

**JENNY CRAIG FRANCHISE OFFERING CIRCULAR
EXHIBIT E**

AREA DEVELOPMENT AGREEMENT



JENNY CRAIG

AREA DEVELOPMENT AGREEMENT

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**JENNY CRAIG
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and entered into on this ____ day of _____, 200__ (“**Effective Date**”) by and between:

- Jenny Craig Franchising, LLC, a Delaware limited liability company whose principal place of business is 5770 Fleet Street, Carlsbad, California 92008 (“**Franchisor**”); and
- _____, a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ (“**Developer**”).

BACKGROUND:

A. Franchisor owns a format and system (the “**System**”) relating to the establishment and operation of weight management centres that provide products and services to customers to help them manage their body weight, under the “Jenny Craig” name and marks (the “**Weight Loss and Weight Management Centres**”);

B. The distinguishing characteristics of the System include, without limitation, individual consultations; recommended exercise programs; “Jenny Craig”-branded food and food supplement products, which are proprietary (“**Branded Products**”), and other related food and beverage products that Franchisor may designate from time to time; vitamins and mineral supplements; procedures for operations; procedures for management and inventory control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

C. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “Jenny Craig”, and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) for use in connection with the System (the “**Proprietary Marks**”);

D. Franchisor grants to qualified persons franchises to own and operate Weight Loss and Weight Management Centres; and

E. Developer wishes to obtain certain rights to develop Weight Loss and Weight Management Centres under Franchisor’s System, within the Development Area specified in this Agreement and according to the Development Schedule specified in this Agreement; and Developer and Franchisor wish to enter into this Agreement in order to reflect the understandings

and agreements that they have reached with respect to the foregoing points and the other matters that are addressed herein.

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

1. **GRANT**

1.1 Franchisor hereby grants to Developer the right (and Developer hereby accepts the obligation), pursuant to the terms and conditions of this Agreement, to develop _____ () Weight Loss and Weight Management Centres in the Development Area. In this regard, the parties further agree that:

1.1.1 The Weight Loss and Weight Management Centres shall be developed by Developer pursuant to the development schedule set forth in Paragraph 2 of Exhibit ADA-1, attached hereto (the “**Development Schedule**”). If at any time during the term of this Agreement Developer fails to satisfy the Development Schedule, Franchisor shall have the right, but no obligation, to exercise Franchisor’s termination rights pursuant to Section 6 hereof.

1.1.2 Each Weight Loss and Weight Management Centre developed under this Agreement shall be established and operated pursuant to a separate Jenny Craig Franchise Agreement (a “**Franchise Agreement**”) that shall be executed as provided in Section 3.1 below.

1.1.3 Each Weight Loss and Weight Management Centre developed under this Agreement shall be located within the area that is specified in Paragraph 1 of Exhibit ADA-1, attached hereto (the “**Development Area**”).

1.2 If Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Developer (including any affiliate of Developer) and Franchisor, then Franchisor shall not establish, nor license anyone other than Developer to establish, a Weight Loss and Weight Management Centre in the Development Area until the last date specified in the Development Schedule, except as otherwise provided under Sections 1.3 and 1.4 below.

1.3 Except as otherwise specifically provided under Section 1.2 above, Franchisor retains all other rights, and therefore Franchisor shall have the right (among others) on any terms and conditions Franchisor deems advisable, and without granting Developer any rights therein, to:

1.3.1 establish, and license others to establish, Weight Loss and Weight Management Centres at any location outside the Development Area, notwithstanding such Weight Loss and Weight Management Centres’ proximity to any Weight Loss and Weight Management Centre operated by Developer within the Development Area;

1.3.2 establish, and license others to establish, stores under other systems or other proprietary marks, which stores may offer or sell products that are the same as, similar to, or different from the Branded Products offered from the Weight Loss and Weight Management Centre, and which stores may be located within or outside the Development Area, and notwithstanding such stores' proximity to any Weight Loss and Weight Management Centre operated by Developer;

1.3.3 acquire and operate any business or store of any kind, whether located within or outside the Development Area (excluding Weight Loss and Weight Management Centres operated under the System within the Development Area), notwithstanding the proximity of any such businesses or stores to any Weight Loss and Weight Management Centre operated by Developer;

