA<br>18045 | 6104388267 |

|                  |                               |                                                                                  |                                                           |            |
|------------------|-------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------|------------|
| Norristown, PA   | Hugh Gbewonyo                 | <a href="mailto:norristown@footsolutions.com">norristown@footsolutions.com</a>   | 110 W<br>Germantown<br>Pike.<br>Norristown,<br>PA 19401   | 6102709600 |
| Reading, PA      | Ron Alberti                   | <a href="mailto:reading@footsolutions.com">reading@footsolutions.com</a>         | 654 B<br>Philadelphia<br>Ave.<br>Shillington,<br>PA 19607 | 6107754950 |
| Greenville, SC   | Ken and Celeste Purdie        | <a href="mailto:greenville@footsolutions.com">greenville@footsolutions.com</a>   | 103 E Butler<br>Rd. Suite K<br>Mauldin, SC<br>29662       | 8644128513 |
| Austin, TX       | Troy Halverson                | <a href="mailto:austin@footsolutions.com">austin@footsolutions.com</a>           | 8300 Research<br>Blvd. Austin,<br>TX 78758                | 5122410051 |
| Flower Mound, TX | Roland and Janelle<br>Pacheco | <a href="mailto:flowermound@footsolutions.com">flowermound@footsolutions.com</a> | 2321 Justin<br>Rd. #205<br>Flower<br>Mound, TX<br>75028   | 9723557463 |
| McAllen, TX      | Barry Franklin                | <a href="mailto:mcallen@footsolutions.com">mcallen@footsolutions.com</a>         | 6100 N 10th<br>St. Ste H<br>McAllen, TX<br>78504          | 9566619933 |
| San Antonio, TX  | Minnie Haddock                | <a href="mailto:sanantonio2@footsolutions.com">sanantonio2@footsolutions.com</a> | 11818<br>Wurzbach Rd.<br>San Antonio,<br>TX 78230         | 2104933338 |
| St. George, UT   | Dan Phelps                    | <a href="mailto:stgeorge@footsolutions.com">stgeorge@footsolutions.com</a>       | 362 W St.<br>George Blvd.<br>St. George,<br>UT 84770      | 4356520100 |
| Chesapeake, VA   | Joe and Kerrie Sadinski       | <a href="mailto:chesapeake@footsolutions.com">chesapeake@footsolutions.com</a>   | 105 Coastal<br>Ln.<br>Chesapeake,<br>VA 23320             | 7575493668 |

| <b><u>Corporate locations as of 31 December 2023</u></b> |                |           |                                                                                |                                                        |            |
|----------------------------------------------------------|----------------|-----------|--------------------------------------------------------------------------------|--------------------------------------------------------|------------|
| Arizona                                                  | Mesa, AZ       | Corporate | <a href="mailto:mesa@footsolutions.com">mesa@footsolutions.com</a>             | 3420 E Baseline Rd. Mesa, AZ 85204                     | 4808136936 |
| Arizona                                                  | Goodyear, AZ   | Corporate | <a href="mailto:goodyear@footsolutions.com">goodyear@footsolutions.com</a>     |                                                        |            |
| Arizona                                                  | Peoria, AZ     | Corporate | <a href="mailto:peoria@footsolutions.com">peoria@footsolutions.com</a>         | 1981 N Pebblecreek Pkwy Suite C5 Goodyear, AZ 85395    | 6235366676 |
| Arizona                                                  | Phoenix, AZ    | Corporate | <a href="mailto:phoenix@footsolutions.com">phoenix@footsolutions.com</a>       | 2340 W Bell Rd. #112 Phoenix, AZ 85023                 | 6022981822 |
| Florida                                                  | Boca Raton, FL | Corporate | <a href="mailto:bocaraton@footsolutions.com">bocaraton@footsolutions.com</a>   | 7050 W Palmetto Park Rd. Suite 20 Boca Raton, FL 33433 | 5619312634 |
| Georgia                                                  | Alpharetta, GA | Corporate | <a href="mailto:alpharetta@footsolutions.com">alpharetta@footsolutions.com</a> | 3000 Old Alabama Rd. Suite 121 Alpharetta, GA 30022    | 6785875329 |
| Texas                                                    | Houston, TX    | Corporate | <a href="mailto:woodway@footsolutions.com">woodway@footsolutions.com</a>       | 6401 Woodway Dr. #123 Houston, TX 77057                | 7137063668 |

