WEIGHT WATCHERS INTERNATIONAL INC

FORM 10-K
(Annual Report)

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Industry	Personal Services
Sector	Services
Fiscal Year	12/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 3, 2004

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 000-03389

WEIGHT WATCHERS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Virginia	**11-6040273**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
175 Crossways Park West, Woodbury, New York	**11797-2055**
(Address of principal executive offices)	(Zip Code)

(516) 390-1400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

The aggregate market value, as determined by the last sale price of $45.49 on the New York Stock Exchange, of the voting stock held by non-affiliates (shareholders holding less than 5% of the outstanding Common Stock, excluding directors and officers), as of June 27, 2003 was $1,908,920,889.

The number of shares outstanding of common stock as of January 31, 2004 was 106,433,882.

Documents incorporated by reference: None

PART I

Item 1. Business

We are a leading global branded consumer company and the leading provider of weight-loss services, operating in 30 countries around the world for over 40 years. Our programs help people lose weight and maintain their weight loss and, as a result, improve their health, enhance their lifestyles and build self-confidence. At the core of our business are weekly meetings, which promote weight loss through education and group support in conjunction with a flexible, healthy diet and exercise method. Each week, over 1.5 million people attend approximately 46,000 Weight Watchers meetings around the world, which are run by approximately 15,800 classroom leaders. Our classroom leaders teach, inspire, motivate and act as role models for our members.

We conduct our business through a combination of company-owned and franchise operations, with company-owned operations accounting for approximately 74% of total worldwide attendance in 2003. In the 1960's, we pursued an aggressive franchising strategy with respect to our classroom operations to rapidly grow our geographic presence and build market share. We believe that our early franchising strategy was very effective in establishing our brand as the world's leading weight-loss program.

We have experienced strong growth in sales and profits over the last six years since we made the strategic decision to re-focus our meetings exclusively on our group education approach. We discontinued the in-meeting sale of pre-packaged frozen meals added in 1990 in North American company-owned, or NACO, operations, by our previous owner, H.J. Heinz Company, or Heinz. We also modernized our program to adapt it to contemporary lifestyles. Through these initiatives, combined with our strengthened management and strategic focus since our acquisition by Artal Luxembourg, we have grown our attendance.

Our members typically enroll to attend consecutive weekly meetings and have historically demonstrated a consistent re-enrollment pattern across many years. We believe that our members' repeat enrollment and attendance patterns and our large existing member base together with our growth in first-time members represent strong potential for future growth. We also believe that we can expand our customer base by developing new products and services designed to meet the needs of a broader audience.

Our Billion Dollar Brand

Weight Watchers is the leading global weight-loss brand with retail sales of over $2 billion in 2003, including sales by licensees and franchisees. Currently, over 97% of U.S. women recognize the *Weight Watchers* brand.

We have built our business and brand on the following core principles:

Effective	*Clinically proven*
Healthy	*Medically recommended*
Supportive	*Helping members help each other*
Flexible	*Compatible with modern lifestyles*
Balanced	*Not just a diet, an approach to life*

Weight Watchers Meetings

We present our program in a series of weekly classes of approximately one hour in duration. Classes are conveniently scheduled throughout the day. Typically, we hold classes in either meeting rooms rented from civic or religious organizations or in leased locations.

In our classes, our leaders present our program, which combines group support and education with a structured approach to food, activity and lifestyle modification developed by credentialed weight-loss experts. Our 15,800 classroom leaders run our meetings and educate members on the Weight Watchers method of successful and sustained weight loss. Our leaders also provide inspiration and motivation for our members and are examples of our program's effectiveness because they have lost weight and maintained their weight loss on our program.

Classes typically begin with registration and a confidential weigh-in to track each member's progress. Leaders are trained to engage the members at the weigh-in to talk about their weight control efforts during the previous week and to provide encouragement and advice. Part of the class is educational, where the leader uses personal anecdotes, games or open questions to demonstrate some of our core weight-loss strategies, such as self-belief and discipline. For the remainder of the class, the leader focuses on a variety of topics pre-selected by us, such as seasonal weight-loss topics, achievements people have made in the prior week and celebrating and applauding successes. Members who have reached their weight goal are singled out for their accomplishment. Discussions can range from dealing with a holiday office party to making time to exercise. The leader encourages substantial class participation and discusses supporting products and materials as appropriate. At the end of the class, new members are given special instruction in our current weight loss plan.

Our leaders help set a member's weight goal within a healthy range based on body mass index. When members reach their weight goal and maintain it for six weeks, they achieve lifetime member status. This gives them the privilege to attend our meetings free of charge as long as they maintain their weight within a certain range. Successful members also become eligible to apply for positions as classroom leaders. Field management and current leaders constantly identify new leaders from members with strong interpersonal skills, personality and communication skills. Leaders are usually paid on a commission basis.

As part of our *Corporate Solutions* program, we address the weight-loss needs of working people by holding classes at their place of employment. In many cases, employers subsidize employee participation and typically provide meeting space without charge.

Our Approach

Our approach has always been based on four core elements:

- Group support
- Behavior modification
- Healthful eating
- Exercise

Group Support

The group support system remains the cornerstone of our classes. Members provide each other support by sharing their experiences, their encouragement and empathy with other people enduring similar weight-loss challenges. This group support provides the reassurance that no one must overcome their weight-loss challenges alone. Group support assists members in dealing with issues such as emotional-eating and finding time to exercise. We facilitate this support through interactive meetings that encourage learning through group activities and discussions.

Behavior Modification

Behavior modification and education on eating and exercise habits have also always been key elements of our program. We use motivation, education and support to help members manage their

weight and to change their habits. Discussions on topics such as staying motivated, how to avoid overeating and managing stress offer members valuable insight on how to stay on our program while dealing with the realities of everyday life. Our U.S. members also currently learn "Tools for Living," a set of ten techniques to assist in handling the barriers to long-term weight loss. Our international members learn similar principles and receive similar publications.

Healthful Eating

Our food plans allow our members to eat regular meals instead of pre-packaged meals. By giving members the freedom to choose what to eat, our plans are flexible and adjustable to modern lifestyles. In order to keep sound nutrition at the forefront of weight-loss science, our food

plans are designed in consultation with doctors and other scientific advisors. We continually strive to improve our methods by periodically testing and introducing new features.

Our current food plans are based on the *POINTS* system, which assigns each food a *POINTS* value based on its nutritional content. Members are given a range of *POINTS* values to use each day on whatever combination of food they prefer so long as the total does not exceed the goal. While no food is forbidden, our *POINTS* based plans encourage members to eat a wide variety of foods in amounts that promote healthy weight loss. The *POINTS* plans help members choose foods that are low in fat, high in complex carbohydrates and moderate in protein. We also provide our members with information regarding good nutrition. For example, this year, to clear up the growing misinformation about carbohydrates and clarify their true role in healthy eating and weight loss, we published and distributed in our meeting rooms and elsewhere a consumer service guide called *The Truth about Carbs.* The theme of this material is that all calories count (not just carbs) and many carbs—including fruits, vegetables, whole grains and non-fat dairy—provide essential nutrients and are vital to health and well-being.

We customize our plans from country to country in order to suit local tastes and nutritional concerns, as well as package labeling differences between countries. Our plans allow members to carry-back or carry-forward unused *POINTS* values and thus gives members the flexibility to participate in special occasions and special meals. Our current United States plan was launched in Fall 2003 and is branded *FlexPoints* , our current United Kingdom plan launched in Winter 2003 is branded *Time to Eat* , and our current plan in Continental Europe launched in Fall 2002 is branded *Points Plus* . We typically launch an innovation in a region's plan every two years. We attempt to stagger our innovations so they do not occur in all markets at the same time.

Exercise

Exercise is an important component of weight loss and our overall program to lose weight. Our classroom leaders emphasize the importance of exercise to weight loss and in leading a healthy, balanced lifestyle. In addition, our program promotes exercise by allowing members to earn additional *POINTS* values as part of their menu planning based on the type and amount of exercise in which they engage. Our United States members currently receive "Get Moving," which is designed to promote exercise and activity outside of the classroom. This exercise guide is consistent with the recommendations for physical activity outlined by both the Centers for Disease Control and Prevention and the American College of Sports Medicine. International members receive similar information.

Additional Delivery Methods

We have developed additional delivery methods for people who, either through circumstance or personal preference, do not attend our classes. For example, we have developed program cookbooks and an *At Home* self-help product that provide information on our plans and guidance on weight loss, as well as CD-ROM versions of our food plans for the United Kingdom, Continental Europe and Australia.

In the United States during 2001, our licensee, WeightWatchers.com as part of its business, launched two online paid subscription products, *Weight Watchers Online* and *Weight Watchers eTools. Weight Watchers Online* offers information on *FlexPoints, POINTS* values, content on various weight-loss subjects, professionally-developed low- *POINTS* recipes and weekly meal plans for different *POINTS* ranges. In addition, *Weight Watchers Online* provides an online journal, an online *POINTS* calculator, a recipe *POINTS* calculator, a weight tracker and progress charts and targeted messages to help subscribers achieve their weight-loss goals. This product targets self-help dieters who choose the Weight Watchers plan but not the Weight Watchers meeting services. *Weight Watchers eTools* is designed to supplement and strengthen the Weight Watchers classroom business. *Weight Watchers eTools* is a suite of electronic tools available only to Weight Watchers members, designed to help them achieve greater success by making it even easier to follow *FlexPoints* and by reinforcing our weight-loss approach between meetings.

Our *Corporate Solutions* line of weight-loss offerings also includes discounted prepaid local meeting plans, Weight Watchers online subscriptions and the At Home kit.

Product Sales

We sell a range of proprietary products, including snack bars, books, CD-ROMS and *POINTS* calculators that are consistent with our brand image. We sell our products primarily through our classroom operations and to our franchisees. In fiscal 2003, sales of our proprietary products represented 29% of our revenues. We have grown our product sales per attendance by focusing on a core group of products that complement the Weight Watchers program. We intend to continue to optimize our product offerings by updating existing products and selectively introducing new products.

Company-Owned Operations

Our North American operations consist of approximately 4,200 meeting locations that generated $392.4 million in meeting fee revenue for the fiscal year ended January 3, 2004. North America attendance was 34.6 million for the fiscal year ended January 3, 2004.

International operations consist of approximately 9,400 meeting locations outside the United States that generated $214.8 million in meeting fee revenue for the fiscal year ended January 3, 2004. International attendance was 26.3 million for the fiscal year ended January 3, 2004.

Franchise Operations

We have enjoyed a mutually beneficial relationship with our franchisees over many years. In our early years, we used an aggressive franchising strategy to quickly establish a meeting infrastructure throughout the world to pre-empt competition. Our franchised operations represented approximately 26% of our total worldwide attendance for fiscal 2003. We estimate that, in fiscal 2003, these franchised operations attracted attendance of over 21 million. Franchisees typically pay us a fee equal to 10% of their meeting fee revenues.

Our franchisees are responsible for operating classes in their territory using the program and marketing materials we have developed. We provide a central support system for the program and our brand. Franchisees purchase products from us at wholesale prices for resale directly to members. Franchisees are obligated to adhere strictly to our program content guidelines, with the freedom to control pricing, meeting locations, operational structure and local promotions. Franchisees provide local operational expertise, advertising and public relations. Franchisees are required to keep accurate records that we audit on a periodic basis. Most franchise agreements are perpetual and can be terminated only upon a material breach or bankruptcy of the franchisee.

We do not intend to award new franchise territories. From time to time we repurchase franchise territories.

Licensing

As a highly recognized global brand, *Weight Watchers* is a powerful marketing tool for us and for third parties. We currently license our *Weight Watchers* brand in certain categories of food, books and other products. This year, for example, we partnered with Applebee's International to launch a Weight Watchers branded section of their menu. We also launched a line of Weight Watchers bath scales with our licensee, Conair. We believe that opportunities exist to further capitalize on the strength of our brand and the loyalty of our members by more aggressively licensing our brand while maintaining its integrity.

Food and Beverage Trademarks

At the time of our acquisition by Artal Luxembourg, we and Heinz formed WW Foods, LLC, or WW Foods, a 50-50 joint venture, under which we maintain and preserve the Weight Watchers trademarks covering food and beverages. WW Foods granted an exclusive, worldwide, royalty-free, perpetual license to Heinz to use the food and beverage trademarks for use on food products in its core categories (including frozen dinners, frozen breakfasts, frozen desserts (excluding ice cream), frozen pizza and pizza snacks, frozen potatoes, frozen rice products, ketchup, tomato sauce, gravy, canned tuna or salmon products, soup, noodles (excluding pasta), and canned beans and pasta products), and for use only in Australia and New Zealand in certain additional food product categories (including mayonnaise, frozen vegetables, canned fruits and canned vegetables). The food and beverage related trademarks may be used by Heinz only on Heinz licensed products that have been specially formulated to be compatible with our dietary principles. We have been granted a similar license by WW Foods on all other food and beverage products.