1.3.4 sell and distribute, directly or indirectly, any products or services at or from the premises of a business which has been designated by Franchisor as a corporate, institutional or similar facility that primarily serves customers employed by or otherwise affiliated with such facility (a "**Corporate Account**"), which Corporate Account may be located within or outside the Development Area, and notwithstanding such Corporate Account's proximity to any Weight Loss and Weight Management Centre operated by Developer; provided, however, that if Franchisor desires to offer products or services at or from a Corporate Account located within the Development Area, and provided Developer is in compliance with the terms and conditions of this Agreement, and any other agreement between Franchisor and Developer (including all Franchise Agreements), Franchisor shall provide Developer with written notice of Franchisor's intent to offer such products and services at or from the Corporate Account located within the Development Area, and Franchisor shall offer to Developer the opportunity to provide such products and services in lieu of Franchisor. Developer shall respond to Franchisor's offer to provide such products and services within ten (10) days, and if Developer does not respond within such ten-day period, or if Developer rejects the offer to provide products and services at or from the Corporate Account located within the Development Area, or if Developer is not in compliance with this Agreement or any other agreement between Franchisor and Developer, then Franchisor may immediately begin providing such products or services at or from the Corporate Account located within the Development Area; and

1.3.5 sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, Jenny Craig weight loss program memberships and/or Branded Products from any location or to any purchaser (including, but not limited to, sales made at retail locations, mail order, and on the Internet), so long as such sales are not conducted from a retail Weight Loss and Weight Management Centre operated from a location inside the Development Area. By way of example of the foregoing, Franchisor, its affiliates, licensees and other authorized third parties may engage in activities that include, but are not limited to, direct and indirect sales to persons or entities in the Development Area, whether through telemarketing, direct mail, Internet or otherwise, of goods or services, including without limitation, food and other products bearing the Proprietary Marks.

1.4 In addition to the rights retained by Franchisor, as described in Section 1.3 above, Developer acknowledges and agrees that Franchisor and certain of Franchisor's affiliates and designees now sell and shall have the right to sell Branded Products (and items of a similar nature) to wholesale and retail accounts, or otherwise, to any account and at any location. Franchisor, its affiliates, licensees and other authorized third parties also may engage in broadcast, print or other advertising in the Development Area, whether by radio, television, cable, satellite, print, Internet or other media.

1.5 This Agreement is not a franchise agreement, and does not grant to Developer any right to use in any manner Franchisor's Proprietary Marks or System.

1.6 Developer shall have no right under this Agreement to license others to use in any manner the Proprietary Marks or System.

2. DEVELOPMENT FEE

2.1 In consideration of the development rights granted herein, Developer shall pay to Franchisor on or before the date of this Agreement a development fee equal to Ten Thousand Dollars (\$10,000) for each Weight Loss and Weight Management Centre required to be established pursuant to the Development Schedule (the "**Development Fee**"). For example, if the Development Schedule were to require Developer to establish three (3) Weight Loss and Weight Management Centres during the term of this Agreement, Developer would pay to Franchisor, on or before the date of this Agreement a Development Fee in the amount of Thirty Thousand Dollars (\$30,000). If Developer is in full compliance with the Development Schedule, and is not otherwise in default under any provisions of this Agreement, or any other agreement with Franchisor, then for each initial franchise fee paid by Developer to Franchisor pursuant to a Franchise Agreement for a Weight Loss and Weight Management Centre to be established under the Development Schedule, Franchisor will credit back to Developer the Ten Thousand Dollar (\$10,000) portion of the Development Fee against the initial franchise fee already paid by Developer for such Weight Loss and Weight Management Centre.