**EXHIBIT D-1****FRANCHISEES WHO LEFT THE SYSTEM AS OF 12/31/2023**

| Location             | Reason for Closure                                                   | Name                | Last Known Email                                                                       | Last Known Address                                    | Last Known Phone |
|----------------------|----------------------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------|------------------|
| Stockton, CA         | Not renewed. Franchise Agreement Expired                             | Kip Odermatt        | <a href="mailto:shoesthatfitjennifer@gmail.com">shoesthatfitjennifer@gmail.com</a>     | 5759 Pacific Avenue #120<br>Stockton, CA 95207        | 2094630200       |
| Macon, GA            | Closed in 2023                                                       | OrthoGeorgia        | <a href="mailto:ddarden@orthoga.com">ddarden@orthoga.com</a>                           | 3708 Northside Dr.<br>Macon, GA 31210                 | 4782545333       |
| Annapolis, MD        | Corporate cancelled his franchise agreement when he was unresponsive | John Sullivan       | <a href="mailto:jwsullivan99@gmail.com">jwsullivan99@gmail.com</a>                     | 2311 Forest Dr. Suite A<br>Annapolis, MD 21401        | 4105739277       |
| Grand Rapids, MI     | Owner Retired                                                        | Rod Skinner/Erikson | <a href="mailto:roblskinner@hotmail.com">roblskinner@hotmail.com</a>                   | 6750 Kalamazoo Ave SE Ste E<br>Grand Rapids, MI 49508 | 6166987200       |
| St. Clair Shores, MI | Owners Retired                                                       | Joe Dyament         | <a href="mailto:scsfeet@sbcglobal.net">scsfeet@sbcglobal.net</a>                       | 21213 Harper Ave. St. Clair Shores, MI 48080          | 5865523668       |
| West Chester, OH     | Closed in 2023                                                       | Joanne Ziolkowski   | <a href="mailto:cincinnatiorth@footsolutions.com">cincinnatiorth@footsolutions.com</a> | 5475 Deerfield Blvd. Mason, OH 45040                  | 5136087723       |

EXCEPT FOR THOSE FRANCHISEES LIST ABOVE THERE ARE NOT FRANCHISEES WHO HAVE HAD AN OUTLET TERMINATED, CANCELLED, NOT RENEWED, OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT IN 2023 OR WHO HAVE NOT COMMUNICATED WITH THE FRANCHISOR WITHIN 10 WEEKS OF THE DATE OF THIS FRANCHISE DISCLOSURE DOCUMENT.

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

**EXHIBIT E**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

| <b>STATE</b> | <b>STATE REGULATORY AGENCY</b>                                                                                                                                        | <b>AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY</b>                                                                                                               |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| California   | California Dept. of<br>Financial Protection and Innovation<br>2101 Arena Boulevard<br>Sacramento, CA 95834<br>866-275-2677                                            | Commissioner of<br>Financial Protection and Innovation<br>2101 Arena Boulevard<br>Sacramento, CA 95834<br>866-275-2677                                                                                |
| Hawaii       | Department of Commerce and<br>Consumer Affairs<br>Business Registration Division<br>Commissioner of Securities<br>P.O. Box 40<br>Honolulu, HI 96810<br>(808) 586-2722 | Commissioner of Securities<br>Department of Commerce and<br>Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813 |
| Illinois     | Franchise Bureau<br>Office of Attorney General<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465                                                  |                                                                                                                                                                                                       |
| Indiana      | Franchise Section<br>Indiana Securities Division<br>Secretary of State<br>Room E-111<br>302 W. Washington Street<br>Indianapolis, IN 46204<br>(317) 232-6681          |                                                                                                                                                                                                       |