There are certain food and beverage trademarks covering the Heinz core categories that because of local laws, could not be effectively transferred to WW Foods. These include trademarks registered in multiple trademark classes, and certain other trademarks. We maintain legal ownership in these trademarks and hold them in custody for the benefit of WW Foods. Heinz retains in its core categories (as described in the paragraph above) an exclusive royalty-free license to use these food and beverage trademarks that we hold in custody for WW Foods. We have undertaken to contribute any of these custodial trademarks (or any portion covering food and beverage products) to WW Foods if WW Foods determines that the transfer may be achieved under local law. Heinz pays us an annual fee of $1.2 million until September 2004 in exchange for our serving as the custodian of the food and beverage trademarks held for the benefit of WW Foods.

Other Marks

We maintain exclusive ownership of all service marks and trademarks other than food and beverage trademarks and, except for the rights granted to WW Foods and to Heinz, we have the exclusive right to use all these marks for any purpose, including their use as trademarks for all products other than food and beverage products.

Program Standards, Program Information and Related Trademarks

We have exclusive control of the dietary principles to be followed in any eating or lifestyle regimen to facilitate weight loss or weight control employed by the classroom business such as *FlexPoints* . We also maintain exclusive ownership of all program information, consisting of information and know-how relating to any weight-loss program, terminology and trademarks or service marks used to identify the programs

or terminology. We granted an exclusive, worldwide, royalty-free license to WW Foods, for sublicense to Heinz, in its core categories as described above, to use the terminology and the related trademarks and service marks, and we provided WW Foods (and through it, Heinz) with access to and a right to use this information as may be reasonably necessary to develop, manufacture or market food and beverage products in accordance with our dietary principles. Heinz granted a worldwide,

royalty-free license to WW Foods to use improvements that Heinz may develop in the course of its use of our dietary principles or weight-loss program, which WW Foods sublicensed in turn to us.

Third Party Licenses

During the period that Heinz owned our company, it developed a number of food product lines under the *Weight Watchers* brand, with hundreds of millions of dollars of retail sales, mostly in the United States and in the United Kingdom. Heinz, however, did not actively license the *Weight Watchers* brand to other food companies. For the period from our acquisition by Artal Luxembourg until September 29, 2004, we have assigned to Heinz all licenses that we had previously granted to third parties, and Heinz has retained all existing sublicenses granted by it to third parties for various food products outside of Heinz core categories. Heinz still continues to receive royalty payments of over $4 million per year from this existing portfolio of third-party licenses. Since May 3, 2001, we have been managing these third party licenses on behalf of Heinz for a fee equal to 5% of the royalties from these licenses. After September 29, 2004, these licenses will revert to us, although we have the right to acquire them sooner, and the associated royalty payments will be payable to us in their entirety.

WeightWatchers.com License

We granted an exclusive license to WeightWatchers.com, Inc., which is an independent company, to use our trademarks, copyrights and domain names in electronic media in connection with its online weight-loss business. The license agreement provides us with control over the use of our intellectual property. In particular we have the right to approve WeightWatchers.com's e-commerce activities, marketing programs, privacy policy and materials publicly displayed on the Internet. These controls are designed to protect the value of our intellectual property. See "WeightWatchers.com Intellectual Property License" in Item 13.

As an overview, in the United States during 2001, WeightWatchers.com, as part of its business, launched two online paid subscription products, *Weight Watchers Online* and *Weight Watchers eTools. Weight Watchers Online* is a self-help product based on our current Weight Watchers plan designed to attract consumers who choose the Weight Watchers plan but not the Weight Watchers meeting services. We believe that *Weight Watchers Online* has increased and will continue to increase the popularity of our brand among dieters and strengthen our brand in the entire weight-loss market. *Weight Watchers eTools* is designed to supplement and strengthen the Weight Watchers classroom business. *Weight Watchers eTools* is a suite of electronic tools available only to Weight Watchers members, designed to help them achieve greater success by making it even easier to follow *FlexPoints* and by reinforcing our weight-loss approach between meetings.

During July 2002 and September 2002, WeightWatchers.com launched an upgrade to the United Kingdom and Canadian web sites respectively, including the offering of two online paid subscription products. In January 2004, WeightWatchers.com launched similar subscription products in Germany. These products have similar functionality to the existing United States products, but are tailored specifically to the United Kingdom, Canadian and German markets, respectively.

We own 19.9% of WeightWatchers.com, or approximately 37% on a fully diluted basis (including the exercise of all options and all warrants). In January 2002, we began receiving royalties of 10% of WeightWatchers.com's net revenues and during 2003, we earned $7.1 million in royalties from WeightWatchers.com.

Marketing and Promotion

Member Referrals

An important source of new members is through word-of-mouth generated by our current and former members. Over our 40-year operating history, we have created a powerful referral network of loyal members. These referrals, combined with our strong brand and the effectiveness of our program, enable us to efficiently attract new and returning members.

Media Advertising

Our advertising enhances our brand image and awareness and motivates both former members and potential new members to join our

program. Our advertising schedule supports the three key enrollment-generating diet seasons of the year: winter, spring and fall. We allocate our media advertising on a market-by-market basis, as well as by media vehicle (television, radio, magazines and newspapers), taking into account the target market and the effectiveness of the medium.

Direct Mail

Direct mail is a critical element of our marketing because it targets potential returning members. We maintain databases of current and former members in each country in which we operate, which we use to focus our direct mailings. During fiscal 2003 our NACO operations sent over 22 million pieces of direct mail. Most of these mailings are timed to coincide with the start of the diet seasons and are intended to encourage former members to re-enroll.

Pricing Structure and Promotions

Our most popular payment structure is a "pay-as-you-go" arrangement. Typically, a new member pays an initial registration fee and then a weekly fee for each class attended, although free registration is often offered as a promotion. Our *Liberty/Loyalty* payment plan in the United States provides members with the option of committing to consecutive weekly attendance with a lower weekly fee with penalties for missed classes or paying a higher weekly fee without the missed meeting penalties. We also offer discounted prepayment plans.

Public Relations and Celebrity Endorsements

The focus of our public relations efforts is through our current and former members who have successfully lost weight on our program. Classroom leaders and successful members engage in local promotions, information presentations and charity events to promote Weight Watchers and demonstrate the program's efficacy.

For many years we have also used celebrities to promote and endorse the program in different countries. Since 1997, we have retained Sarah Ferguson, the Duchess of York, to promote and endorse our program in North America.

In 2003, we, and the American Cancer Society, launched a new initiative called the Great American Weigh-In in the United States. We are a founding sponsor. This annual event spreads the word that eating well, being active and maintaining a healthy weight can reduce cancer risk.

Weight Watchers Magazine

Weight Watchers Magazine is an important branded marketing channel that is experiencing strong growth. We re-acquired the rights to publish the magazine in February 2000 and relaunched its publication in March 2000. Since January 2003, we have sustained its circulation at over one million. Our most recent information from MediaMark, an industry tracking service, shows a readership of 7.4

readers per copy, one of the highest in the industry. In addition to generating revenues from subscription sales and advertising, *Weight Watchers Magazine* reinforces the value of our brand and serves as an important marketing tool to non-members. We also publish Weight Watchers magazines in all of our other major markets.

WeightWatchers.com

Our licensee, WeightWatchers.com, operates the *Weight Watchers* website. The website contributes value to our classroom business by promoting our brand, advertising Weight Watchers classes, providing a meeting locator and keeping members involved with the program outside the classroom through useful offerings, such as low calorie recipes, weight-loss news articles, success stories and online forums. During fiscal 2003, an average of approximately 135,000 unique visitors per week used our meeting locator feature. The meeting locator makes it easier than ever for our members to find a meeting place and time that is convenient for them. WeightWatchers.com now attracts an average of over 2.4 million unique visitors per month.

Entrepreneurial Management

We run our company in a decentralized and entrepreneurial manner that allows us to develop and test new ideas on a local basis and then implement the most successful ideas across our network. We believe local country and regional managers are best able to develop new strategies and programs to meet the needs of their markets. For example, local managers in the United Kingdom were responsible for developing our *POINTS* -based program. Local managers have also developed many of our customized pricing strategies such as the *Liberty/Loyalty* plan, which started in France. In addition, many of our classroom products have been developed locally and then been introduced successfully in other countries. Local managers have strong incentives to adopt and implement the best practices of other regions and to continue to develop innovative new programs.

Competition

The weight-loss market includes commercial weight-loss programs, self-help weight-loss diets, products, and publications, Internet-based weight-loss products, dietary supplements and meal replacement products, weight-loss services administered by doctors, nutritionists and dieticians, surgical procedures, weight-loss drugs and weight-loss and fitness centers for women.

Competition among commercial weight-loss programs is largely based on program recognition and reputation and the effectiveness, safety and price of the program. In the United States, we compete with several other companies in the commercial weight-loss industry, although we believe that the businesses are not comparable. For example, many of these competitors' businesses are based on the sale of pre-packaged meals and meal replacements. Our classes use group support, education and behavior modification to help members change their eating habits, in conjunction with a flexible diet that allows our members the freedom to choose what they eat. There are no significant group education-based competitors in any of our major markets, except in the United Kingdom. Even there, we have an approximately 50% market share and approximately twice the revenues of our largest competitor, Slimming World.

We believe that food manufacturers that produce meal replacement products are not comparable competition because these businesses' meal replacement products do not engender behavior modification through education in conjunction with a flexible, healthy diet.

We also compete with various self help diets, products and publications. In 2003, low carb diets, like Atkins and South Beach, gained in popularity and media exposure. These diets advocate dramatic reductions in carbohydrates that result in calorie reduction. We believe that the attraction of these

programs has peaked, however the pace of the decline of the low carb phenomenon is inherently uncertain.

History

Early Development

In 1961, Jean Nidetch, the founder of our company, attended a New York City obesity clinic and took what she learned from her personal experience at the obesity clinic and began weight-loss meetings with a group of her overweight friends in the basement of a New York apartment building. Under Ms. Nidetch's leadership, the group members supported each other in their weight-loss efforts, and word of the group's success quickly spread. Ms. Nidetch and Al and Felice Lippert, who all successfully lost weight through these efforts, formally launched Weight Watchers in 1963.

Heinz Ownership

Recognizing the power of the *Weight Watchers* brand, Heinz acquired us in 1978 in large part to acquire the rights to our name for its food business. Through the 1980s, we operated autonomously under Heinz, maintaining our group education focus, and our business continued to grow.

In 1990, Heinz altered our successful model by introducing the sale of pre-packaged frozen meals through our NACO operations in response to the initial success then experienced by some of our competitors who focused on meal replacements. These changes forced our classroom leaders to become food sales people and retail managers for food products, detracting from their function as role models and motivators for our members. This caused a significant drop in customer satisfaction and employee morale, and attendance in our NACO operations declined.

In 1995, we shifted to a more decentralized management approach, allowing the management of our international operations to develop local business strategies and program innovations. This approach was successful and by 1996 our international growth began to accelerate. Beginning in 1997, we restructured our NACO operations by eliminating the pre-packaged frozen meals program from our classroom operations, improving customer service, restoring employee morale and introducing a *POINTS* -based program which had been successfully introduced in the United Kingdom. Following this return to our core program approach in the United States, we moved from a fixed cost structure back to a variable cost structure and have registered strong attendance growth in our NACO operations.

Artal Ownership

In September 1999, Artal Luxembourg acquired us from Heinz. Following the acquisition, our senior management team was reorganized, key employees invested approximately $4 million in our company and a new performance-based stock option plan was put in place. The Invus Group, LLC is the exclusive investment advisor of Artal Luxembourg and has extensive experience with branded consumer businesses, including the turnaround of the Keebler Foods Company.

Regulation

A number of laws and regulations govern our advertising, franchise operations and relations with consumers. The Federal Trade Commission, or FTC, and certain states regulate advertising, disclosures to consumers and franchisees and other consumer matters. Our customers may file actions on their own behalf, as a class or otherwise, and may file complaints with the FTC or state or local consumer affairs offices and these agencies may take action on their own initiative or on a referral from consumers or others.

During the mid-1990s, the FTC filed complaints against a number of commercial weight-loss providers alleging violations of the Federal Trade Commission Act by the use and content of

advertisements for weight-loss programs that featured testimonials, claims for program success and safety and statements as to program costs to participants. In 1997, we entered into a consent order with the FTC settling all contested issues raised in the complaint filed against us. The consent order requires us to comply with certain procedures and disclosures in connection with our advertisements of products and services but does not contain any admission of guilt nor require us to pay any civil penalties or damages.

Our overseas operations and franchises are also generally subject to regulations of the applicable country regarding the offer and sale of franchises, the content of advertising and the promotion of diet products and programs. Future legislation or regulations, including legislation or regulations affecting our marketing and advertising practices, relations with consumers or franchisees, or our food products, could have an adverse impact on us.

Employees and Service Providers

As of January 3, 2004, we had approximately 46,000 employees and service providers located in the United States, the United Kingdom, Continental Europe, Australia and New Zealand. None of our service providers or employees is represented by a labor union. We consider our employee relations to be satisfactory.

Financial Information by Geographic Area

Information concerning our geographic segments is contained in Note 16 of our Consolidated Financial Statements, attached hereto and incorporated by reference.