2.2 The Development Fee shall be fully earned when received by Franchisor and shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

3. DEVELOPMENT OBLIGATIONS

3.1 Developer shall execute a Franchise Agreement for each Weight Loss and Weight Management Centre. Each Weight Loss and Weight Management Centre shall be located at a site approved by Franchisor, within the Development Area, as provided below (the "**Approved Location**"). The Franchise Agreement for the first Weight Loss and Weight Management Centre developed hereunder shall be in the form of the Franchise Agreement attached hereto as Exhibit D. The Franchise Agreement for each additional Weight Loss and Weight Management

Centre developed hereunder shall be the form of Franchise Agreement being offered generally by Franchisor at the time each such Franchise Agreement is executed. The Franchise Agreement for each Weight Loss and Weight Management Centre shall be executed by Developer and submitted to Franchisor for countersignature not later than fifteen (15) days after execution of the lease for such Weight Loss and Weight Management Centre, but in any event not later than thirty (30) days before the Weight Loss and Weight Management Centre is reasonably expected to open for business.

3.2 For each proposed site for a Weight Loss and Weight Management Centre, Developer must comply with Franchisor's then-current site selection requirements for Weight Loss and Weight Management Centres at the time each Weight Loss and Weight Management Centre is proposed by Developer for placement. For Weight Loss and Weight Management Centres which do not have an Approved Location prior to entering into the Franchise Agreement, Developer shall comply with the terms of the site selection addendum attached to the Franchise Agreement for such Weight Loss and Weight Management Centres. Notwithstanding the foregoing, Developer must obtain site approval from Franchisor for the first Weight Loss and Weight Management Centre to be developed hereunder within twelve (12) months of the date of this Agreement.

3.3 Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule. Failure by Developer to adhere to the Development Schedule, or failure by Developer to submit a completed Site Approval Package and obtain Franchisor's approval thereof within the time specified in Section 3.2 hereof shall constitute a default under this Agreement as provided in Section 6.2 hereof.

4. TERM

4.1 The term of this Agreement and all rights granted hereunder shall expire on the last date specified in the Development Schedule, unless this Agreement is earlier terminated in accordance with the terms set out in this Agreement.

4.2 Developer may, at its option, renew this Agreement for one (1) additional term, subject to the following conditions, each of which must be met prior to renewal:

4.2.1 Developer shall give Franchisor written notice of Developer's election to renew no fewer than one hundred twenty (120) days nor more than one hundred eighty (180) days prior to the end of the initial term;

4.2.2 Developer shall not be in default of any provision of this Agreement, any amendment to this Agreement, any successor to this Agreement, or any other agreement between Developer and Franchisor or its subsidiaries and affiliates; and, in the reasonable judgment of Franchisor, Developer shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Franchisor during the term of this Agreement;

4.2.3 Developer shall execute Franchisor's then-current form of area development agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new area development agreement, which shall not supersede this Section 4.2), and Developer acknowledges that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including, without limitation, a revised Development Area to account for changing population and other demographic factors within the Development Area; provided, however, that there shall be no initial development fee;

4.2.4 In connection with the execution of the then-current form of area development agreement pursuant to Section 4.2.3 above, Developer and Franchisor shall mutually agree upon a new Development Schedule for the renewal term of this Agreement. If Franchisor and Developer are unable to agree upon a Development Schedule for the renewal term, then the Development Schedule for the renewal term shall provide for the development of the same number of Weight Loss and Weight Management Centres as the Development Schedule for the initial term of this Agreement;

4.2.5 Developer and its personnel shall comply with Franchisor's then-current qualification and training requirements for new area developers; and

4.2.6 Developer shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents, and employees.

5. DUTIES OF THE PARTIES

5.1 Franchisor shall furnish to Developer site selection guidelines, including Franchisor's minimum standards for a location for the Weight Loss and Weight Management Centre, and such site selection counseling and assistance as Franchisor may deem advisable.

5.2 Developer accepts the following obligations:

5.2.1 Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

5.2.2 Developer shall comply with all requirements of federal, state, and local laws, rules, and regulations. To the extent that the requirements of said laws are in conflict with the terms of this Agreement or other instructions of Franchisor, Developer shall: (a) comply

with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

5.2.3 Franchisor shall have the right to require Developer to employ one or more regional managers (who shall be individuals reasonably acceptable to Franchisor) to supervise the day to day operations of Developer's Weight Loss and Weight Management Centres. Any such regional managers shall be required to attend and successfully complete (to Franchisor's reasonable satisfaction) such training course(s) as Franchisor may reasonably require.

