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CIRCUIT COURT OF OREGON
MARION COUNTY

IN THE MATTER OF:

LA WEIGHT LOSS FRANCHISE COMPANY,
a Delaware corporation, and LATO, LLC, a
Delaware limited liability company,

Respondents.

Case No. 07C16738

ASSURANCE OF VOLUNTARY
COMPLIANCE

1.

LA WEIGHT LOSS FRANCHISE COMPANY ("LAWL") and LATO, LLC
("LATO") are the "Respondents" herein. This Agreement is between Respondents and the
Oregon Department of Justice ("DOJ") acting pursuant to ORS 646.632

PROCEDURE

2.

This Assurance of Voluntary Compliance ("AVC") is a settlement of a disputed
matter. It shall not be considered an admission of liability or violation for any purpose, and
LATO and LAWL expressly deny any allegations of wrongdoing and any liability.
Respondents and DOJ agree that no provision of the AVC operates as a penalty, forfeiture, or
punishment under the Constitution of the United States, under the Constitution of the State of
Oregon, or under any other provision of law.

3.

By this AVC, Respondents and DOJ fully resolve and settle any and all claims in any
way arising out of or related to the allegations that were asserted, or could have been brought
or asserted, in the above-captioned matter, in any Notice under ORS 646.632 issued by the

1 DOJ to either or both of the Respondents, or in any pending litigation between the DOJ and
2 Respondents (collectively the "Claims"). Specifically, the DOJ expressly releases and
3 discharges Respondents, and Respondents' current and former principals, officers, directors,
4 shareholders, managing members, agents, and employees, from any and all Claims. Each
5 party agrees to bear its own costs and attorney fees incurred in connection with the above
6 captioned matter. Promptly following the approval of this AVC by the Marion County
7 Circuit Court, the parties will cause any and all claims against Respondents in civil action
8 No. 07C16738 pending in Marion County Circuit Court to be dismissed with prejudice, and
9 without an award of costs or fees to any party.

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Respondents acknowledge a notice from the State of Oregon pursuant to ORS
12 646.632(2) of the alleged unlawful trade practice and the relief to be sought.

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Respondents understand and agree this AVC applies to Respondents, and to their
15 principals, officers, directors, shareholders, managing members, agents, and employees,
16 jointly and severally, while acting at the direction or control, or for the benefit, of the
17 Respondents, whether acting in their individual capacity, or through any corporation or other
18 business entities.

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Respondents agree and understand that following execution of this AVC by the
21 parties, the DOJ may communicate directly with Respondents for the purpose of executing
22 and enforcing the terms of this AVC

23

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Respondents understand and agree that, promptly following execution of this AVC by
25 the parties, it will be submitted by the DOJ to the Circuit Court of the State of Oregon for

26

1 Marion County for approval, and, if approved, will be filed with the court pursuant to ORS
2 646 632(2).

3 8.

4 Respondents waive any further notice of submission to and filing with the court of
5 this AVC Respondents agree to accept service of a conformed or court certified copy by
6 prepaid first class mail sent to the address(es) following their respective signatures.

7 9.

8 If monies which are required to be paid to the DOJ in this AVC are not paid timely,
9 DOJ may convert the AVC to a General Judgment, Money Award under ORS 646 632(2)
10 without notice to Respondents. Respondents agree a copy of the General Judgment, Money
11 Award may be sent to Respondents by first class mail to the address(es) following their
12 respective signatures.

13 10.

14 Respondents understand that, in addition to any sanctions that may be imposed
15 under governing law, violation of any of the terms of this AVC may result in contempt of
16 court proceedings, civil penalties of up to \$25,000 for each violation, and such further relief
17 as the court may deem appropriate pursuant to ORS 646 632(4), ORS 646 642(1) and ORS
18 646 642(2).

19 11.

20 The parties acknowledge that no other promises, representations or agreements of any
21 nature have been made or entered into by the parties. The parties further acknowledge that
22 this AVC constitutes a single and entire agreement that is not severable or divisible, except
23 that if any provision herein is found to be legally insufficient or unenforceable, the remaining
24 provisions shall continue in full force and effect.

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REMEDIES

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12.

Respondents shall obey Oregon's Unlawful Trade Practices Act, ORS 646.605 to ORS 646.656

13.

Respondents shall not represent or imply that DOJ acquiesces or approves of Respondents' past business practices, their current business practices, or any future practices which Respondents may adopt or consider adopting. DOJ's decision to settle this matter or to otherwise unilaterally limit current or future enforcement action does not constitute approval or imply authorization for any past, present, or future business practices.

14.

A. Within three business days following the parties' execution of this AVC, Respondents shall pay to the DOJ the sum of two hundred thousand dollars (\$200,000.00) to DOJ (the "Payment"). The receipt of the Payment by the DOJ is a condition to the DOJ's approval of this AVC. The AVC will not be presented to the Marion County Circuit Court unless and until the Payment has been timely received by the DOJ. The DOJ may use the Payment in the manner authorized in this AVC following approval of the AVC by the Marion County Circuit Court. The Payment will be held in trust by the DOJ pending approval of the AVC by the Marion County Circuit Court. In the event that the AVC is not approved by the Court, the Payment will be returned promptly to Respondents.