| STATE        | STATE REGULATORY AGENCY                                                                                                                                                                      | AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY                                                                       |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maryland     | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-7042                                                                    | Maryland Commissioner of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020                                                                  |
| Michigan     | Michigan Attorney General's Office<br>Consumer Protection Division<br>Attn: Franchise Section<br>525 W. Ottawa Street<br>Williams Building, 1st Floor<br>Lansing, MI 48933<br>(517) 373-7117 |                                                                                                                                                        |
| Minnesota    | Minnesota Department of Commerce<br>Securities Unit<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500                                                 | Commissioner of Commerce<br>Minnesota Department of Commerce<br>Securities Unit<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198 |
| New York     | New York State Department of Law<br>Investor Protection Bureau<br>28 Liberty Street, 21st Floor<br>New York, NY 10005<br>(212) 416-8236                                                      | Secretary of State<br>The Division of Corporations<br>One Commerce Plaza<br>99 Washington Avenue<br>Albany, NY 12231-0001                              |
| North Dakota | Office of Securities<br>Commissioner<br>Fifth Floor<br>600 East Boulevard<br>Bismarck, ND 58505-0510<br>(701) 328-4712                                                                       |                                                                                                                                                        |
| Oregon       | Department of Consumer & Business Services<br>Division of Finance and Corporate Securities<br>Labor and Industries Building<br>Salem, OR 97310<br>(503) 378-4140                             |                                                                                                                                                        |
| Rhode Island | Department of Business Regulation<br>Securities Division<br>1511 Pontiac Avenue<br>John O. Pastore Complex-69-1<br>Cranston, RI 02920-4407<br>(401) 462-9527                                 |                                                                                                                                                        |
| South Dakota | Division of Insurance<br>Securities Regulation<br>124 S. Euclid Avenue, Suite 104<br>Pierre, SD 57501<br>(605) 773-3563                                                                      |                                                                                                                                                        |

| STATE      | STATE REGULATORY AGENCY                                                                                                       | AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY                                                |
|------------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Virginia   | State Corporation Commission<br>1300 East Main Street<br>9th Floor<br>Richmond, VA 23219<br>(804) 371-9051                    | Clerk<br>State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219                                 |
| Washington | Department of Financial Institutions<br>Securities Division<br>P.O. Box 9033<br>Olympia, WA 98507-9033<br>(360) 902-8760      | Director of Dept. of Financial Institutions<br>Securities division<br>150 Israel Rd. SW<br>Tumwater, WA 98501<br>(360) 902-8760 |
| Wisconsin  | Division of Securities<br>Department of Financial Institutions<br>Post Office Box 1768<br>Madison, WI 53701<br>(608) 266-2801 |                                                                                                                                 |



**EXHIBIT F**

**OPERATIONS MANUAL TABLE OF CONTENTS**

**Owner/Manager Operations Manual**  
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**EXHIBIT G**  
**MANAGEMENT AND SHARED SERVICES AGREEMENT**

This Management and Shared Services Agreement (this “Agreement”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 202\_\_ (the “Effective Date”) between FOOT SOLUTIONS, INC., a Georgia corporation (“Manager”) and NEWCO, a \_\_\_\_, \_\_\_\_\_ (“Owner”). Foot Solutions and Owner are sometimes referred to herein individually as a “Party”, or collectively as the “Parties.

WHEREAS, Owner is a franchisee pursuant to one or more Franchise Agreements with Foot Solutions for the operation of Foot Solutions franchised businesses (each, a “Franchised Business”) in the state of \_\_\_\_\_; and

WHEREAS, Owner desires to employ Foot Solutions to manage and operate the Franchised Business pursuant to the terms and conditions of this Agreement.

FOR AND IN CONSIDERATION of the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and the mutual covenants and benefits flowing to each Party, the Parties agree as follows:

**1. Appointment of Manager.**

1.1 Appointment. Owner engages and retains Foot Solutions as the sole and exclusive Manager and operator of the Franchised Business commencing on the Effective Date, and Foot Solutions hereby accepts such appointment, on and subject to the terms and conditions hereinafter set forth in this Agreement.

1.2 Duties.

(a) Full Time Best Efforts. The Manager shall devote its full time and best efforts to the operation of the Franchised Business necessary in the performance of its duties hereunder to successfully manage, and to supervise and administer the operation of the business. The Manager shall be responsible for and shall have exclusive control of the operation of the Franchised Business. The Manager shall consult with Owner prior to making major decisions concerning the business. For purposes of this Section, a “Major Decision” means a decision to take or refrain from taking any action out of the ordinary course of business. Manager shall not

incur any financial or legal obligations for the Business outside of the ordinary course of business or in the name of Owner without the express written consent of Owner.

(b) Lease. To comply with all of the covenants, stipulations, agreements, and obligation to be performed by Owner under the lease for the business premises accruing after the date hereof or otherwise attributable to the period commencing on the date hereof and continuing thereafter until the termination of this Agreement, on or before the due date for performance thereof.

(c) Banking. Manager shall operate the Business in the name of Owner and shall deposit all Gross Receipts into Owner's designated bank account and shall pay all expenses of the business from Owner's designated bank account. Owner shall provide Manager with signatory authority for Owner's designated bank account. Owner shall be responsible for maintaining an adequate balance in said bank account to meet all obligations of the Franchised Business when due. The designated bank account shall be used solely for expenses of the Franchised Business and shall not be used for any of Owner's personal expenses.