6. DEFAULT

6.1 Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if Developer shall become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Developer or such a petition is filed against and not opposed by Developer; or if Developer is adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersede as bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any Weight Loss and Weight Management Centre developed hereunder is instituted against Developer and not dismissed within thirty (30) days; or if the real or personal property of Developer shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 If Developer fails to meet its obligations under the Development Schedule, such action shall constitute a default under this Agreement, upon which Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Developer any opportunity to cure the default, effective immediately upon the delivery of written notice to Developer (in the manner set forth in Section 9 of this Agreement).

6.3 Except as otherwise provided in Sections 6.1 and 6.2, above, if Developer fails to comply with any material term and condition of this Agreement, or fails to comply with the terms and conditions of any Franchise Agreement or other development agreement between the Developer (or a person or entity affiliated with or controlled by the Developer) and Franchisor, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Developer may avoid termination by immediately initiating

a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty (30) day period (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Weight Loss and Weight Management Centres) will terminate without further notice to Developer, effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

6.4 In lieu of termination, Franchisor shall have the right to reduce or eliminate all or only certain rights of Developer under this Agreement; and if Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights, and invoke all other provisions, that are provided in law and/or set out under this Agreement.

6.5 Upon termination or expiration of this Agreement, Developer shall have no right to establish or operate any Weight Loss and Weight Management Centres for which a Franchise Agreement has not been executed by Franchisor at the time of termination. Thereafter, Franchisor shall be entitled to establish, and to license others to establish, Weight Loss and Weight Management Centres in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between Franchisor and Developer).

6.6 No default under this Area Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

6.7 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

7. TRANSFERS

7.1 Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations under this Agreement to any person or legal entity, and any assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

7.2 If Developer is a corporation, limited liability company, partnership, or limited liability partnership, each principal of Developer with an ownership interest ("**Principal**"), and the interest of each Principal in Developer, is identified in Exhibit ADA-3 hereto. Any person or entity which owns a direct or indirect interest in Developer may be designated as a Principal by Franchisor in its sole discretion, and Exhibit ADA-3 shall be so amended automatically upon notice thereof to Developer.

7.3 Franchisor shall have a continuing right to designate as a Principal any person or entity which owns a direct or indirect interest in Developer.

7.4 Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and that Franchisor has granted the rights described in this Agreement in reliance on Developer's or Developer's Principals' business skill, financial capacity, and personal character. Accordingly:

7.4.1 Developer shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and obligations of the Developer under this Agreement; or (b) any material asset of Developer.

7.4.2 If Developer is a corporation, Developer shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

7.4.3 If Developer is a partnership or limited liability company, the partners of the partnership or members of the limited liability company shall not, without the prior written consent of Franchisor, admit additional general partners or managing members, remove a general partner or managing member, or otherwise materially alter the powers of any general partner or managing member. Each general partner or member of a partnership or limited liability company shall automatically be deemed a Principal of Developer.

7.4.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Developer as shown in Exhibit ADA-3.

7.5 Franchisor shall not unreasonably withhold any consent required by Section 7.4; provided, if Developer proposes to transfer its obligations hereunder or any material asset, or if a Principal proposes to transfer any direct or indirect interest in Developer, Franchisor shall have absolute discretion to require any or all of the following as conditions of its approval:

7.5.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Developer and Franchisor or its affiliates, and federal, state, and local laws and rules;

7.5.2 The transfer shall be accompanied by a transfer of all Franchise Agreements with Franchisor, and the rights to all Weight Loss and Weight Management Centres operated thereunder and owned by Developer shall be transferred to the same transferee; provided, however, that the transfer fee under each such Franchise Agreement shall be Five Thousand Dollars (\$5,000) for the first (1st) Weight Loss and Weight Management Centre transferred, and Two Thousand Five Hundred Dollars (\$2,500) for each additional Weight Loss and Weight Management Centre transferred.