Corporate Information

Corporate information, press releases and our periodic reports (e.g. 10-K's, 10-Q's, 8-K's) and amendments thereto are available free of charge at *www.weightwatchersinternational.com* as soon as reasonably practical after such material is electronically filed with or furnished to the SEC (i.e., generally the same day as the filing). Moreover, we also make available free of charge at that site the Section 16 reports filed electronically by our officers, directors and 10% shareholders. Usually these are publicly accessible no later than the business day following the filing.

Shareholders may request a free copy of these items at:

Weight Watchers International
Attn: Investor Relations
175 Crossways Park West
Woodbury, NY 11797
(516) 390-1400

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, this Annual Report on Form 10-K, includes "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, in particular, the statements about our plans, strategies and prospects under the headings "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." We have used the words "may," "will," "expect," "anticipate," "believe," "estimate," "plan," "intend" and similar expressions in this Annual Report on Form 10-K and the documents incorporated by reference to identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. Actual results could differ materially from those projected in

the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, including, among other things:

- competition, including price competition and competition with self-help, pharmaceutical, surgical, dietary supplements and meal replacement products, and other weight-loss brands, diets, programs and products;
- risks associated with the relative success of our marketing and advertising;
- risks associated with the continued attractiveness of our programs;
- risks associated with our ability to meet our obligations related to our outstanding indebtedness;
- risks associated with general economic conditions; and
- legislation or regulations, more aggressive enforcement of existing legislation or regulations or a change in the interpretation of existing legislation or regulations.

You should not put undue reliance on any forward-looking statements. You should understand that many important factors, including those discussed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," could cause our results to differ materially from those expressed or suggested in any forward-looking statements. Except as required by law, we do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances that occur after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events.

Item 2. Properties

We are headquartered in Woodbury, New York in a leased office that expires in 2005. Weight Watchers Magazine is headquartered in New York, New York in a leased office that expires in 2005. In addition, each of our four NACO regions has a small regional office under a short term lease. Our Paramus, New Jersey lease expires in 2007. Our foreign operations in each country generally also have an office in each foreign country.

We typically hold our classes in third-party locations (typically meeting rooms in well-located civic or religious organizations) or space leased in retail centers (typically leased spaces in strip malls for short terms, generally less than five years). As of January 3, 2004, there were approximately 4,200 North America meeting locations, including approximately 3,500 third-party locations and 700 retail centers. In the United Kingdom, there were approximately 4,400 meeting locations, with approximately 99.9% in third-party locations. In Continental Europe, there were approximately 4,000 meeting locations, with approximately 97% in third-party locations. In Australia and New Zealand, there were approximately 1,000 meeting locations, with approximately 96% in third-party locations.

Item 3. Legal Proceedings

We are not a party to any material pending legal proceedings. We are involved with legal proceedings incidental to our business such as operational and contractual relations with our franchisees. In the opinion of management, based in part upon advice of legal counsel, the disposition of all such matters is not expected to have a material effect on our results of operations or financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our shareholders during the last quarter of the fiscal year ended January 3, 2004.

PART II

Item 5. Market for Registrant's Common Stock and Related Shareholder Matters

Weight Watchers common stock is listed on the New York Stock Exchange (the "NYSE"). The common stock was first traded on the NYSE on November 15, 2001 under the symbol "WTW." Prior to this offering, there was no established public trading market for our common stock.

The following table sets forth, for the period indicated, the high and low sales prices per share for our common stock as reported on the

New York Stock Exchange consolidated tape (NYSE ticker symbol: "WTW").

Fiscal Year ended December 28, 2002

	High	Low
First Quarter	$ 39.35	$ 31.35
Second Quarter	$ 44.55	$ 35.80
Third Quarter	$ 48.67	$ 35.10
Fourth Quarter	$ 50.39	$ 42.24

Fiscal Year ended January 3, 2004

	High	Low
First Quarter	$ 47.29	$ 38.15
Second Quarter	$ 48.70	$ 40.60
Third Quarter	$ 46.51	$ 39.75
Fourth Quarter	$ 43.06	$ 35.28

Holders

The approximate number of holders of record of common stock as of January 31, 2004 was 139. This number does not include beneficial owners of our securities held in the name of nominees.

Dividends

No cash dividends were declared or paid on our common stock in fiscal 2002 or 2003. We do not anticipate paying cash dividends in the foreseeable future. In addition, our existing debt instruments place limitations on our ability to pay dividends. Any future determination as to the payment of dividends will be subject to such limitations, will be at the discretion of our Board of Directors and will depend on our results of operations, financial condition, capital requirements and other factors deemed relevant by our Board of Directors.

Equity Compensation Plans

See Item 12 (on pages 41-43) for information about equity compensation plans.

Item 6. Selected Financial Data

The following schedule sets forth our selected financial data for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001, the eight months ended December 30, 2000, and the fiscal years ended April 29, 2000 and April 24, 1999.

SELECTED FINANCIAL DATA
(In millions, except per share amounts)

	Fiscal Years Ended			Eight Months Ended	Fiscal Years Ended	
	January 3, 2004	December 28, 2002	December 29, 2001	December 30, 2000 (35 Weeks)	April 29, 2000	April 24, 1999
Revenues, net	$ 943.9	$ 809.6	$ 623.9	$ 273.2	$ 399.5	$ 364.6
Net income	$ 143.9	$ 143.7	$ 147.2	$ 15.0	$ 37.8	$ 47.9
Working capital (deficit)	$ (19.5)	$ 22.1	$ (24.1)	$ 10.2	$ (0.9)	$ 91.2
Total assets	$ 770.7	$ 609.9	$ 482.9	$ 346.2	$ 334.2	$ 371.4
Long-term obligations	$ 469.9	$ 454.7	$ 500.0	$ 496.7	$ 500.5	$ 16.7
Earnings per share:						
Basic	$ 1.35	$ 1.35	$ 1.34	$ 0.13	$ 0.20	$ 0.17
Diluted	$ 1.31	$ 1.31	$ 1.31	$ 0.13	$ 0.20	$ 0.17

Items Affecting Comparability

Several events occurred during the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001, the eight months ended December 30, 2000, and the fiscal years ended April 29, 2000 and April 24, 1999 that affect the comparability of our financial statements. The nature of these events and their impact on underlying business trends are as follows:

Debt Refinancing . On August 21, 2003, we successfully completed a tender offer and consent solicitation to purchase 96.6% of our $150.0 million USD denominated ($144.9 million) and 91.6% of our €100.0 million euro denominated (€91.6 million) 13% Senior Subordinated Notes. The consideration for the tender offer and consent solicitation was funded from cash on hand of $57.3 million and $227.3 million of additional borrowings under the Credit Facility, which we refinanced as follows: Term Loans B and D and the TLC in the aggregate amount of $204.7 million were repaid and replaced with a new Term Loan B in the amount of $382.9 million and a new TLC in the amount of $49.1 million. Term Loan A in the amount of $30.0 million remained in place, along with a Revolver with available borrowings up to $45.0 million. Due to this early extinguishment of debt, we recognized expenses of $47.4 million in the third quarter of 2003.

Acquisitions of WW Group and Dallas/New Mexico . On March 30, 2003, we acquired certain assets of eight of the fifteen franchises of The WW Group, Inc. and its affiliates (the "WW Group") for an aggregate purchase price of $180.7 million. The acquisition was financed through cash and additional borrowings of $85 million. On November 30, 2003, we acquired certain assets of our franchises in Dallas and New Mexico for a total purchase price of $27.2 million. This acquisition was financed through cash from operations. All acquisitions have been accounted for as purchases and accordingly, their earnings have been included in our consolidated operating results since the dates of their acquisitions.

Acquisitions of North Jersey, San Diego and Eastern North Carolina . On January 18, 2002, we acquired the franchise territory and certain business assets of our franchise in North Jersey for an aggregate purchase price of $46.5 million. The acquisition was financed through additional borrowings that were subsequently repaid by the end of the second quarter of 2002. On July 2, 2002 and September 1, 2002, we acquired the assets of our franchises in San Diego and Eastern North Carolina

for a total purchase price of $11.0 and $10.6 million, respectively. These acquisitions were financed through cash from operations. All acquisitions were accounted for as purchases and accordingly, their earnings have been included in our consolidated operating results since the dates of their acquisitions.

Reversal of Tax Valuation Allowance . During the fourth quarter of fiscal 2001, we reversed the remaining tax valuation allowance set up in conjunction with the acquisition by Artal Luxembourg in 1999. At the time of the acquisition, we determined that it was more likely than not that a portion of the deferred tax asset would not be utilized. Therefore, a valuation allowance of approximately $72.1 million was established against the corresponding deferred tax asset. Based on our performance since the acquisition, we determined that the valuation allowance was no longer required. Accordingly, the provision for taxes for the fiscal year ended December 29, 2001 included a one-time reversal (credit) of the remaining balance of the valuation allowance of $71.9 million.

Acquisition of Weighco . On January 16, 2001, we acquired the franchised territories and certain business assets of Weighco for an aggregate purchase price of $83.8 million. The acquisition was financed through additional borrowings of $60.0 million and cash from operations. The acquisition has been accounted for as a purchase and accordingly, Weighco's earnings have been included in our consolidated operating results since the date of acquisition.

Change in Fiscal Year . Effective April 30, 2000, we changed our fiscal year end from the last Saturday in April to the Saturday closest to December 31 and eliminated a one month reporting lag for certain foreign subsidiaries. The results of operations for these foreign subsidiaries have been adjusted for the eight months ended December 30, 2000. The effect on our net income for these subsidiaries for the period March 31, 2000 through April 29, 2000 was $1.1 million and was adjusted to the opening accumulated deficit at April 30, 2000.

Recapitalization . On September 29, 1999, as part of our acquisition by Artal Luxembourg, we entered into a recapitalization and stock purchase agreement, or the Transaction, with our former parent, Heinz. In connection with this Transaction, we effectuated a stock split of 58.7 shares for each share outstanding. We then redeemed 164.4 million shares of common stock from Heinz for $349.5 million. The $349.5 million consisted of $324.5 million of cash and $25.0 million of our redeemable Series A Preferred Stock. After redemption, Artal Luxembourg purchased 94% of our remaining common stock from Heinz for $223.7 million. The recapitalization and stock purchase was financed through borrowings under credit facilities amounting to approximately $237.0 million and by issuing senior subordinated notes amounting to $255.0 million. In connection with the Transaction, we incurred approximately $8.3 million in transaction costs, which were included in the results of operations for the fiscal year ended April 29, 2000.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are the leading provider of weight-loss services, operating in 30 countries around the world. We conduct our business through a combination of company-owned and franchise operations, with company-owned operations accounting for 74% of total worldwide attendance for the fiscal year ended January 3, 2004. 64% of our revenues were generated by our U.S. operations, and the remaining 36% of our revenues resulted from our international operations. We derive our revenues principally from:

- *Meeting fees.* Our members pay us a weekly fee to attend our classes.
- *Product sales.* We sell proprietary products that complement our program, such as snack bars, books, CD-ROMs and *POINTS* calculators, to our members and franchisees.
- *Franchise royalties.* Our franchisees typically pay us a royalty fee of 10% of their meeting fee revenues.
- *Other.* We license our brand for certain foods, books and other products. We also generate revenues from the publishing of books and magazines and third-party advertising.

The following table sets forth our revenues by category for the 2003, 2002 and 2001 fiscal years, the eight months ended December 30, 2000, and the 2000 and 1999 fiscal years.

Revenue Sources

	Fiscal Years Ended			Eight Months Ended	Fiscal Years Ended	
	January 3, 2004	December 28, 2002	December 29, 2001	December 30, 2000	April 29, 2000	April 24, 1999
	(In millions)					
NACO meetings fees	$ 392.4	$ 350.7	$ 262.5	$ 96.8	$ 130.8	$ 122.3
International company-owned meeting fees	214.8	170.0	153.2	87.3	152.7	143.9
Product sales	276.8	237.6	170.4	66.4	84.2	57.3
Franchise royalties	24.9	31.3	28.3	17.7	25.8	23.2
Other	35.0	20.0	9.5	5.0	6.0	17.9
Total	$ 943.9	$ 809.6	$ 623.9	$ 273.2	$ 399.5	$ 364.6

After our acquisition by Artal Luxembourg in 1999, we reorganized our management and strengthened our strategic focus. Since 1999, our revenues have increased as shown in the chart above. Our operating income margin has grown from 22.3% in fiscal 1999 to 33.5% in fiscal 2003. The increases are principally a result of:

- *Increased NACO classroom attendance.* As a result of our decision to re-focus our meetings exclusively on our group education approach and to introduce into NACO our *POINTS* -based program developed in the United Kingdom and our *Liberty/Loyalty* meeting fee pricing strategy developed in France, our NACO classroom attendance, including the impact of our acquisitions, grew between fiscal 1999 and fiscal 2003 at a compound annual rate of 28.1%. Including acquisitions of our franchises which were made over this period (WW Group and Weighco and those in Dallas, New Mexico, North Jersey, San Diego and Eastern North Carolina), our attendance grew from 10.9 million in 1999 to 34.6 million in 2003.
- *Accelerated growth in Continental Europe.* In Continental Europe, we have accelerated growth by adapting our business model to local conditions, implementing more aggressive marketing programs tailored to the local markets and increasing the number of meetings ahead of anticipated demand. Between fiscal 1999 and fiscal 2003, attendance in our Continental European operations grew at a compound annual rate of 12.8%.
- *Increased product sales.* We have increased our product sales by 383% from fiscal 1999 to fiscal 2003 as a result of our growing attendance, introducing new products and optimizing our product mix. In our meetings, we have increased average product sales per attendance from $1.53 to $3.56 over the same period.

