



JENNY CRAIG FRANCHISING, LLC

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OCT 02 2006

Department of Corporations
Los Angeles

**INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION**

To protect you, we've required your franchisor to give you this information. *We haven't checked it, and don't know if it's correct.* It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

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

Federal Trade Commission
Washington, D.C. 20580

Issued: September 28, 2006

FRANCHISE OFFERING CIRCULAR



JENNY CRAIG FRANCHISING, LLC
A Delaware Limited Liability Company
5770 Fleet Street
Carlsbad, California 92008
(760) 696-4000
www.jennycraig.com

We franchise the right to operate “Jenny Craig” weight loss and weight management centres (“**Weight Loss and 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 “**Proprietary Marks**”).

If you enter into a franchise agreement with us for the operation of a Weight Loss and Weight Management Centre, the initial franchise fee is \$25,000. The initial investment under a franchise agreement is estimated to range from \$167,600 to \$349,500.

We also offer area development agreements to establish and operate multiple Weight Loss and Weight Management Centres within a specific territory under individual franchise agreements. The development fee under an area development agreement will be \$10,000 for each Weight Loss and Weight Management Centre required to be established within the development area. If you are in full compliance with the area development agreement, then for each initial franchise fee you pay to us under a franchise agreement entered into under the area development agreement, we will credit back to you the \$10,000 portion of the development fee for that particular Weight Loss and Weight Management Centre. In addition, if you enter into an area development agreement with us to develop 3 or more Weight Loss and Weight Management Centres, and if you are in compliance with the area development agreement, the initial franchise fee for each of your 3rd, 4th, and 5th Weight Loss and Weight Management Centres will be reduced to \$22,500, and for your 6th and each additional Weight Loss and Weight Management Centres, the initial franchise fee will be reduced to \$20,000.

RISK FACTORS:

1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO LITIGATE ONLY IN THE STATE IN WHICH THE FRANCHISOR MAINTAINS ITS PRINCIPAL PLACE OF BUSINESS. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE WITH THE FRANCHISOR IN ITS STATE THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE IN WHICH THE FRANCHISOR MAINTAINS ITS PRINCIPAL PLACE OF BUSINESS GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. IN THE 1990'S, OUR BUSINESS WAS SUBJECT TO GOVERNMENT INVESTIGATIONS ABOUT OUR ADVERTISING, TRADE PRACTICES, PROGRAM COSTS, AND THE RISKS AND EFFECTIVENESS OF OUR PROGRAMS. WE ENTERED INTO A SETTLEMENT ORDER WITH THE FTC REGARDING THESE ISSUES. SEE ITEM 3 FOR DETAILS.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing franchisors is available. Call the state administrators listed in **Exhibit A** or your public library for sources of information.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission and the applicable state agency listed in **Exhibit A**.

Effective Date: See **Exhibit B** for state effective dates.

Michigan Disclosure

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value, at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchised business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) the failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) a provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisor must, at the request of the franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

OFFICE OF THE ATTORNEY GENERAL'S
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE SECTION
G. MENNEN WILLIAMS BUILDING, 6th Floor
LANSING, MICHIGAN 48933