7.5.3 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Developer; and, if the obligations of Developer were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

7.5.4 The Principals of the Developer shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the business of Developer, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the business;

7.5.5 If a proposed transfer would result in a change in control of the Developer, at Franchisor's option, the Developer shall execute, for a term ending on the expiration date of this Agreement the form of area development agreement then being offered to new System Developers, and such other ancillary agreements required by Franchisor for the business contemplated hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement;

7.5.6 The transferor shall remain liable for all of the obligations to Franchisor in connection with this Agreement that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

7.5.7 At Developer's expense, one Principal designated by Franchisor shall successfully complete all training programs required by Franchisor upon such terms and conditions as Franchisor may reasonably require;

7.5.8 If a proposed transfer would result in a change in control of Developer, the Developer's business, or any of Developer's Weight Loss and Weight Management Centres, Developer shall pay a transfer fee of Five Thousand Dollars (\$5,000);

7.5.9 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 8.2 and Section 8.3 of this Agreement; and

7.5.10 Developer shall have paid Franchisor all of remaining installments of the Development Fee, if any, that Developer has not yet paid to Franchisor under Section 2.1 above.

7.6 Right of First Refusal.

7.6.1 If Developer or any Principal desires to accept any *bona fide* offer from a third party to purchase Developer, any material assets of Developer, or any direct or indirect interest in Developer, Developer or such Principal shall promptly notify Franchisor of such offer

and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by Franchisor.

7.6.2 Any material change in the terms of the offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 7.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 7, with respect to a proposed transfer.

7.6.3 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they shall attempt to appoint a mutually acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Developer, which two appraisers will, in turn, promptly designate a third appraiser; all three appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Developer. The cost of any such appraisal shall be shared equally by Franchisor and Developer. If Franchisor elects to exercise its right of first refusal, it shall have the right to set off all amounts due from Developer, and one-half of the cost of the appraisal, if any, against any payment to the Seller.

7.7 Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within six (6) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within six (6) months after the deceased's death.

7.8 Upon the permanent disability of any Principal with a controlling interest in Developer, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 7 within six (6) months after notice to Developer. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) months from the date of determination of disability is unlikely.

Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 7.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

7.9 Upon the death or permanent disability of any Principal of Developer, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

7.10 Franchisor's consent to a transfer which is the subject of this Section 7 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

7.11 If Developer or any person holding any interest (direct or indirect) in Developer becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of Developer, Developer's obligations and/or rights hereunder, any material assets of Developer, or any indirect or direct interest in Developer shall be subject to all of the terms of this Section 7, including without limitation the rights set forth in Sections 7.4, 7.5, and 7.6 above.

7.12 All materials for an offering of stock or partnership interests in Developer or any affiliate of Developer which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Developer or any affiliate of Developer shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Developer or Developer's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Developer and any subsidiaries and affiliates, if applicable. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Developer (and the offeror if not Developer), the Principals, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, Developer shall pay Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Developer shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 7.12 commences. Any such offering shall be subject to all of the other provisions of this Section 7, including without limitation those set forth in Sections 7.4, 7.5, and 7.6; and further, without limiting the foregoing, it is agreed that

any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Developer, if Developer is not the offeror) after the financing is completed.

8. COVENANTS

8.1 Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer (or one (1) designated management employee who will assume primary responsibility for the operations of Developer and shall have been previously approved in writing by Franchisor) shall devote full time, energy, and best efforts to the management and operation of the business contemplated hereunder.

8.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership corporation or entity:

8.2.1 Divert or attempt to divert any business or customer of the Weight Loss and Weight Management Centre or of any Weight Loss and Weight Management Centre using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System.

8.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

8.3 Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, during the term of this Agreement, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Weight Loss and Weight Management Centre; and shall not for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section; either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any persons, partnership, or corporation, own, maintain, operate, engage in, or have any interest in any weight loss or weight management business offering weight loss or weight maintenance products or services, whether or not identical or similar to Weight Loss and Weight Management Centres, which business is, or is intended to be,

located within the Development Area, or within a two (2) mile radius of any other Weight Loss and Weight Management Centre operating at the time that the obligations under this Section commence.