(d) Working Capital. Owner must at all times maintain a working capital balance in Owner's designated bank account of at least Fifty Thousand (\$50,000) Dollars in excess of the amounts required to open the Store.

(e) Responsibilities of Manager. The Manager's responsibilities in regard to the operations of the Franchised Business shall include but not be limited to:

1. All aspects of day to day operations
2. Location selection, lease negotiation, and build out
3. Procurement of equipment, inventory, materials
4. Oversight of business plan and management of operational workflow
5. Recruiting, training, and scheduling staff
6. Payroll processing and benefits programs
7. Bookkeeping and reporting
8. Oversight of advertising, promotions, and marketing
9. Appointment of corporate regional advisor, a seasoned and successful franchisee or corporate employee, who can advise on the growth of the new stores
10. Technology installation and training

1.3 Payment of Expenses of the Business. During the term of this Agreement, Owner shall be responsible for all normal and customary operating expenses of the Business. The Parties shall confer to determine a reasonable balance to be maintained in Owner's designated operating bank account.

1.4 Manager shall provide all administrative and accounting functions required to operate and manage the Franchised Business and shall ensure that all obligations of Owner under the franchise agreements are timely met.

1.5 Owner's Access to Information. Owner shall have full and free access to the

Business, the business premises, and all records of the business. Manager shall furnish Owner with monthly financial and other reports of the operations of the Franchised Business.

**2. Compensation of Manager.** Subject to the provisions of Section 2.1, Manager's sole compensation for its services hereunder shall be in the form of fees payable to it as franchisor pursuant to the franchise agreements.

2.1 At such time as All Investments in the Franchised Business have been returned to Owner based on the operations of the Franchised Business, Manager shall receive a 5% Management Fee in addition to the Franchise Agreement requirements. "All Investments" shall be per location and defined as the initial capital contribution of the Owner plus any subsequent capital contributions, if any. The initial capital contribution shall include the upfront Franchise Fee associated with the store. All Investments shall be deemed "returned" after the filed taxable income of the location plus any Owner discretionary income from the business is equal to or exceeds "All Investments".

**3. Manager's Right to Acquire the Business.**

Should Owner indicate in writing the intention to sell Newco, Foot Solutions shall have the first right of refusal to acquire Owner's interest in the Franchised Business(es).

**4. Term and Termination.**

4.1 Term. The term of this Agreement shall commence on the Effective Date and shall expire on the first to occur of the following: (i) the termination or expiration of the Franchise Agreement(s); (ii) in accordance with Section 4.2 herein; (iii) upon mutual consent of Manager and Owner; or (iv) the closing of the transaction contemplated by Section 3 herein.

4.2 Default and Termination.

(a) Termination by Manager. Manager shall have the right to terminate this Agreement upon sixty (60) days' advance written notice to Owner in the event that Owner fails or refuses to provide sufficient operating capital to fund the operations of the Franchised business. Manager shall be responsible for all expenses of the Business during the 60-day notice period.

(b) Termination by Owner. Manager will be in material breach of this Agreement and Owner will have the right to terminate this Agreement after ten (10) days' written notice to Manager to cure the default and Manager's failure to cure such default within such time, without further notice or opportunity to cure, if Manager fails to perform any covenant, warranty, agreement, promise, term, provision or obligation of Manager. In the event that the default is incapable of being cured within ten (10) days, Manager will be deemed to have cured the default if within the ten (10) day period, Manager takes steps to commence the cure.

**5. Indemnity.**

As a material consideration of this Agreement, Manager agrees to indemnify and hold Owner, its agents, employees, members, stockholders, directors, officers, successors and assigns, jointly and severally from and against any and all claims, demands, damages, actions and causes

of action of any nature whatsoever (including attorneys' fees, costs and expenses), whether arising at law or in equity, arising, on or after the date hereof and through the date of termination of this Agreement arising out of Manager's operation of the Franchised Business, including but not limited to the premises lease or the Franchised Business.