As shown in the chart below, our worldwide attendance (including acquisitions of franchises) in our company-owned operations has grown by 104%, from 29.8 million in fiscal 1999 to 60.8 million in fiscal 2003.

Attendance in Company-Owned Operations

	Fiscal Years Ended			Twelve Months Ended	Eight Months Ended	Fiscal Years Ended	
	January 3, 2004	December 28, 2002	December 29, 2001	December 30, 2000	December 30, 2000	April 29, 2000	April 24, 1999
	(53 weeks)	(52 weeks)	(52 weeks)	(54 weeks)	(35 weeks)	(35 weeks)	(52 weeks)
	(in millions)						
North America	34.6	30.8	23.5	14.3	8.9	13.3	10.9
United Kingdom	12.8	11.9	11.6	11.2	7.0	10.6	9.8
Continental Europe	10.1	9.2	8.7	7.0	4.6	6.1	5.7
Other International	3.3	3.4	3.2	3.2	1.9	3.3	3.4
Total	60.8	55.3	47.0	35.7	22.4	33.3	29.8

Since the fiscal year ended December 28, 2002, we have acquired the franchised territories and certain business assets of five franchisees as outlined below:

Acquisitions

	Purchase Price	Closing Date	Attendance* Fiscal Years Ended January 3, 2004	Attendance* Fiscal Years Ended December 28, 2002
	(in millions)			
North Jersey	$ 46.5	January 18, 2002	1.4	1.4
San Diego	$ 11.0	July 2, 2002	0.6	0.2
Eastern North Carolina	$ 10.6	September 1, 2002	0.3	0.1
WW Group	$ 180.7	March 30, 2003	3.6	—
Dallas/New Mexico	$ 27.2	November 30, 2003	**	—
			5.9	1.7

* From date of acquisition to the end of the fiscal year.

** Less than 0.1 million

These acquisitions have been accounted for under the purchase method of accounting. Accordingly, their results of operations have been included in our consolidated operating results since the dates of the completion of their respective acquisitions.

Critical Accounting Policies

"Management's Discussion and Analysis of Financial Condition and Results of Operations" is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets,

liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on going basis, we evaluate our estimates and judgments, including those related to inventories, investments, the impairment analysis for goodwill and other indefinite-lived intangible assets, income taxes, and contingencies and litigation. We base our estimates on historical experience and on various other factors and assumptions that we believe to be reasonable under the circumstances, the results of which form the bases for making judgments about the carrying values of

assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following accounting policies are most important to the portrayal of our financial condition and results of operations and require our most significant judgments.

Revenue Recognition

We earn revenue by conducting meetings, selling products and aids in our meetings and to our franchisees, collecting commissions from franchisees operating under the Weight Watchers name, collecting royalties related to licensing agreements, selling advertising space in and copies of our magazine. We charge non-refundable registration fees in exchange for an introductory information session and materials we provide to new members. Revenue from these registration fees is recognized when the service and products are provided, which is generally at the same time payment is received from the customer. Revenue from meeting fees, product sales, commissions and royalties is recognized when services are rendered, products are shipped to customers and title and risk of loss pass to the customer, and commissions and royalties are earned. Advertising revenue is recognized when ads are published. Revenue from magazine sales is recognized when the magazine is sent to the customer. Deferred revenue, consisting of prepaid lecture and magazine subscription revenue, is amortized into income over the period earned. Discounts to customers, including free registration offers, are recorded as a deduction from gross revenue in the period such revenue was recognized. We grant refunds under limited circumstances and at aggregate amounts that historically have not been material. Because the period of payment generally approximates the period revenue was originally recognized, refunds are recorded as a reduction of revenue when paid.

Goodwill and Intangibles

Finite-lived intangible assets are being amortized using the straight-line method over their estimated useful lives of three to 20 years. Effective December 30, 2001, we adopted SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." As a result, we no longer amortize goodwill and other indefinite-lived intangible assets, but are required to review these assets for potential impairment. We performed fair value impairment testing as of January 3, 2004 and December 28, 2002 on our goodwill and other indefinite-lived intangible assets, which determine that the carrying amounts of these assets did not exceed their respective fair values and therefore, no impairment was evident. We are required to perform this impairment testing at least annually, or more frequently if circumstances indicate possible impairment. When determining fair value, we utilize various assumptions, including projections of future cash flows. A change in these underlying assumptions will cause a change in the results of the tests and, as such, could cause fair value to be less than the carrying amounts. In such event, we would then be required to record a corresponding charge, which would impact earnings. We continue to evaluate these estimates and assumptions and believe that these assumptions, which included an estimate of future cash flows based upon the anticipated performance of the underlying business units, were appropriate.

Hedging Instruments

We enter into forward and swap contracts to hedge transactions denominated in foreign currencies in order to reduce currency risk associated with fluctuating exchange rates. These contracts have been used primarily to hedge payments arising from some of our foreign currency denominated obligations. In addition, we enter into interest rate swaps to hedge a substantial portion of our variable rate debt.

We account for our hedging instruments under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that all derivative financial instruments be recorded on the consolidated balance sheet at fair value as either assets or liabilities. Fair value

adjustments for qualifying derivative instruments are recorded as a component of other comprehensive income and will be included in earnings in the periods in which earnings are affected by the hedged item. Fair value adjustments for non-qualifying derivative instruments are recorded in our results of operations.

WeightWatchers.com

We own approximately 19.9% of our affiliate and licensee, WeightWatchers.com, or approximately 37% on a fully diluted basis (including the exercise of all options and all the warrants we own in WeightWatchers.com). Because of our ability to exercise significant influence over WeightWatchers.com, we account for this investment under the equity method of accounting. Under a loan agreement between us and WeightWatchers.com, we advanced WeightWatchers.com $34.5 million. In 2001, we wrote off our loans to the extent of our equity interest in WeightWatchers.com's losses. In addition, in 2001, we fully reserved for the remaining loan balance. In 2003, we received a $5.0 million payment from WeightWatchers.com reducing the principal balance to $29.5 million.

Income Taxes

Deferred income taxes result primarily from temporary differences between financial and tax reporting. If it is more likely than not that some portion of a deferred tax asset will not be realized, a valuation allowance is recognized. We consider historic levels of income, estimates of future taxable income and feasible tax planning strategies in assessing the need for a tax valuation allowance.

Results of Operations

The following table summarizes our historical income from operations as a percentage of revenues for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001.

	Fiscal Years Ended		
	January 3, 2004	December 28, 2002	December 29, 2001
Total revenues, net	100.0%	100.0%	100.0%
Cost of revenues	46.7	45.7	45.9
Gross profit	53.3	54.3	54.1
Marketing expenses	12.0	10.0	11.2
Selling, general and administrative expenses	7.8	7.6	11.7
Operating income	33.5%	36.7%	31.2%

Figures are rounded to the nearest one hundred thousand; percentage changes are based on rounded figures. Attendance percentage changes are based on rounded figures to the nearest thousand.

Comparison of the fiscal year ended January 3, 2004 (53 weeks) to the fiscal year ended December 28, 2002 (52 weeks).

Net revenues were $943.9 million for the fiscal year ended January 3, 2004, an increase of $134.3 million, or 16.6%, from $809.6 million for the fiscal year ended December 28, 2002. The 16.6% increase in net revenues was partially the result of worldwide attendance growth of 10.1%, which drove an $86.5 million increase in classroom meeting fees. The other components of the $134.3 million increase in net revenues in fiscal 2003 over fiscal 2002 were $39.2 million of product sales, $2.9 million of royalties from our licensee, WeightWatchers.com, $12.2 million attributable to our publications and other licensing sources, offset by a $6.5 million decrease in franchise revenues. Excluding the impact of fluctuations in foreign currency translations, meeting fees and product sales increased 10.7% in North

America and 11.2% internationally. The impact of currency fluctuations on worldwide revenues was an increase of 5.5%.

Classroom meeting fees were $607.2 million for the fiscal year ended January 3, 2004 as compared to $520.7 million for the fiscal year ended December 28, 2002, an increase of 16.6%. In NACO, classroom meeting fees rose 11.9%, or $41.7 million, from $350.7 million in fiscal 2002 to $392.4 million in fiscal 2003. Total attendances grew 12.4%. Excluding the impact of the two franchise acquisitions completed during 2003 and the impact of the additional week in the 2003 fiscal year, NACO's organic attendances decreased 2.1% from the prior year. In the first half of the year, attendance was negatively affected by bad winter weather, the war in Iraq, a late Easter and the nine-month delay (until fall) of the NACO innovation. Escalating over the course of the year, the low-carb diet phenomenon had a negative impact on the growth in our North American business. We saw organic attendance declines versus prior year periods of 6.3% in the second quarter, 2.4% in the third quarter and 3.1% in the fourth quarter.

International company-owned classroom meeting fees were $214.8 million for the fiscal year ended January 3, 2004, an increase of $44.8 million, or 26.4%, from $170.0 million for the fiscal year ended December 28, 2002. The 26.4% growth in meeting fees was driven by

attendance increases of 8.2% in the UK and 9.1% in Continental Europe, coupled with a 16.4% favorable impact from foreign currency exchange rates.

Product sales were $276.8 million for the fiscal year ended January 3, 2004, an increase of $39.2 million, or 16.5%, from $237.6 million for the fiscal year ended December 28, 2002. Product sales increased 7.8% to $158.2 million domestically and 30.6% to $118.6 million internationally. The increase in international product sales was fueled by attendance growth, higher sales per individual attendance and the favorable impact of foreign currency fluctuations. The increase in domestic product sales resulted from additional attendances and a price increase effected early in 2003 on certain of our consumable products in some of our NACO markets. Product sales per attendance without the impact of the WW Group acquisition decreased 12.3% in the fourth quarter of fiscal 2003 as compared to the same quarter last year, but increased 3.8% for the full year as compared to 2002.

For the fiscal year ended January 3, 2004, franchise royalties were $18.6 million domestically and $6.3 million internationally. In total, franchise royalties were $24.9 million is fiscal 2003, a decrease of $6.4 million, or 20.4%, from $31.3 million for the fiscal year ended December 28, 2002. The decline was mainly the result of our acquisition of certain franchise territories in 2003. As we continue to acquire franchises, revenue from the associated commissions will continue to decline, but the overall net impact on the business of making franchise acquisitions is accretive.

Revenues from publications, licensing and other royalties increased 75.0%, or $15.0 million, to $35.0 million for the fiscal year ended January 3, 2004 from $20.0 million for the fiscal year ended December 28, 2002. The main components of this gain were an $8.0 million rise in magazine advertising revenues and publishing royalties, a $4.2 million increase in licensing revenue and $2.9 million higher royalties earned from our WeightWatchers.com license.

Cost of revenues was $440.4 million for the fiscal year ended January 3, 2004, an increase of $70.1 million, or 18.9%, from $370.3 million for the fiscal year ended December 28, 2002, outpacing the 16.6% revenue growth for fiscal 2003. The resultant gross profit margin was 53.3% of sales in fiscal 2003, which was a one percentage point decrease from the 54.3% level of fiscal 2002.

The following chart shows the change in gross profit margin for each quarter of the last two fiscal years:

	Fiscal Year 2003				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
	(in millions)				
Revenues, net	$ 251.5	$ 258.8	$ 217.5	$ 216.1	$ 943.9
Cost of revenues	113.3	116.1	107.3	103.7	440.4
Gross profit ($)	$ 138.2	$ 142.7	$ 110.2	$ 112.4	$ 503.5
Gross profit (%)	55.0%	55.1%	50.7%	52.0%	53.3%

	Fiscal Year 2002				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
	(in millions)				
Revenues, net	$ 212.5	$ 217.9	$ 189.2	$ 190.1	$ 809.7
Cost of revenues	96.0	96.0	85.6	92.6	370.2
Gross profit ($)	$ 116.5	$ 121.9	$ 103.6	$ 97.5	$ 439.5
Gross profit (%)	54.8%	55.9%	54.8%	51.3%	54.3%

Gross profit for fiscal 2003 was $503.5 million, up 14.6% from $439.5 million in fiscal 2002. The change in the gross profit margin percentage for the full year 2003 as compared to 2002 resulted primarily from factors relating to the timing of our Fall 2003 NACO innovation. These included significant expenses in the third quarter 2003 relating to the nationwide innovation training meetings held with our meeting room staff, the write-off of some unused program material and the decision to keep more meetings open than we normally would have during

the lower attendance summer months in anticipation of the expected increased volume due to the innovation.

Marketing expenses increased $32.4 million, or 39.9%, to $113.6 million in the fiscal year ended January 3, 2004 from $81.2 million in the fiscal year ended December 28, 2002. During 2003, we made the decision to increase marketing to support the continuing growth of the business while specifically targeting some of our key markets. As a percentage of net revenues, marketing expenses increased from 10.0% in 2002 to 12.0% in 2003. During 2004, we expect our absolute level of marketing spending to be roughly equivalent on a local currency basis to what we spent in 2003.