8.4 Section 8.3 above shall not apply to ownership by Developer of less than a Two Hundred Thousand Dollar (\$200,000) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “**publicly-held corporation**” shall be deemed to refer to a corporation which has securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 At Franchisor’s request, Developer shall require and obtain execution of covenants similar to those set forth in Sections 7 and 8 (as modified to apply to an individual) from any or all of Developer’s Principals and employees. The covenants required by this Section 8.5 shall be in the form provided in Exhibit ADA-5 to this Agreement. Failure by Developer to obtain execution of a covenant required by this Section 8.5 shall constitute a default under Section 6.3 hereof.

8.6 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.7 Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Developer’s consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 13 hereof.

8.8 Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Developer agrees to pay all costs and expenses (including reasonable attorneys’ fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 Developer acknowledges that Developer’s violation of the terms of this Section 8 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer accordingly consents to the issuance of an injunction prohibiting any conduct by Developer in violation of the terms of this Section 8.

9. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

10. PERMITS AND COMPLIANCE WITH LAWS

10.1 Developer shall have sole responsibility for compliance with all federal, state, and local laws, rules, and regulations relating to the full and proper conduct of the business contemplated under this Agreement. Developer shall timely obtain any and all permits, certificates, or licenses which may be necessary pursuant to such laws, rules and regulations.

10.2 Developer shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and 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 Developer and/or any Weight Loss and Weight Management Centre established pursuant to this Agreement; provided, however, that Developer shall immediately notify Franchisor with respect to any claim, action, suit, recall or proceeding relating to the sanitation, health or safety of the Weight Loss and Weight Management Centres and/or the Branded Products.

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Developer shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

11.2 At all times during the term of this Agreement, Developer shall hold itself out to the public as an independent contractor operating pursuant to this Agreement. Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in the Developer's offices, the content of which Franchisor reserves the right to specify.

11.3 It is understood and agreed that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be

liable by reason of any act or omission of Developer in Developer's operations hereunder, or for any claim or judgment arising therefrom against Developer or Franchisor.

11.4 Developer shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, employees, and agents, harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Developer's operation of the business contemplated hereunder, as well as the costs, including attorneys' fees, of defending against them.

12. APPROVALS AND WAIVERS

12.1 Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

12.2 Developer acknowledges and agrees that Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by providing any waiver, approval, consent, or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

12.3 No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Developer under any of the terms, provisions, covenants, or conditions of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Developer, or as to subsequent breach or default by Developer. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, provisions, covenants, or conditions of this Agreement.

13. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to herein constitute the entire, full, and complete Agreement between Franchisor and Developer concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Developer to execute this Agreement. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

14. SEVERABILITY AND CONSTRUCTION

14.1 Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other

portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors, and employees, and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Section 7 hereof, any rights or remedies under or by reason of this Agreement.

14.3 Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

14.4 All capitalized terms not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

14.5 All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

14.6 All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

15. APPLICABLE LAW

15.1 This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed exclusively under the laws of the state in which Franchisor maintains its principal place of business, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of the states's choice-of-law rules); provided, however, that if the covenants in Section 8 of this Agreement would not be enforceable under the laws of state in which Franchisor maintains its principal place of business, and the Development Area is located outside of that state, then such covenants shall be interpreted and construed under the laws of the state in which the Development Area is located. Nothing in this Section 15.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the state in which Franchisor maintains its principal place of business to which this Agreement would not otherwise be subject.

15.2 The parties agree that any action brought by Developer against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in

which Franchisor has its principal place of business. Any action brought by Franchisor against Developer in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business. The parties agree that this Section 15.2 shall not be construed as preventing either party from removing an action from state to federal court. Developer hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

15.3 Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 15.3 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

15.3.1 The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation (the “**complainant**”) providing written notice of the request for mediation (the “**request**”) to the party with whom mediation is sought (the “**respondent**”). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent.

15.3.2 Non-binding mediation commenced hereunder shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

15.4 No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

15.5 Nothing herein contained shall bar Franchisor’s right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

15.6 Franchisor and Developer irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Developer and Franchisor,

or Developer's operation of the business contemplated hereunder, brought by any party hereto against the other, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

15.7 Franchisor and Developer hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other, and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

16. ACKNOWLEDGMENTS

16.1 Developer acknowledges that it has conducted an independent investigation of the business contemplated hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Developer and if a corporation, partnership, or LLC, its owners as independent businesspersons. Franchisor expressly disclaims the making of, and Developer acknowledges that it has 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.

