

EXHIBIT C

Contours **Express**®
The Better Idea in Women's Gyms!™

**Financial
Statements**

CONTOURS EXPRESS, LLC
156 IMPERIAL WAY
NICHOLASVILLE, KENTUCKY 40356
(877) 227-2282
WWW.CONTOURSEXPRESS.COM

Contours Express, LLC

Accountants' Report and Financial Statements

December 31, 2006 and 2005



Contours Express, LLC
December 31, 2006 and 2005

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Independent Accountants' Report

Board of Directors
Contours Express, LLC
Nicholasville, Kentucky

We have audited the accompanying balance sheets of Contours Express, LLC as of December 31, 2006 and 2005, and the related statements of operations, members' equity and cash flows for the year ended December 31, 2006 and the period from inception (June 3, 2005) to December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Contours Express, LLC as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the year ended December 31, 2006 and the period from inception (June 3, 2005) to December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

March 26, 2007

Contours Express, LLC
Balance Sheets
December 31, 2006 and 2005

Assets

	2006	2005
Current Assets		
Cash and cash equivalents	\$ 258,242	\$ 396,468
Members' equity contribution receivable	700,000	—
Other receivables	12,118	33,099
Inventories	2,766	13,901
Prepaid expenses and other assets	82,145	87,364
Total current assets	1,055,271	530,832
Furniture and Equipment, net of accumulated depreciation; 2006 - \$18,416, 2005 - \$852	78,931	28,623
Other Assets		
Trademarks	3,237,987	3,237,987
Other intangible assets, net	1,167,678	1,254,711
Goodwill	6,756,533	6,756,533
	11,162,198	11,249,231
	\$ 12,296,400	\$ 11,808,686

Liabilities and Members' Equity

Current Liabilities		
Accounts payable	\$ 117,341	\$ 48,059
Accrued expenses	153,863	32,860
Deferred revenue	274,446	126,173
Total current liabilities	545,650	207,092
Members' Equity	11,750,750	11,601,594
	\$ 12,296,400	\$ 11,808,686

Contours Express, LLC

Statements of Operations

	Year Ended December 31, 2006	For the Period from Inception (June 3, 2005) to December 31, 2005
Revenues		
Franchise Fees, Equipment & Nutritional Supplement Sales	\$ 3,018,411	\$ 1,151,044
Royalty Fees and Other	<u>1,364,622</u>	<u>702,094</u>
	<u>4,383,033</u>	<u>1,853,138</u>
Costs & Expenses		
Direct operating expenses	1,441,256	581,092
Selling, general and administrative expenses	3,547,820	969,530
Depreciation and amortization	104,599	51,621
Other	<u>111,009</u>	<u>52,313</u>
	<u>5,204,684</u>	<u>1,654,556</u>
Net (Loss) Income	<u>\$ (821,651)</u>	<u>\$ 198,582</u>

Contours Express, LLC
Statements of Members' Equity
Year Ended December 31, 2006 and the Period from
Inception (June 3, 2005) to December 21, 2005

Contribution of Members' Equity, June 3, 2005	\$ 11,403,012
Net income	<u>198,582</u>
Balance, December 31, 2005	11,601,594
Net loss	(821,651)
Contribution of members' equity	1,000,000
Distributions	<u>(29,193)</u>
Balance, December 31, 2006	<u>\$ 11,750,750</u>

Contours Express, LLC

Statements of Cash Flows

	Year Ended December 31, 2006	For the Period from Inception (June 3, 2005) to December 31, 2005
Operating Activities		
Net (loss) income	\$ (821,651)	\$ 198,582
Items not requiring cash		
Depreciation and amortization	104,599	51,621
Changes in		
Accounts receivable	20,981	(33,099)
Inventories	11,135	(13,901)
Prepaid expenses and other assets	5,219	(87,364)
Accounts payable and accrued expenses	190,285	80,919
Deferred revenue	<u>148,273</u>	<u>126,173</u>
Net cash (used in) provided by operating activities	<u>(341,159)</u>	<u>322,931</u>
Investing Activities		
Net cash used in purchase of furniture and equipment	<u>(67,874)</u>	<u>(26,463)</u>
Financing Activities		
Capital contributions	300,000	100,000
Distributions to members	<u>(29,193)</u>	<u>—</u>
Net cash provided by financing activities	<u>270,807</u>	<u>100,000</u>
(Decrease) Increase in Cash and Cash Equivalents	(138,226)	396,468
Cash and Cash Equivalents, Beginning of Period	<u>396,468</u>	<u>—</u>
Cash and Cash Equivalents, End of Period	<u>\$ 258,242</u>	<u>\$ 396,468</u>
Supplemental Cash Flows Information		
Note received for members' equity contribution	\$ 700,000	\$ —
Members equity from contribution of assets		
Property and equipment	\$ —	\$ 3,012
Intangibles	—	4,543,467
Goodwill	<u>—</u>	<u>6,756,533</u>
	<u>\$ —</u>	<u>\$ 11,303,012</u>

See Notes to Financial Statements

Contours Express, LLC
Notes to Financial Statements
December 31, 2006 and 2005

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Contours Express, LLC is a Delaware limited liability company (the Company). Revenues are predominantly earned from granting franchises in the United States and providing services to franchisees. These franchises consist of the opportunity to open and operate a fitness and weight loss studio at a prescribed location under the Contours Express trademark and system of operating procedures. The Company does not operate any corporate owned locations. Through common ownership, the Company is affiliated with Contours Express International, LLC (International), which earns revenue from granting franchises outside the United States. Under a licensing agreement, the Company has granted International, without cost, the irrevocable and perpetual right to use the Company's trademark outside the United States.