Selling, general and administrative expenses were $73.9 million for the fiscal year ended January 3, 2004, an increase of $12.6 million, or 20.6%, from $61.3 million for the fiscal year ended December 28, 2002. The main drivers of this increase were the acquisition of WW Group franchise territories, higher medical and other insurance rates and legal fees, and expenses associated with additional regulatory and compliance requirements. The impact of the dollar weakening relative to the currencies of our international subsidiaries also had the result of increasing selling, general and administrative expenses. As a percentage of revenue, selling, general and administrative expenses remained fairly consistent at 7.8% as compared to 7.6% last year.

Operating income was $316.1 million for the fiscal year ended January 3, 2004, an increase of $19.3 million, or 6.5%, from $296.8 million for the fiscal year ended December 28, 2002. Operating income growth lagged top line revenue growth primarily due to our decision to implement major increases in marketing spending. Accordingly, our operating income margin fell in fiscal 2003 to 33.5%, from 36.7% in the prior year. The decline in gross margin from the prior year also contributed to the operating margin compression.

Net interest charges in 2003 were down 20.3% from $42.3 million in 2002 to $33.7 million. The repurchase and retirement in the third quarter of 2003 of most of our 13% Senior Subordinated Notes and the associated refinancing of our debt, (which will be explained in more detail below) lowered our interest expense for the remainder of 2003 and beyond.

Other expenses, net were $2.8 million for the fiscal year ended January 3, 2004 as compared to $19.0 million for the fiscal year ended December 28, 2002. Primarily as a result of the aforementioned retirement of the euro denominated portion of our 13% Senior Subordinated Notes, we saw a reduction in unrealized currency gains/losses net of hedges from a loss of $17.1 million in 2002 to a loss of $9.1 million in 2003. Additionally, in 2003 we received a $5.0 million loan repayment from our licensee, WeightWatchers.com, which we recorded as a component of other income in 2003 since the loan balance had been entirely written off by the end of fiscal 2001.

As was mentioned above, in the third quarter of 2003, we successfully completed a tender offer and consent solicitation to purchase 96.6% of our $150.0 million USD denominated ($144.9 million) and 91.6% of our €100.0 million euro denominated (€91.6 million) 13% Senior Subordinated Notes. The consideration for the tender offer and consent solicitation was funded from cash on hand and additional borrowings under our Credit Facility, which was refinanced concurrently. We recognized expense for early extinguishment of debt of $47.4 million in the third quarter of 2003 that included tender premiums of $42.6 million, the write-off of unamortized debt issuance costs of $4.4 million and $0.4 million of fees associated with the transaction. The average interest rate on our debt declined from 9.1% at December 28, 2002 to approximately 3.7% at January 3, 2004 as a result of the refinancing.

Comparison of the fiscal year ended December 28, 2002 (52 weeks) to the fiscal year ended December 29, 2001 (52 weeks).

Net revenues were $809.6 million for the fiscal year ended December 28, 2002, an increase of $185.7 million, or 29.8%, from $623.9 million for the fiscal year ended December 29, 2001. The 29.8% increase in net revenues was partially the result of worldwide attendance growth of 17.7% driving a $105.0 million increase in classroom meeting fees. The other components of the $185.7 million increase in net revenues in fiscal 2002 over fiscal 2001 were $67.2 million of product sales, $3.0 million of franchise revenues, $4.2 million of royalties from our licensee, WeightWatchers.com, and $6.3 million attributable to our publications and other licensing sources. On a geographical basis, meeting fees and product sales increased 37.4% in North America and 16.5% internationally, with 5.1% of the international increase resulting from currency fluctuations.

Classroom meeting fees were $520.7 million for the fiscal year ended December 28, 2002 as compared to $415.7 million for the fiscal year ended December 29, 2001. In NACO, classroom meeting fees rose 33.6%, or $88.2 million, from $262.5 million in fiscal 2001 to $350.7 million in fiscal 2002. Total attendances grew 31.2% while organic growth, excluding the impact of the three franchise acquisitions completed during 2002, was 22.0%.

International company-owned classroom meeting fees were $170.0 million for the fiscal year ended December 28, 2002, an increase of $16.8 million, or 11.0%, from $153.2 million for the fiscal year ended December 29, 2001. The 11.0% growth in meeting fees included a 5.0% favorable impact from foreign currency exchange rates for the full year. As shown in the chart below, attendance growth was

more robust in the second half of 2002, up 9.3% over 2001 levels, partially as a result of a program innovation in Continental Europe. International member attendances increased 4.3% overall.

	% Increase in Attendances Fiscal 2002 versus Fiscal 2001		
	First Half	Second Half	Full Year
United Kingdom	(2.3)%	8.6%	2.3%
Continental Europe	2.3%	11.4%	6.4%
Other	5.7%	6.4%	6.1%
Total International	0.4%	9.3%	4.3%

Product sales were $237.6 million for the fiscal year ended December 28, 2002, an increase of $67.2 million, or 39.4%, from $170.4 million for the fiscal year ended December 29, 2001. Product sales increased 47.4% to $146.8 million domestically and 28.4% to $90.8 million internationally, reflecting our strategy to focus product sales efforts worldwide on a core group of products that complement our program. Product sales increased both as a result of attendance growth and higher sales per individual attendance in all regions.

Franchise royalties were $25.8 million domestically and $5.6 million internationally for the fiscal year ended December 28, 2002. In total, franchise royalties increased $3.0 million, or 11.0%, from $28.3 million for the fiscal year ended December 29, 2001, to $31.3 million in fiscal 2002 on the strength of increased member attendance and product sales. Year-over-year growth in domestic franchise royalties was reduced as a result of our acquisition of three franchises during fiscal 2002.

Revenues from publications, licensing and other royalties were $20.0 million for the fiscal year ended December 28, 2002, an increase of $10.5 million, or 110.5%, from $9.5 million for the fiscal year ended December 29, 2001. This increase was in large part the result of licensing royalty income from WeightWatchers.com of $4.2 million, which we began accruing in 2002. Other areas of growth included international licensing revenues and advertising revenues from our publications.

Cost of revenues was $370.3 million for the fiscal year ended December 28, 2002, an increase of $83.9 million, or 29.3%, from $286.4 million for the fiscal year ended December 29, 2001 in line with increases in revenues. Gross profit margin was 54.3% of sales in fiscal 2002, a slight increase from the 54.1% level in fiscal 2001.

Marketing expenses increased $11.5 million, or 16.5%, to $81.2 million in the fiscal year ended December 28, 2002 from $69.7 million in the fiscal year ended December 29, 2001. Marketing expenses increased to support the continuing growth of the business. As a percentage of net revenues, marketing expenses decreased from 11.2% in 2001 to 10.0% in 2002, as we continued to leverage our marketing efforts across the growing revenue base.

Selling, general and administrative expenses were $61.3 million for the fiscal year ended December 28, 2002, a decrease of $11.7 million, or 16.0%, from $73.0 million for the fiscal year ended December 29, 2001. As with marketing expenses, selling, general and administrative expenses in 2002 also declined as a percentage of revenues even after the exclusion of two non-recurring expenses that totaled $16.0 million from the fiscal 2001 amount. In fiscal 2001, we wrote-off a $6.2 million uncollectible receivable from a licensing agreement, and, in addition, expensed $9.8 million of goodwill amortization, a charge which is no longer required since the adoption in 2002 of SFAS Nos. 141 and 142. Excluding these two items from the year-over-year comparison, selling, general and administrative expenses rose 7.5% in absolute dollars as a result of normal increases for salaries and other expenses, and declined as a percentage of revenues from 9.1% in fiscal 2001 to 7.6% in fiscal 2002.

Operating income was $296.8 million for the fiscal year ended December 28, 2002, an increase of $102.0 million, or 52.4%, from $194.8 million for the fiscal year ended December 29, 2001. The

operating income margin in fiscal year 2002 was 36.7%, up from 31.2% in the prior year. Excluding the two non-recurring selling, general and administrative items mentioned above, last year's operating income margin for the fiscal year was 33.8%.

Other expenses, net were $19.0 million for the fiscal year ended December 28, 2002 as compared to $13.2 million for the fiscal year ended December 29, 2001. In 2002, we recorded unrealized currency losses on foreign currency denominated debt and other obligations net of hedges of $17.1 million as compared to unrealized gains of $5.4 million in 2001. Additionally, in 2001 we recorded reserves of $17.3 million against our loan to WeightWatchers.com.

Liquidity and Capital Resources

Sources and Uses of Cash

For the fiscal year ended January 3, 2004, cash and cash equivalents decreased $34.1 million to $23.4 million. Cash flows provided by operating activities were $233.1 million, $89.2 million higher than net income for the 2003 fiscal year. Funds used for investing and financing activities during the fiscal year totaled $271.1 million.

Investing activities in the year used $211.6 million of cash and included $210.5 million paid in connection with the acquisition of the assets of our WW Group and Dallas/New Mexico franchises. In addition, $5.0 million was invested in capital expenditures.

Cash used for financing activities totaled $59.5 million. We paid $60.3 million in connection with the tender offer and repurchase of our 13% Senior Subordinated Notes and the concurrent refinancing of our Credit Facility and repurchased $28.8 million of stock in accordance with our stock repurchase program that began in October 2003. These were partially offset by net proceeds of $26.6 million from additional debt borrowings arising at the time of the WW Group acquisition at the end of March 2003.

For the fiscal year ended December 28, 2002, cash and cash equivalents increased $34.2 million to $57.5 million and cash flows provided by operating activities were $164.9 million. Funds were used primarily for investing and financing activities. Cash flows used for investing activities totaled $73.9 million and were primarily attributable to $68.1 million paid in connection with the acquisition of the assets of our North Jersey, San Diego and Eastern North Carolina franchises, and capital expenditures of $4.9 million. Net cash flows used for financing activities were $60.5 million, including debt repayments of $35.3 million on our Credit Facility, the repurchase of all $25.0 million of our outstanding preferred stock and the $1.2 million cumulative final dividend payment on our preferred stock.

For the fiscal year ended December 29, 2001, cash and cash equivalents decreased $21.2 million, as the $121.6 million of cash flows provided by operations were used primarily for investing activities. Cash flows used for investing activities totaled $120.1 million and were primarily comprised of payments for franchise acquisitions of $84.4 million (including acquisition costs) for our Weighco franchise and $13.5 million for our Oregon franchise, loans totaling $17.3 million made to WeightWatchers.com and capital expenditures of $3.8 million. Net cash flows used for financing activities were $21.4 million and consisted primarily of proceeds from borrowings under our Credit Facility of $35.0 million, offset by the payment of $1.5 million of dividends on our preferred stock, payments of $1.0 million associated with the cost of the public equity offering, repayment of $25.8 million principal on our outstanding Credit Facility and the repurchase of 6,719,254 shares of our common stock held by Heinz for $27.1 million.

At January 3, 2004, we had a working capital deficit of $19.5 million compared to positive working capital of $22.1 million at December 28, 2002. The change was primarily attributable to the decrease in cash of $34.1 million, timing related increases in income taxes payable of $10.7 million and accrued expenses of $2.2 million and other activity of $0.8 million. There were 53 weeks in fiscal 2003 as

compared to 52 weeks in fiscal 2002, with the additional week falling in the fourth quarter of 2003. The decrease was partially offset by lower accrued interest of $6.2 million resulting from lower interest charges in the fourth quarter due to the debt refinancing completed in September 2003.

Capital spending has averaged approximately $4.6 million annually over the last three years and has consisted primarily of leasehold improvements, furniture and equipment for meeting locations and information system expenditures.

Long-Term Debt

Our Credit Facility consists of Term Loans, a revolving line of credit ("Revolver") and a transferable loan certificate ("TLC"). Our total debt was $469.9 million and $454.7 million at January 3, 2004 and December 28, 2002, respectively. In fiscal 2003, we successfully completed a tender offer and consent solicitation to purchase 96.6% of our $150.0 million USD denominated ($144.9 million) and 91.6% of our €100.0 million euro denominated (€91.6 million) 13% Senior Subordinated Notes. The consideration for the tender offer and consent solicitation was funded from cash on hand of $57.3 million and $227.3 million of additional borrowings under the Credit Facility, which we refinanced as follows: Term Loans B and D and the TLC in the aggregate amount of $204.7 million were repaid and replaced with a new Term Loan B in the amount of $382.9 million and a new TLC in the amount of $49.1 million. Term Loan A in the amount of $30.0 million remained in place, along with a Revolver with available borrowings of up to $45.0 million. At January 3, 2004 the total debt balance under our Credit Facility was $454.2 million, and including the balance of untendered Senior Subordinated Notes, total debt was $469.9 million. In conjunction with the tender offer, we solicited consents to eliminate substantially all of the restrictive covenants and certain default provisions in the indentures pursuant to which the Notes were issued.

Our debt consists of both fixed and variable-rate instruments. At January 3, 2004, December 28, 2002 and December 29, 2001, fixed-rate debt constituted approximately 3.3%, 56.0% and 50.3% of our total debt, respectively. The average interest rate on our debt was approximately 3.7%, 9.1% and 8.6% at January 3, 2004, December 28, 2002 and December 29, 2001, respectively.