16.2 Developer acknowledges that it received a complete copy of this Agreement and the Exhibits hereto, with all of the blank lines herein filled in, at least five (5) business days prior to the date on which this Agreement was executed. Developer further acknowledges that it received the uniform franchise offering circular required by the Federal Trade Commission Franchise Rule, 16 C.F.R. Part 436, at least ten (10) business days prior to the date on which this Agreement was executed.

16.3 Developer acknowledges that it has read and understood this Agreement, the Exhibits hereto, and agreements relating thereto, if any, and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

16.4 Developer acknowledges that it understands the terms of final decision and order of the Federal Trade Commission signed on February 19, 1998 (the "**FTC Consent Order**") with respect to the administrative proceeding entitled *Federal Trade Commission v. Jenny Craig International, Inc.* (Docket No. 9260; filed September 1993). Developer further acknowledges that it understands that the FTC Consent Order imposes detailed advertising restrictions on the advertising of the System, and Developer further acknowledges that it will comply with all restrictions of the FTC Consent Order, as Franchisor may specify.

16.5 Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

16.6 Developer acknowledges that it shall have sole and complete responsibility for the choice of the Development Area and the Approved Locations within the Development Area; that Franchisor has not given any representation, promise, or guarantee of Developer's success in the Development Area and at the Approved Locations; and that Developer shall be solely responsible for its own success in the Development Area and at the Approved Locations.

16.7 Developer and its Principals agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Developer and its Principals certify, represent, and warrant that none of their property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Developer and its Principals are not otherwise in violation of any of the Anti-Terrorism Laws. "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Developer, its Principals, or their employees, or any "blocking" of Developer's assets under the Anti-Terrorism Laws shall constitute grounds for immediate termination of this Agreement and any other agreement Developer has entered with Franchisor or one of its affiliates, in accordance with the termination provisions of this Agreement.

16.8 Although Franchisor retains the right to establish and periodically modify System standards, which Developer has agreed to maintain in the operation of the business contemplated hereunder, Developer retains the right and sole responsibility for the day-to-day management and operation of the Weight Loss and Weight Management Centre and the implementation and maintenance of system standards in the business contemplated hereunder.

16.9 Developer acknowledges that Franchisor may modify the offer of its franchises and development agreements to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

16.10 Developer acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Developer's ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

16.11 Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the day and year first above written.

Jenny Craig Franchising, LLC
Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

Jenny Craig Franchising, LLC
5770 Fleet Street
Carlsbad, California 92008
Telephone:(760) 696-4000
Fax:() _____
Attn:President

Telephone: _____
Fax: _____
Attn: _____

**JENNY CRAIG
AREA DEVELOPMENT AGREEMENT**

EXHIBIT ADA-1

DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

1. Development Area. All Weight Loss and Weight Management Centres developed under this Development Agreement shall be located within the boundaries of the following area:

2. Development Schedule. Recognizing that time is of the essence, Developer agrees to satisfy the development schedule set forth below:

| By (Date) | Cumulative Total Number of Weight Loss and Weight Management Centres Which Developer Shall Have Open and in Operation | By (Date) | Cumulative Total Number of Weight Loss and Weight Management Centres Which Developer Shall Have Open and in Operation |
|------------------|--|------------------|--|
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INITIALED:

FRANCHISOR: _____ DEVELOPER: _____

**JENNY CRAIG
DEVELOPMENT AGREEMENT**

EXHIBIT ADA-2

GUARANTEE

As an inducement to Jenny Craig Franchising, LLC ("**Franchisor**") to execute the Jenny Craig Area Development Agreement between Franchisor and _____ ("**Developer**") dated _____, 200____ (the "**Agreement**"), the undersigned hereby agree to defend, indemnify and hold Franchisor, Franchisor's affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned hereby acknowledge and agree to comply with and to be individually bound by all of the covenants contained in Section 8 of the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 15 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State in which Franchisor maintains its principal place of business. In the event of any conflict of law, the laws of the State in which Franchisor maintains its principal place of business shall prevail (without regard to, and without giving effect to, the application of such State's conflict of law rules).