B. The DOJ may use the Payment to pay refunds or restitution to customers of Respondents. The amount and method of payment to each consumer, as well as determining which consumers are eligible for payments, shall be at DOJ's discretion. If the total funds distributed to consumers under this paragraph is less than two hundred thousand dollars (\$200,000.00), Respondents agree that the remainder of the Payment shall be deposited to the

1 Consumer Protection and Education Revolving Account established pursuant to ORS
2 180.095 and shall be used by DOJ as allowed by law; and

3 C. Within sixty (60) days following notice to Respondents of the approval of this
4 AVC by the Marion County Circuit Court, Respondents shall pay a refund ("Refund") to
5 consumers with an "Open Contract" who filed a complaint with the DOJ on or prior to April
6 17, 2009 and after the closures of LA Weight Loss locations in Oregon, and whose complaint
7 was forwarded in writing to Respondents by the DOJ on or prior to April 17, 2009. (There
8 are approximately 100 such complaints.) The Refund is to be computed by dividing the
9 contract price by the number of weeks in the contract term and multiplying the result by the
10 number of weeks remaining in the contract term. As used in this paragraph, the term "Open
11 Contract" shall be defined as any contract with an Oregon consumer, including a "Service
12 Agreement", entered into or assumed by any Respondent, where the time purchased by the
13 consumer had not expired at the time the LA Weight Loss Oregon location serving the
14 consumer closed, regardless of past participation by the consumer in the LA Weight Loss
15 program or whether a consumer agreed to participate in the "LA On the Go" program. For
16 purposes of calculating the Refund to be paid to these consumers, no amounts shall be
17 deducted for any "non-refundable payments" provided for in the Service Agreement,
18 including any \$149.00 set-up fee. It is understood that Respondents' agreement to make
19 these Refunds is not an admission of liability or an agreement by Respondents that the
20 calculation methodology for the Refunds required under this paragraph is required by any
21 governing law. Respondents may make appropriate adjustments in the amount of a Refund
22 to account for any refunds already paid to the consumer. In the event that Respondents are
23 unable to locate or contact one or more of these consumers after using their best efforts,
24 Respondents will notify the DOJ.

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STOEL RIVES LLP
900 SW Fifth Avenue, Suite 2600, Portland, OR 97204
Main (503) 224-3380 Fax (503) 220-2480

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15.

Following notice to Respondents of the approval of this AVC by the Marion County Circuit Court, Respondents, and their shareholders, managing members, directors, principals, and successors and assigns, jointly and severally, whether acting in their individual capacity, or through any corporation or other business entities, agree to be permanently enjoined, barred, restrained and prohibited from operating or franchising in Oregon any dietary or supplement weight loss business. This prohibition includes, but is not limited to, selling to, or offering to sell to, Oregon residents goods or services that purport to assist or aid Oregon residents in losing weight or maintaining weight loss.

APPROVAL BY COURT

APPROVED FOR FILING and SO ORDERED this 4th day of May, 2009.



Circuit Court Judge

RESPONDENTS' SIGNATURES AND ACKNOWLEDGMENTS

Respondents have read and understand this agreement and each of its terms.
Respondents agree to each and every term.

Corporate Respondent

I, Brian Siegel, being first duly sworn on oath depose and say that I am the
Senior Vice President of LA Weight Loss Franchise Company and am fully
authorized and empowered to sign this Assurance of Voluntary Compliance on behalf of LA
Weight Loss Franchise Company and bind the same to the terms hereof.

Brian Siegel
Signature

Brian Siegel
Print Name

Senior V.P.
Title

Address 283 Second Street Pk5 #150
SOUTHAMPTON, PA 18966

SUBSCRIBED AND SWORN to before me this 27th day of April, 2009.

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Anna Camusi, Notary Public
Upper Southampton Twp., Bucks County
My Commission Expires Apr. 8, 2010

Member, Pennsylvania Association of Notaries

Anna Camusi
Notary Public for

Sole Shareholder of LA Weight Loss Franchise Company

Brian Siegel under POA/Sole Shareholder
Sole Shareholder: by Brian Siegel, Esq.,
signing as attorney-in-fact on behalf of and
binding the Sole Shareholder

SUBSCRIBED AND SWORN to before me this 27th day of April, 2009.

Anna Camusi
Notary Public for

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Anna Camusi, Notary Public
Upper Southampton Twp., Bucks County
My Commission Expires Apr. 8, 2010

Member, Pennsylvania Association of Notaries

Corporate Respondent

I, Brian Siggel, being first duly sworn on oath depose and say that I am the SENIOR VICE PRESIDENT of LATO, LLC and am fully authorized and empowered to sign this Assurance of Voluntary Compliance on behalf of LATO, LLC and bind the same to the terms hereof.

Brian Siggel
Signature

Brian Siggel
Print Name

Senior VP.
Title

Address 283 Second Street Pitts, Suite 150
Southampton, PA 18966

SUBSCRIBED AND SWORN to before me this 27th day of April, 2009.

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Anna Camusi, Notary Public
Upper Southampton Twp., Bucks County
My Commission Expires Apr. 8, 2010
Member, Pennsylvania Association of Notaries

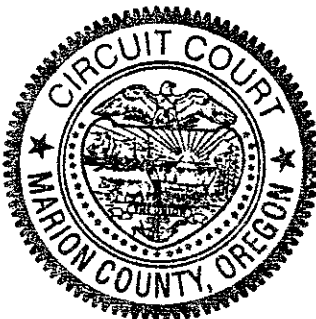
Anna Camusi
Notary Public for

ACCEPTANCE OF DOJ

Accepted and agreed this 30th day of April, 2009.

JOHN R. KROGER
Attorney General

Eva Novick
Eva H. Novick, OSB #04429
Gregory A. Smith, OSB #862913
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Gregory.a.smith@doj.state.or.us



STATE OF OREGON } ss
County of Marion

The foregoing copy has been compared and is certified by me as a full, true and correct copy of the original on file in my office and in my custody.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of the

Court on: 5-4-09
TRIAL COURT ADMINISTRATOR

By M. Martinez