The following schedule sets forth our long-term debt obligations (and interest rates).

Long-Term Debt
As of January 3, 2004

	Balance	Interest Rate
	(in millions)	
EURO 100.0 million 13% Senior Subordinated Notes Due 2009	$ 10.6	13.00%
US $150.0 million 13% Senior Subordinated Notes Due 2009	5.1	13.00%
Term Loan A due 2005	24.4	3.04%
Term Loan B due 2009	380.9	3.56%
Transferable Loan Certificate due 2009	48.9	3.85%
Total Debt	469.9	
Less Current Portion	15.6	
Total Long-Term Debt	$ 454.3	

The Term Loan A facility, the Term Loan B facility, the TLC facility and the Revolver bear interest at a rate equal to (a) in the case of the Term Loan A facility and the Revolver, LIBOR plus 1.75% or, at our option, the alternate base rate (as defined in the Credit Facility) plus 0.75%, (b) in the case of the Term Loan B facility and the TLC, LIBOR plus 2.25% or, at our option, the alternate

base rate plus 1.25%. In addition to paying interest on outstanding principal under the Credit Facility, we are required to pay a commitment fee to the lenders under the Revolver with respect to the unused commitments at a rate equal to 0.50% per year.

Our Credit Facility contains covenants that restrict our ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other restricted payments, including investments, sell our assets and enter into consolidations, mergers and transfers of all or substantially all of our assets. Our Credit Facility also requires us to maintain specified financial ratios and satisfy financial condition tests.

Our obligations under the remaining Notes ($15.7 million at January 3, 2004) are subordinate and junior in right of payment to all of our existing and future senior indebtedness, including all indebtedness under the Credit Facility. We or our affiliates, including entities related to Artal Luxembourg, may from time to time, depending on market conditions, purchase the Notes in the open market or by other means.

In 2003, both Moody's and Standard and Poor's upgraded our credit ratings. Our credit ratings by Moody's at December 28, 2002 for the Credit Facility and Notes were "Ba1" and "Ba3," respectively. On March 20, 2003, Moody's upgraded its ratings for the Notes to "Ba2," raised our senior implied rating to "Ba1" and confirmed its "Ba1" ratings for the Credit Facility. Our credit ratings by Standard & Poor's at December 28, 2002 for the Credit Facility and Notes were "BB-" and "B," respectively. On March 11, 2003, Standard & Poor's upgraded its corporate credit and Credit Facility ratings to "BB" and upgraded its rating for the Notes to "B+." On July 24, 2003, both Standard & Poor's and Moody's confirmed these aforementioned ratings.

In January 2004, we entered into another refinancing to move a large portion of our debt from fixed Term Loans to Revolver. This provides us with a greater degree of flexibility and the ability to more efficiently manage cash. Under the refinancing, our term loans have been reduced from $454.2 million to $150.0 million and our Revolver capacity has increased from $45.0 million to $350.0 million. To complete the refinancing, we drew down $310.0 million of the Revolver. In connection with this refinancing, we incurred expenses of approximately $3.0 million in the first quarter of 2004.

Contractual Obligations

We are obligated under non-cancelable operating leases primarily for office and rent facilities. Rent expense charged to operations under all our leases for the fiscal year ended January 3, 2004 was approximately $17.4 million.

The impact that our contractual obligations as of January 3, 2004 are expected to have on our liquidity and cash flow in future periods is as follows:

	Payment Due by Period	
	Less than	More than

	Total	1 Year	1-3 Years	3-5 Years	5 Years
			(in millions)		
Long-Term Debt	$ 469.9	$ 15.6	$ 21.8	$ 8.6	$ 423.9
Operating Leases	78.0	21.5	27.3	11.4	17.8
Total	$ 547.9	$ 37.1	$ 49.1	$ 20.0	$ 441.7

Debt obligations due to be repaid in the 12 months following January 3, 2004 are expected to be satisfied with operating cash flows. We believe that cash flows from operating activities, together with borrowings available under our Revolver, will be sufficient for the next 12 months to fund currently anticipated capital expenditure requirements, debt service requirements and working capital requirements.

Acquisitions

On March 30, 2003, we completed the acquisition of certain assets of eight of the 15 franchises of the WW Group for a purchase price of $180.7 million. The acquisition was financed through cash and additional borrowings of $85 million.

On November 30, 2003, we completed the acquisition of our Dallas and New Mexico franchises for a purchase price of $27.2 million. The acquisition was financed through cash from operations.

On January 18, 2002, we completed the acquisition of our North Jersey franchise for a purchase price of $46.5 million. The acquisition was financed through additional borrowings under our Credit Facility, which were subsequently repaid by the end of the second quarter of 2002.

On July 2, 2002, we completed the acquisition of our San Diego franchise for a purchase price of $11.0 million. The acquisition was financed through cash from operations.

On September 1, 2002, we completed the acquisition of our eastern North Carolina franchise for a purchase price of $10.6 million. The acquisition was financed through cash from operations.

On January 16, 2001, we acquired the franchise territories and certain business assets of Weighco for $83.8 million. We financed the acquisition with available cash of $23.8 million and additional borrowings of $60.0 million under our Credit Facility.

Stock Transactions

On October 9, 2003, our Board of Directors authorized a program to repurchase up to $250.0 million of our outstanding stock. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Luxembourg or its affiliates under the program. During the fourth quarter of 2003, we purchased 784,000 shares of stock in the open market for a total of $28.8 million.

As of December 29, 2001, we had one million shares of Series A Preferred Stock issued and outstanding with a preference value of $25.0 million. Holders of the Series A Preferred Stock were entitled to receive dividends at an annual rate of 6% payable annually in arrears. On March 1, 2002, we redeemed all of our Series A Preferred Stock held by Heinz for a redemption price of $25.0 million plus accrued and unpaid dividends. The redemption was financed through additional borrowings of $12.0 million under the Credit Facility and cash from operations.

Factors Affecting Future Liquidity

Any future acquisitions, joint ventures or other similar transactions could require additional capital and we cannot be certain that any additional capital will be available on acceptable terms or at all. Our ability to fund our capital expenditure requirements, interest, principal and dividend payment obligations and working capital requirements and to comply with all of the financial covenants under our debt agreements depends on our future operations, performance and cash flow. These are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control.

Off-Balance Sheet Transactions

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial

partnerships established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes, such as entities often referred to as structured finance or special purpose entities.

Seasonality

Our business is seasonal, with revenues generally decreasing at year end and during the summer months. Our advertising schedule supports the three key enrollment-generating seasons of the year: winter, spring and fall. Due to the timing of our marketing expenditures, particularly the higher level of expenditures in the first quarter, our operating income for the second quarter is generally the strongest, with the fourth quarter being the weakest.

Recently Issued Accounting Standards

In December 2003, the Financial Accounting Standards Board issued Interpretation No. 46R, "Consolidation of Variable Interest Entities," ("FIN 46R"). FIN 46R replaces the same titled FIN 46 that was issued in January 2003. FIN 46R identifies when entities must be consolidated with the financial statements of a company where the investors in an entity do not have the characteristics of a controlling financial interest or the entity does not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The provisions of this interpretation are effective for us beginning the first quarter of fiscal 2004.

We have evaluated our relationship with our franchisees and based on this guidance, determined they are not variable interest entities and therefore will not be consolidated with our results. We are in the process of assessing our relationship with our licensee, WeightWatchers.com, with respect to FIN 46R. We have not reached a conclusion on this matter. Should we conclude that WeightWatchers.com is a variable interest entity meeting the requirements of FIN 46R we would be required to consolidate it. As of December 31, 2003, WeightWatchers.com had total assets of $21.1 million, total stockholders' deficit of $23.0 million, and an accumulated deficit of $27.0 million. For the year ended December 31, 2003, WeightWatchers.com had net income of $5.4 million.

Forward-Looking Statements

Certain statements in this Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," contain not only historical information, but also forward-looking statements regarding expectations for our future performance. Forward-looking statements involve risk and uncertainty. Please see "Cautionary Notice Regarding Forward-Looking Statements" on pages 11-12 of this Annual Report on Form 10-K for a discussion of factors which could cause our future results to differ from current expectations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to foreign currency fluctuations and interest rate changes. Our exposure to market risk for changes in interest rates relates to the fair value of long-term fixed rate debt and interest expense of variable rate debt. We have historically managed interest rates through the use of, and our long-term debt is currently composed of, a combination of fixed and variable rate borrowings. Generally, the fair market value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise.

Based on the overall interest rate exposure on our fixed rate borrowings at January 3, 2004, a 10% change in market interest rates would have less than a 5% impact on the fair value of our long-term debt. Based on variable rate debt levels at January 3, 2004, a 10% change in market interest rates would have less than a 5% impact on our net interest expense.

Other than inter-company transactions between our domestic and foreign entities and the remaining portion of our Senior Subordinated Notes that are denominated in euros, we generally do not have significant transactions that are denominated in a currency other than the functional currency applicable to each entity.

We enter into forward and swap contracts to hedge transactions denominated in foreign currencies to reduce the currency risk associated with fluctuating exchange rates. These contracts are used primarily to hedge payments arising from some of our foreign currency denominated obligations. Realized and unrealized gains and losses from these transactions are included in net income for the period. In addition, we enter into interest rate swaps to hedge a substantial portion of our variable rate debt. Changes in the fair value of these derivatives will be recorded each period in earnings for non-qualifying derivatives or accumulated other comprehensive income (loss) for qualifying derivatives.

Fluctuations in currency exchange rates may also impact our shareholders' equity. The assets and liabilities of our non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into U.S. dollars

at the weighted average exchange rate for the period. The resulting translation adjustments are recorded in shareholders' equity as accumulated other comprehensive income (loss). In addition, fluctuations in the value of the euro will cause the U.S. dollar translated amounts to change in comparison to prior periods. Furthermore, we revalue our outstanding senior subordinated euro notes at the end of each period and the resulting change in value will be reflected in the income statement of the corresponding period.

Each of our subsidiaries derives revenues and incurs expenses primarily within a single country and, consequently, does not generally incur currency risks in connection with the conduct of normal business operations.

We use foreign currency forward contracts to more properly align the underlying sources of cash flow with our debt servicing requirements. At January 3, 2004, we had a long-term foreign currency forward contract receivable with a notional amount of €8.4 million (approximately $10.6 million), offset by a foreign currency forward contract payable with a notional amount of $9.2 million.

Item 8. Financial Statements and Supplementary Data

This information is incorporated by reference to the "Consolidated Financial Statements and Notes" on pages F-1 through F-40, together with the report thereon of PricewaterhouseCoopers LLP on page F-41.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our report under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of January 3, 2004. Based upon that evaluation and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures provided reasonable assurance that the disclosure controls and procedures are effective to accomplish their objectives.

In addition, there was no change in our internal control over financial reporting that occurred during the quarter ended January 3, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Executive Officers and Directors of the Company

Set forth below are the names, ages as of January 3, 2004 and current positions with us and our subsidiaries of the executive officers and directors. Directors are elected at the annual meeting of shareholders. Executive officers are appointed by, and hold office at, the discretion of the directors.

Name	Age	Position
Linda Huett	59	President and Chief Executive Officer, Director
Richard McSorley	59	Chief Operating Officer, NACO
Scott R. Penn	32	Vice President, Australasia
Ann M. Sardini	53	Vice President, Chief Financial Officer
Robert W. Hollweg	61	Vice President, General Counsel and Secretary
Melanie Stubbing	42	Vice President of Operations, United Kingdom
Maurice Kelly	45	Vice President of Strategy & Operations, Continental Europe
Raymond Debbane(1)	48	Chairman of the Board

Philippe J. Amouyal(4)	45	Director
Jonas M. Fajgenbaum	31	Director
Sacha Lainovic(1)	47	Director
Christopher J. Sobecki	45	Director
Sam K. Reed(2)(3)	56	Director
Marsha Johnson Evans(2)(3)	56	Director
John F. Bard(2)(4)	62	Director

(1) Member of our compensation and benefits committee.

(2) Member of our Audit Committee.

(3) Named to the Board of Directors on February 12, 2002.

(4) Named to the Board of Directors on November 13, 2002.

Linda Huett. Ms. Huett has been the President and a director of our company since September 1999. She became our Chief Executive Officer in December 2000. Ms. Huett joined our company in 1984 as a classroom leader. Ms. Huett was promoted to U.K. Training Manager in 1986. In 1990, Ms. Huett was appointed Director of the United Kingdom operation and in 1993 was appointed Vice President of Weight Watchers U.K. Ms. Huett received a B.A. degree from Gustavas Adolphus College and received her Masters in Theater from Yale University. Ms. Huett is also a director of WeightWatchers.com, Inc.

Richard McSorley. Mr. McSorley has served as our Chief Operating Officer for North America since January 2001. From 1992 until our purchase of the franchise territories and certain business assets of Weighco, Mr. McSorley served in various capacities with Weighco Enterprises, Inc., including as President since 1995 and Chief Executive Officer since 1996. Mr. McSorley received a B.A. degree from Villanova University and an M.B.A. from the University of Pittsburgh.