**6. Notices.**

All notices, consents and other communications hereunder shall be in writing and shall be deemed given when delivered via facsimile communication, or delivery (or upon refusal of deliver) via U.S. Certified or Registered Mail, postage prepaid and return receipt requested, or by Federal Express or UPS, to the other party addressed as follows:

To Manager:           Foot Solutions, Inc.  
                              Attn: John Prothro, CEO  
                              223 Roswell St., Suite 200  
                              Alpharetta, Georgia 30004

*With a Copy to:*       Shires Peake & Gottlieb, LLC  
                              Attn: Joseph J. Gottlieb  
                              284 North Main St.  
                              Alpharetta, Georgia 30009

TO Owner:             \_\_\_\_\_  
                              Attn: \_\_\_\_\_  
                              \_\_\_\_\_  
                              \_\_\_\_\_

**7. Miscellaneous.**

(a)       This Agreement shall be construed and interpreted under the laws of the State of Georgia.

(b)       Except as otherwise provided herein, all rights, powers and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law.

(c)       The failure of either party to exercise any power given either party hereunder or to insist upon strict compliance by either party of its obligations hereunder shall not constitute a waiver of either party's right to demand exact compliance with the terms hereof.

(d)       This Agreement contains the entire agreement of the parties hereto relating to the subject matter hereof, and no representations, inducements, promises or agreements, oral or otherwise between the parties not embodied herein shall be of any force or effect.

(e)       No amendment to this Agreement shall be binding on any of the parties to this Agreement unless such amendment is in writing, and such amendment is executed by all of the



parties to this Agreement.

(f) No waiver or consent permitted or contemplated by this Agreement shall be effective or binding on any of the parties hereto unless the same is in writing and delivered and received from on party to the other.

(g) The captions and heading of the paragraphs contained in the Agreement are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such paragraphs, or in any way affect this Agreement.

(h) Time is of the essence of this Agreement.

(i) This Agreement may be executed in several counterparts, each of which shall be deemed an original and all such counterparts together shall constitute one and the same instrument.

(j) This Agreement shall not be assigned by either party without prior notice to the other.

(k) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrator, personal representatives, successors, or assigns.

**IN WITNESS WHEREOF**, the undersigned parties have hereunto set their hands and affixed their seals as of the day and year first above written.

MANAGER:

OWNER:

Foot Solutions, Inc.

By: \_\_\_\_\_

John Prothro, CEO

By: \_\_\_\_\_

Title: \_\_\_\_\_

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | Pending               |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## EXHIBIT H

### RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Foot Solutions, Inc. offers you a franchise, Foot Solutions, Inc. must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement or make any payment to Foot Solutions, Inc. or an affiliate in connection with the proposed franchise sale. Iowa, Maryland, New York, Oklahoma and Rhode Island require that Foot Solutions, Inc. give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before you sign the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Washington require that Foot Solutions, Inc. give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Foot Solutions, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of Federal and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and any applicable state agency listed in Exhibit D.

The name(s), address(es) and telephone number(s) of the franchise seller(s) involved in offering and selling the franchise to you is(are): John Prothro, Bryan Scott; 223 Roswell St., Suite 202, Alpharetta, Georgia 30009; (866) 338-2597; and \_\_\_\_\_.

I have received a Foot Solutions Franchise Disclosure Document with an issue date of October 7, 2024. State registration effective dates are listed on the State Registrations page. This Disclosure Document included the following Exhibits:

|           |                                                        |
|-----------|--------------------------------------------------------|
| Exhibit A | Financial Statements                                   |
| Exhibit B | Franchise Agreement                                    |
| Exhibit C | Multi-Unit Development Agreement                       |
| Exhibit D | List of Outlets                                        |
| Exhibit E | State Administrators and Agents for Service of Process |
| Exhibit F | Operations Manual Table of Contents                    |
| Exhibit G | Management Agreement                                   |

Dated: \_\_\_\_\_

\_\_\_\_\_  
Individually and as an Officer  
of \_\_\_\_\_

(a \_\_\_\_\_ Corporation, Partnership,  
Limited Liability Company)

**(KEEP THIS COPY FOR YOUR RECORDS)**

## **RECEIPT**

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Foot Solutions, Inc. offers you a franchise, Foot Solutions, Inc. must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement or make any payment to Foot Solutions, Inc. or an affiliate in connection with the proposed franchise sale. Iowa, Maryland, New York, Oklahoma and Rhode Island require that Foot Solutions, Inc. give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before you sign the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Washington require that Foot Solutions, Inc. give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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| Exhibit E | State Administrators and Agents for Service of Process |
| Exhibit F | Operations Manual Table of Contents                    |
| Exhibit G | Management Agreement                                   |

Dated: \_\_\_\_\_

\_\_\_\_\_  
Individually and as an Officer  
of \_\_\_\_\_

(a \_\_\_\_\_ Corporation, Partnership,  
Limited Liability Company)

**(RETURN TO US)**