Use of Estimates

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

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2006 and 2005 cash equivalents consisted primarily of money market accounts. At December 31, 2006 the Company's cash accounts exceeded federally insured limits by approximately \$317,000.

Inventory Pricing

Inventories consist primarily of exercise equipment held for sale. Inventories are stated at the lower of cost or market and are determined using the first-in, first-out (FIFO) method.

Furniture and Equipment

Furniture and equipment are stated at cost and are depreciated over the estimated useful life of each asset using the straight line method.

Goodwill

Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$545,000 for the year ended December 31, 2006 and \$115,000 for the period from inception (June 3, 2005) to December 31, 2005.

Contours Express, LLC
Notes to Financial Statements
December 31, 2006 and 2005

Income Taxes

The Company's members have elected to have the Company's income taxed as a partnership under provisions of the Internal Revenue Code and a similar section of the state income tax law. Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns and no provision for federal and state income taxes is included in these statements.

Revenue Recognition

Franchise sales are recognized as income when all material services or conditions relating to the sale have been substantially performed by the Company. Revenue from the sale of the equipment and nutritional supplements is recognized as products are delivered to franchisees. Royalties are billed monthly at a flat fee based on the underlying franchise agreement and are recognized as billed. Revenues received in advance from customers for unshipped orders of equipment and nutritional supplements are deferred.

Note 2: Acquired Intangible Assets and Goodwill

The carrying basis and accumulated amortization of recognized intangible assets at December 31, 2006 and 2005 were:

	2006		2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Franchise agreements	\$ 782,425	\$ 82,689	\$ 782,425	\$ 30,428
Other	<u>523,055</u>	<u>55,112</u>	<u>525,055</u>	<u>20,341</u>
	<u>\$ 1,305,480</u>	<u>\$ 137,801</u>	<u>\$ 1,305,480</u>	<u>\$ 50,769</u>
Unamortized intangible assets				
Trademarks			<u>\$ 3,237,887</u>	

Amortization expense for the year ended December 31, 2006 was \$87,033 and for the period from inception (June 3, 2005) to December 31, 2005 was \$50,769. Estimated amortization expense for each of the following five years is \$87,000 per year. Trademarks are tested annually for impairment.

There were no changes in the carrying amount of goodwill or trademarks for 2006 and 2005.

Contours Express, LLC
Notes to Financial Statements
December 31, 2006 and 2005

Note 3: Related Party Operating Leases

The Company rents its headquarters under a noncancellable operating lease with a Company owned by a related party of a member. The lease expires in 2010. Lease payments for the year ended December 31, 2006 were \$90,000 and for the period from inception (June 3, 2005) to December 31, 2005 were \$52,500. The Company subleases a portion of its headquarters to International, an entity with common ownership. The sublease expires in 2010. Sublease payments for the year ended December 31, 2006 were \$12,000 and for the period from inception (June 3, 2005) to December 31, 2005 were \$7,000.

Future minimum lease payments at December 31, 2006, were:

2007	\$	90,000
2008		90,000
2009		90,000
2010		<u>37,500</u>
	\$	<u>307,500</u>

Minimum future rentals receivable under non cancelable operating sub-leases at December 31, 2006 were \$41,000.

Note 4: Profit-Sharing Plan

The Company has a 401(k) profit-sharing plan covering substantially all employees. The Company's contributions to the plan are determined annually by the Board of Directors. Contributions to the plan were \$23,781 for the year ended December 31, 2006 and \$8,494 for the period from inception (June 3, 2005) to December 31, 2005.

Note 5: Business Acquisitions

On June 3, 2005 the Company's predecessor, Contours Express, Inc, contributed substantially all of its assets to the Company. Concurrently, the predecessor sold 65% of its ownership to PGCE, Inc., an unrelated investor, for \$11,300,000. The acquisition by PGCE, Inc has been accounted for as a purchase. As a result of the substantial change in ownership of the Company, push down accounting has been applied and a new basis of accounting has been established for the Company. The allocation of PGCE, Inc.'s purchase price has been made based upon a third-party appraisal at the date of acquisition. The 2005 financial statements cover the period from June 3, 2005, inception, to December 31, 2005.

Contours Express, LLC
Notes to Financial Statements
December 31, 2006 and 2005

Following is a condensed balance sheet on the day of acquisition:

Intangible Assets	\$ 4,543,467
Goodwill	6,756,533
Property and Equipment	<u>3,012</u>
Total Assets	<u>\$ 11,303,012</u>
Members' Equity	<u>\$ 11,303,012</u>

Note 6: Commitments and Contingencies

The Company is subject to claims and lawsuits in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect of the Company's results of operation or financial condition.



Acknowledgement of Independent Accountants

We agree to the inclusion in this Uniform Franchise Offering Circular of our report, dated March 26, 2007, on our audit of the financial statements of Contours Express, LLC as of December 31, 2006 and 2005, and for the year ended December, 31 2006 and the period from inception (June 3, 2005) to December 31, 2005.

BKD, LLP

BKD, LLP

Cincinnati, Ohio
March 26, 2007