Scott R. Penn. Mr. Penn has been a Vice President of our Australasia operations since September 1999. Mr. Penn joined our company in 1994 as a Marketing Services Manager in Australia. In 1996, he was promoted to Group Marketing Manager in Australia and in 1997 he was promoted to General Manager-Marketing and Finance.

Ann M. Sardini. Ms. Sardini has served as our Vice President and Chief Financial Officer since April 2002 when she joined our company. Ms. Sardini has over 20 years of experience in senior financial management positions in branded media and consumer products companies. Prior to joining us, she served as Chief Financial Officer of VitaminShoppe.com, Inc. from 1999 to 2001, and from 1995 to 1999 she served as Executive Vice President and Chief Financial Officer for the Children's Television Workshop. In addition, Ms. Sardini has held finance positions at QVC, Chris Craft Industries and the National Broadcasting Company. Ms. Sardini received a B.A. from Boston College and an M.B.A. from Simmons College Graduate School of Management.

Robert W. Hollweg. Mr. Hollweg has served as our Vice President, General Counsel and Secretary since January 1998. He joined our company in 1969 as an Assistant Counsel in the law department. He transferred to the Heinz law department subsequent to Heinz' acquisition of our company in 1978 and served there in various capacities. He rejoined us after Artal Luxembourg acquired our company in September 1999. Mr. Hollweg graduated from Fordham University and received his Juris Doctor degree from Fordham University School of Law. He is a member of the American and New York State Bar Associations and a former President of the International Trademark Association.

Melanie Stubbing. Ms. Stubbing has served as our Vice President of Operations—United Kingdom since December 2003. Ms. Stubbing has more than 16 years experience working with strong consumer brands, including her most recent position running the UK-based toy, game and trading card operations for Hasbro, Inc., a position she held from January 2002 to November 2003. From November 2000 to January 2002, Ms. Stubbing was the Vice President-Europe for WeightWatchers.com, Inc. Prior to joining WeightWatchers.com, Ms. Stubbing was Managing Director, Hedstrom, U.K. from August 1998 to October 2000, and from July 1989 to July 1998 she held various marketing positions at Mattel UK Ltd., including Group Marketing Director.

Maurice Kelly. Mr. Kelly has served as our Vice President of Strategy and Operations-Continental Europe since November 2003. Mr. Kelly has more than 20 years experience in operations management and strategic business development spanning a number of consumer-oriented businesses. Prior to joining us, Mr. Kelly was Chief Executive of Esporta plc, an operator of luxury health and fitness clubs located in the UK, Spain and Sweden, and at easyEverything, a chain of Internet Cafes. Mr. Kelly held positions in operations management of the Granada Group, and in retail management at Primark and the Burton Group.

Raymond Debbane. Mr. Debbane has been our Chairman of the Board of Directors since our acquisition by Artal Luxembourg on September 29, 1999. Mr. Debbane is a co-founder and President of The Invus Group, LLC. Prior to forming The Invus Group in 1985,

Mr. Debbane was a manager and consultant for The Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business, an M.S. in Food Science and Technology from the University of California, Davis and a B.S. in Agricultural Sciences and Agricultural Engineering from American University of Beirut. Mr. Debbane is a director of Artal Group S.A., Ceres, Inc. and the Chairman of the Board of Directors of Financial Technologies International, Inc. Mr. Debbane is also the Chairman of the Board of Directors of WeightWatchers.com, Inc. and served as a director of Keebler Foods Company from 1996 to 1999.

Philippe J. Amouyal. Mr. Amouyal was elected a director of our company in November 2002. Mr. Amouyal is a Managing Director of The Invus Group, LLC, which he joined in 1999. Previously, Mr. Amouyal was a Vice President and director of The Boston Consulting Group, Inc. in Boston, MA. He holds an M.S. in engineering and a DEA in Management from Ecole Centrale de Paris and was a Research Fellow at the Center for Policy Alternatives of the Massachusetts Institute of Technology. Mr. Amouyal is a director of WeightWatchers.com, Inc., Financial Technologies International, Inc., Metamarix, Inc., Entopia, Inc. and Unwired Group Limited.

Jonas M. Fajgenbaum. Mr. Fajgenbaum has been a director of our company since our acquisition by Artal Luxembourg on September 29, 1999. Mr. Fajgenbaum is a Managing Director of The Invus Group, LLC, which he joined in 1996. Prior to joining The Invus Group, LLC, Mr. Fajgenbaum was a consultant for McKinsey & Company in New York from 1994 to 1996. He graduated with a B.S. from the Wharton School of Business and a B.A. in Economics from the University of Pennsylvania in 1994.

Sacha Lainovic. Mr. Lainovic has been a director of our company since our acquisition by Artal Luxembourg on September 29, 1999. Mr. Lainovic is a co-founder and Executive Vice President of The Invus Group, LLC Prior to forming The Invus Group, LLC in 1985, Mr. Lainovic was a manager and consultant for the Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business and an M.S. in engineering from Insa de Lyon in Lyon, France. Mr. Lainovic is a director of WeightWatchers.com, Inc., Financial Technologies International, Inc. and Unwired Australia Pty Limited, and also served as a director of Keebler Foods Company from 1996 to 1999.

Christopher J. Sobecki. Mr. Sobecki has been a director of our company since our acquisition by Artal Luxembourg on September 29, 1999. Mr. Sobecki, a Managing Director of The Invus Group, LLC, joined the firm in 1989. He received an M.B.A. from Harvard Business School. He also obtained a B.S. in Industrial Engineering from Purdue University. Mr. Sobecki is a director of WeightWatchers.com, Inc., Financial Technologies International, Inc. and iLife, Inc. He also served as a director of Keebler Foods Company from 1996 to 1998.

Sam K. Reed. Mr. Reed has been a director of our company since February 2002. Mr. Reed has 27 years of experience in the food industry. He was formerly Vice Chairman and a director of Kellogg Company, the world's leading producer of cereal and a leading producer of convenience foods. From 1996 to 2001, Mr. Reed was Chief Executive Officer, President and a director of Keebler Foods Company. Previously, he was Chief Executive Officer of Specialty Foods Corporation's Western Bakery Group division. He is a director of the Tractor Supply Company. Mr. Reed received a B.A. from Rice University and an M.B.A. from Stanford Graduate School of Business.

Marsha Johnson Evans. Ms. Evans has been a director of our company since February 2002. Ms. Evans is currently President and Chief Executive Officer of the American Red Cross, the preeminent humanitarian organization in the United States, and previously served as the National Executive Director of Girl Scouts of the U.S.A. A retired Rear Admiral in the United States Navy, Ms. Evans has served as superintendent of the Naval Postgraduate School in Monterey, California and headed the Navy's worldwide recruiting organization from 1993 to 1995. She is currently a director of the May Department Stores Company, AutoZone, Inc. and numerous nonprofit boards. Ms. Evans received an A.B. from Occidental College and a Master's Degree from the Fletcher School of Law and Diplomacy at Tufts University.

John F. Bard. Mr. Bard has been a director since November, 2002. Since 1999, he has been a director of the Wm. Wrigley Jr. Company, where he served as Executive Vice President from 1999 to 2000, Senior Vice President from 1990-1999, and at the same time serving as Chief Financial Officer from 1990 until his retirement from management in 2000. He began his business career with The Procter & Gamble Company in financial management. He subsequently was Group Vice President and Chief Financial Officer and a director of The Clorox Company and later President and a director of Tambrands, Inc., prior to joining Wrigley. Mr. Bard holds a B.S. in Business from Northwestern University and an M.B.A. in Finance from the University of Cincinnati. In addition to Wrigley, he also serves as a director of Sea Pines Associates, Inc.

Board of Directors

Our Board of Directors is currently comprised of nine directors.

Classes and Terms of Directors

Our Board of Directors is divided into three classes, as nearly equal in number as possible, with each director serving a three-year term and one class being elected at each year's annual meeting of shareholders. The following individuals are directors and serve for the terms indicated:

Class 3 Directors (term expiring in 2004)

Linda Huett
Sam K. Reed
Philippe J. Amouyal

Class 1 Directors (term expiring in 2005)

Raymond Debbane
Jonas M. Fajgenbaum
John F. Bard

Class 2 Directors (term expiring in 2006)

Sacha Lainovic
Christopher J. Sobecki
Marsha Johnson Evans

Committees of the Board of Directors

The standing committees of our Board of Directors consist of an Audit Committee and a Compensation and Benefits Committee.

Audit Committee

We have an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the "Exchange Act"). The members of the Audit Committee are Sam K. Reed, Marsha Johnson Evans and John F. Bard.

The principal duties of our Audit Committee are as follows:

- to oversee that our management has maintained the reliability and integrity of our accounting policies and financial reporting and our disclosure practices;
- to oversee that our management has established and maintained processes to ensure that an adequate system of internal controls is functioning;
- to oversee that our management has established and maintained processes to ensure our compliance with all applicable laws, regulations and corporate policy;
- to prepare an annual performance evaluation of the Audit Committee;

- to establish and maintain procedures for the receipt, retention and treatment of complaints received by us, from any source, regarding accounting, internal accounting controls or auditing matters and from our employees for the confidential anonymous submission of concerns regarding questionable accounting or auditing matters;
- to assist the Board of Directors in its oversight of the integrity of our financial statements;
- to review our annual and quarterly financial statements prior to their filing or prior to the release of earnings;
- to oversee the performance of the independent auditors and to retain or terminate the independent auditors and approve all audit and non-audit engagement fees and terms; and
- to review at least annually, the qualifications, performance and independence of the independent auditors.

The Audit Committee has the power to investigate any matter brought to its attention within the scope of its duties and to retain counsel for this purpose where appropriate.

Our Board of Directors has determined that each of the Audit Committee members, Sam K. Reed, Marsha Johnson Evans and John F. Bard, is a financial expert as defined by Item 401(h) of Regulation S-K of the Exchange Act and is independent under applicable listing standards of the New York Stock Exchange, Rule 10A-3 under the Exchange Act.

Compensation and Benefits Committee

The principal duties of the compensation and benefits committee are as follows:

- to review key employee compensation policies, plans and programs;
- to monitor performance and compensation of our employee-director, officers and other key employees;
- to prepare recommendations and periodic reports to the Board of Directors concerning these matters; and
- to function as the committee that administers the incentive programs referred to in "Executive Compensation" below.

Compensation and Benefits Committee Interlocks and Insider Participation

None of our executive officers has served as a director or member of the compensation and benefits committee, or other committee serving an equivalent function, of any entity of which an executive officer is expected to serve as a member of our compensation and benefits committee.

Board of Directors Report on Executive Compensation Programs

Our Board of Directors oversees our compensation programs with particular attention to the compensation of our Chief Executive Officer and other executive officers. It is the responsibility of the Board of Directors to review, recommend and approve changes to our compensation policies and benefits programs, to administer our stock plans, including approving stock option grants to executive officers and other stock option grants, and to otherwise ensure that our compensation philosophy is consistent with our best interests and is properly implemented.

Our compensation philosophy is to (1) provide a competitive total compensation package that enables us to attract and retain key executive and employee talent needed to accomplish our goals, and (2) directly link compensation to improvements in our financial and operational performance.

Total compensation is comprised of a base salary plus both cash and non-cash incentive compensation, and is based on our financial performance and other factors, and is delivered through a combination of cash and equity-based awards. This approach results in overall compensation levels that follow our financial performance.

Our Board of Directors reviews each senior executive officer's base salary annually. In determining appropriate base salary levels, consideration is given to the officer's impact level, scope of responsibility, prior experience, past accomplishments and data on prevailing compensation levels in relevant executive labor markets.

Our Board of Directors believes that granting stock options provides officers with a strong economic interest in maximizing shareholder returns over the longer term. We believe that the practice of granting stock options is important in retaining and recruiting the key talent necessary at all employee levels to ensure our continued success.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics for our officers, including our principal executive officer, principal financial officer and controller, principal accounting officer and persons performing similar functions, and our employees and directors.

Shareholders may request a free copy of the Code of Business Conduct and Ethics from:

Weight Watchers International
Attn: Investor Relations
175 Crossways Park West
Woodbury, NY 11797
(516) 390-1400

Any amendment of our Code of Business Conduct and Ethics or waiver thereof applicable to any of our principal executive officer,

principal financial officer and controller, principal accounting officer or persons performing similar functions will be disclosed on our website within 5 days of the date of such amendment or waiver. In the case of a waiver, the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver will also be disclosed.

Section 16(a) Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock (collectively, "Reporting Persons") to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock. Such persons are required by regulations of the Securities and Exchange Commission to furnish us with copies of all such filings. Based on our review of the copies of such filings received by us with respect to the fiscal year ended January 3, 2004 and written representations from certain Reporting Persons, we believe that all Reporting Persons complied with all Section 16 (a) filing requirements in the fiscal year ended January 3, 2004. However, one late Form 3 was filed by Westend S.A. to report its indirect beneficial ownership of more than 10% of our common stock through its acquisition of Artal Group S.A.

Item 11. Executive Compensation

The following table sets forth for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 the compensation paid to our President and Chief Executive Officer and to each of the next four most highly compensated executive officers whose total annual salary and bonus was in excess of $100,000.