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

Guarantor(s)

Percentage of Ownership in
Developer

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____
Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____
Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____
Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____
Address: _____

**JENNY CRAIG
AREA DEVELOPMENT AGREEMENT**

EXHIBIT ADA-3

LIST OF PRINCIPALS

| Name of Principal | Address and Telephone | Email address | Principal Occupation | Interest % |
|--------------------------|------------------------------|----------------------|---------------------------------|-------------------|
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INITIALED:

FRANCHISOR: _____ DEVELOPER: ____

**JENNY CRAIG
DEVELOPMENT AGREEMENT**

EXHIBIT ADA-4

FRANCHISE AGREEMENT

The form of Franchise Agreement currently offered by Franchisor is attached.

**JENNY CRAIG
DEVELOPMENT AGREEMENT**

EXHIBIT ADA-5

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this ____ day of _____, 200 __, by and between _____ (the "**Developer**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Developer (the "**Member**").

RECITALS:

WHEREAS, Jenny Craig Franchising, LLC ("**JCF**") owns a format and system (the "**System**") relating to the establishment and operation of weight management centres that provide products and services to customers to help them manage their body weight, under the "Jenny Craig" name and marks (the "**Weight Loss and Weight Management Centres**");

WHEREAS, JCF and Developer have executed a Development Agreement ("**Development Agreement**") granting Developer the right to develop one or more Weight Loss and Weight Management Centres and, ultimately, to sign Franchise Agreements to operate Weight Loss and Weight Management Centres, at which Weight Loss and Weight Management Centres Developer (acting as the "Franchisee" under the Franchise Agreement) to distribute the Branded Products and other ancillary products approved by JCF and use the Proprietary Marks in connection therewith under the terms and conditions of the Development Agreement;

WHEREAS, the Member, by virtue of his or her position with Developer, will gain access to certain of JCF's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Developer is bound by.

IN CONSIDERATION of these promises, Member's employment with Developer, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. **Confidential Information.** Member shall not, during the term of the Development Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Developer's operation under the terms of the Development Agreement. Any and all information,

knowledge, know-how, and techniques which JCF designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Developer can demonstrate came to its attention prior to disclosure thereof by JCF; or which, at or after the time of disclosure by JCF to Developer, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Development Agreement, and by virtue of its position with Developer, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of JCF and the System.

(b) Member covenants and agrees that during the term of the Development Agreement, except as otherwise approved in writing by JCF, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Weight Loss and Weight Management Centre or of any Weight Loss and Weight Management Centre using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with JCF's Proprietary Marks and the System.

(ii) Employ or seek to employ any person who is at that time employed by JCF, Developer, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Weight Loss and Weight Management Centre.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by JCF, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member shall not own, maintain, operate, engage in, or have any interest in any weight loss or weight management business offering weight loss or weight maintenance products or services, whether or not identical or similar to Weight Loss and Weight Management Centres, which business is, or is intended to be, located within the Development Area (as defined in the Development Agreement) or within a two (2) mile radius of any other Weight Loss and Weight Management Centre operating at the time that the obligations under this commence.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous

uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 of the Development Agreement; (b) expiration or termination of the Development Agreement (regardless of the cause for termination); (c) termination of Member's employment with Developer; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause JCF irreparable injury, and Member agrees to pay all court costs and reasonable attorney's fees incurred by JCF in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect JCF's and/or Developer's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the JCF or Developer to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that JCF is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

[Signature page to follow]

IN WITNESS WHEREOF, the Developer and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 200____.

DEVELOPER

MEMBER

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

**JENNY CRAIG
AREA DEVELOPMENT AGREEMENT**

EXHIBIT ADA-6

**RENEWAL RIDER
(For Developers Renewing Their Agreements)**

If Developer is renewing its area development rights, the parties agree that Section 4.2 shall be deleted and Developer shall have no additional option to renew this Agreement and that there shall be no initial development fee.

Jenny Craig Franchising, LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: Doug Fisher

Name: _____

Title: Vice President of Franchising

Title: _____