Summary Compensation Table

Name and principal position	Twelve Months Ended	Twelve Month Period Compensation		Long-term Compensation Awards, Securities Underlying Options (No. Awarded) Weight Watchers Int'l	All Other Compensation (3)
		Salary	Bonus		
Linda Huett	January 3, 2004	$ 301,868	$ 197,000	40,000	$ 65,509
President and	December 28,	$ 281,076	$ 399,421	—	$ 55,907
Chief Executive Officer	2002	$ 250,016	$ 425,027	—	$ 93,497
	December 29, 2001				
Ann M. Sardini(1)	January 3, 2004	$ 245,662	$ 161,000	20,000	$ 44,844
Vice President,	December 28,	$ 155,488	$ 152,932	100,000	$ 59,215
Chief Financial Officer	2002				
Richard McSorley	January 3, 2004	$ 230,524	$ 104,000	20,000	$ 53,310
Chief Operating Officer,	December 28,	$ 215,078	$ 215,239	—	$ 43,891
NACO	2002	$ 192,534	$ 252,034	282,322	$ 17,579
	December 29, 2001				
Clive Brothers(2)	January 3, 2004	$ 245,698	$ 151,014	20,000	$ 44,117
Chief Operating Officer,	December 28,	$ 212,463	$ 130,432	—	$ 23,235
Europe	2002	$ 183,593	$ 207,651	—	$ 30,872
	December 29, 2001				
Robert W. Hollweg	January 3, 2004	$ 189,801	$ 85,800	10,000	$ 45,500
Vice President, General	December 28,	$ 172,998	$ 177,226	—	$ 37,336
Counsel and Secretary	2002	$ 157,245	$ 198,058	—	$ 51,705
	December 29, 2001				
Scott R. Penn	January 3, 2004	$ 195,665	$ 57,562	10,000	$ 42,010
Vice President, Australasia	December 28,	$ 139,441	$ 62,188	—	$ 10,900
	2002	$ 117,711	$ 94,350	—	$ 25,759
	December 29, 2001				

(1) Ms. Sardini joined us on April 25, 2002 and therefore her compensation for 2002 only includes approximately eight months.

(2) Mr. Brothers resigned as an executive officer effective October 8, 2003.

(3) For the fiscal year ended January 3, 2004, these figures include amounts contributed under our 401(k) savings plan and our non-qualified executive profit sharing plan of $42,077 for Ms. Huett, $23,857 for Mr. Hollweg, $21,001 for Ms. Sardini, and $26,746 for Mr. McSorley. Also included are contributions to the U.K. Pension Plan of $22,113 for Mr. Brothers, and contributions to the Australasia Pension Plan of $27,393 for Mr. Penn, as well as auto lease expense for named executives.

In December 1999, our Board of Directors adopted our 1999 Stock Purchase and Option Plan under which selected employees are afforded the opportunity to purchase shares of our common stock and/or were granted options to purchase shares of our common stock. The number of shares available for grant under this plan is 7,058,040 shares of our authorized common stock.

The following table sets forth information regarding options granted during the fiscal year ended January 3, 2004 to the named executive officers under our stock purchase and option plan.

Option Grants
For the Fiscal Year Ended January 3, 2004

Individual Grants

Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year Ended January 3, 2004(2)	Exercise or Base Price (per share)	Expiration Date	Grant Date Present Value(3)
Linda Huett	40,000	7%	$ 42.27	January 13, 2008	$ 638,444
Ann M. Sardini	20,000	4%	$ 42.27	January 13, 2008	$ 319,222
Richard McSorley	20,000	4%	$ 42.27	January 13, 2008	$ 319,222
Clive Brothers	20,000	4%	$ 42.27	January 13, 2008	$ 319,222
Robert Hollweg	10,000	2%	$ 42.27	January 13, 2008	$ 159,611
Scott R. Penn	10,000	2%	$ 42.27	January 13, 2008	$ 159,611

(1) Options were granted during the fiscal year ended January 3, 2004 under the terms of our option plan. None of these options were exercised under the plan during the fiscal year ended January 3, 2004. Options are exercisable based on vesting provisions outlined in the option agreement.

(2) Percentages of total options granted are based on total grants made to all employees during the fiscal year ended January 3, 2004.

(3) The estimated grant dates present value is determined using the Black-Scholes model. The adjustments and assumptions incorporated in the Black-Scholes model in estimating the value of the grants include the following: (a) the exercise price of the options equals the fair market value of the underlying stock on the date of grant; (b) an option term of 5.0 years; (c) dividend yield of 0% and volatility of 37.4% and (d) a risk free interest rate of 3.2%. The ultimate value, if any, an optionee will realize upon exercise of an option will depend on the excess of the market value of our common stock over the exercise price of the option.

Under our 1999 Stock Purchase and Option Plan, we have the ability to grant stock options, restricted stock, stock appreciation rights and other stock-based awards. Generally, stock options granted under this plan vest and become exercisable in annual increments over five years with respect to one-third of options granted, and the remaining two-thirds of the options vest on the ninth anniversary of the date the options were granted, subject to accelerated vesting upon our achievement of certain performance targets. For each year prior to and including 2003, these performance targets have been met. All new options granted in 2003 under this plan vest and become exercisable in annual increments over one to five years and are not subject to performance targets. In any event, the options become fully vested upon the occurrence of a change in control of our company.

In April 2000, our Board of Directors adopted the WeightWatchers.com Stock Incentive Plan pursuant to which selected employees were granted options to purchase shares of WeightWatchers.com common stock. The number of shares available for grant under this plan is 400,000 shares of authorized common stock of WeightWatchers.com. No options were granted during the fiscal year ended January 3, 2004 to the named executive officers under the WeightWatchers.com Stock Incentive Plan.

Under our WeightWatchers.com Stock Incentive Plan, we have the ability to grant stock options, restricted stock, stock appreciation rights and other stock-based awards on shares of

WeightWatchers.com common stock. Generally, stock options under the plan vest in annual increments over five years upon our achievement of certain performance targets. These options are not exercisable until the earlier to occur of (1) six months after the tenth anniversary of the date the option was granted; and (2) a public offering of WeightWatchers.com common stock or a private sale of the stock in which an employee holding stock is entitled to participate under the terms of the sale participation agreement entered into with Artal Luxembourg.

The following tables set forth the number and value of securities underlying unexercised options held by each of our executive officers listed on the Summary Compensation Table above as of January 3, 2004. None of our executive officers exercised any WeightWatchers.com options and they do not have any stock appreciation rights.

	Aggregated Options Values as of January 3, 2004					
	Fiscal Year Ended January 3, 2004 Shares		Number of Weight Watchers Securities Underlying Unexercised Options at January 3, 2004		Value of Weight Watchers Unexercised In-The-Money Options at January 3, 2004	
Name	Acquired in Exercise (#)	Value Realized	Exercisable (#)	Unexercisable (#)	Exercisable	Unexercisable
Linda Huett	105,000	$ 4,106,433	263,195	95,288	$ 9,700,052	$ 2,037,639
Ann M. Sardini	—	—	20,000	100,000	$ 53,200	$ 212,800
Richard McSorley	33,562	$ 1,240,126	132,891	123,519	$ 4,643,544	$ 3,617,213
Clive Brothers	126,000	$ 4,428,410	98,679	57,643	$ 3,636,815	$ 1,387,333
Robert W. Hollweg	91,000	$ 3,558,909	153,679	47,643	$ 5,663,840	$ 1,387,333
Scott R. Penn	65,875	$ 2,551,668	42,348	47,643	$ 1,560,736	$ 1,387,333

	Number of WeightWatchers.com Securities Underlying Unexercised Options at January 3, 2004		Value of WeightWatchers.com In-The-Money Options at January 3, 2004(*)		Number of Heinz Securities Underlying Unexercised Options at January 3, 2004		Value of Heinz In-The-Money Options at January 3, 2004	
Name	Exercisable (#)	Unexercisable (#)	Exercisable	Unexercisable	Exercisable (#)	Unexercisable (#)	Exercisable	Unexercisable
Linda Huett	9,961	1,424	N/A	N/A	40,000	—	—	—
Ann M. Sardini	—	—	—	—	—	—	—	—
Richard McSorley	—	—	—	—	—	—	—	—
Clive Brothers	9,961	1,424	N/A	N/A	40,000	—	—	—
Robert W. Hollweg	9,961	1,424	N/A	N/A	—	—	—	—
Scott R. Penn	9,961	1,424	N/A	N/A	—	—	—	—

(*) The value of WeightWatchers.com options are not currently calculable as the underlying securities are not publicly traded.

Director Compensation

Our executive director and our directors who are associated with The Invus Group do not receive compensation. Mr. Reed, Ms. Evans and Mr. Bard will receive (1) annual compensation in the amount of $30,000, paid quarterly, half in cash and half in our common stock; (2) $1,000 per Audit Committee meeting; (3) options for 2,000 shares of our common stock per year, with the second grant on February 6, 2003 for Mr. Reed and Ms. Evans and November 12, 2003 for Mr. Bard, at an exercise price equal to the closing price of our common stock on the day that the options are granted, the options have a five year life and vest one year after the grant date; and (4) reimbursement of reasonable out-of-pocket expenses associated with a director's role on the Board of Directors.

Executive Savings and Profit Sharing Plan

We sponsor a savings plan for salaried and eligible hourly employees. This defined contribution plan provides for employer matching contributions up to 100% of the first 3% of an employee's eligible compensation. The savings plan also permits employees to contribute between 1% and 13% of eligible compensation on a pre-tax basis.

The savings plan also contains a profit sharing component for full-time salaried employees that are not key management personnel, which provides for a guaranteed monthly employer contribution for each participant based on the participant's age and a percentage of the participant's eligible compensation. In addition, the profit sharing plan has a supplemental employer contribution component, based on our achievement of certain annual performance targets, and a discretionary contribution component.

We also established an executive profit sharing plan, which provides a non-qualified profit sharing plan for key management personnel who are not eligible to participate in our profit sharing plan. This non-qualified profit sharing plan has similar features to our profit sharing plan.

Continuity Agreements

Purpose; Covered Executives

The Board of Directors has determined that it is in the best interests of our stockholders to reinforce and encourage the continued attention and dedication of our key executives to their duties with us, without personal distraction or conflict of interest in circumstances that could arise in connection with any change of ownership or control of the Company. Therefore, in October 2003, we entered into continuity agreements with the following executives: Linda Huett, Ann Sardini, Robert Hollweg, and certain other executive officers. These agreements contain terms that are substantially similar to each other, except where described below.

Term of Agreements

These agreements have an initial term of three years from the date of execution, and continue to renew annually thereafter unless either party provides 180-day advance written notice to the other party that the term of the agreement will not renew. However, upon the occurrence of a "change in control" (as defined in the agreements), the term of the agreement may not terminate until the second anniversary of the date of the change of ownership or control of the Company.

Severance Payments and Benefits

If, within two years following a change of ownership or control of the Company, an executive's employment is terminated without cause by us or for good reason by the executive (as such terms are defined in the agreements), the following executives will receive the following payments and benefits:

- Ms. Huett, Ms. Sardini and Mr. Hollweg are entitled to receive the following:

(i) A lump sum cash payment equal to three times the sum of (x) the executive's annual base salary on the date of the change in control (or, if higher, the annual base salary in effect immediately prior to the giving of the notice of termination) and (y) the executive's target annual bonus (the "target bonus") in respect of the fiscal year of the Company (a "fiscal year") in which the termination occurs (or, if higher, the average annual bonus actually earned by the executive in respect of the three full fiscal years prior to the year in which the notice of termination is given) under our bonus plan;

(ii) A lump sum cash payment equal to the sum of (w) the executive's unpaid base salary and vacation days accrued through the date of termination, (x) the unpaid portion, if any, of bonuses previously earned by the executive pursuant to our bonus plan, (y) in respect of the fiscal year in which the date of termination occurs, the higher of (i) the pro rata portion of the executive's target bonus and (ii) if we are exceeding the performance targets established under our bonus plan for such fiscal year as of the date of termination, the executive's actual annual bonus payable under our bonus plan based upon such achievement (this pro rata portion in either case calculated from January 1 of such year through the date of termination) (the "pro rata bonus"), and (z) any other compensation previously deferred (excluding qualified plan deferrals by the executive under or into our benefit plans);

(iii) Continued medical, dental, vision, and life insurance coverage (excluding accidental death and disability insurance) ("welfare benefit coverage") for the executive and the executive's eligible dependents or, to the extent welfare benefit coverage is not commercially available, such other welfare benefit coverage reasonably acceptable to the executive, on the same basis as in effect prior to the executive's termination, for a period ending on the earlier of (x) the third anniversary of the date of termination (this period, the "continuation period") and (y) the commencement of comparable welfare benefit coverage by the executive with a subsequent employer;

(iv) Continued provision of the perquisites the executive enjoyed prior to the date of termination for a period ending on the earlier of (x) the end of the continuation period and (y) the receipt by the executive of comparable perquisites from a subsequent employer;

(v) Immediate 100% vesting of all outstanding stock options, stock appreciation rights, phantom stock units and restricted stock

granted or issued by us prior to, on or upon the change in control (to the extent not previously vested on or following the change in control);

(vi) Additional Company contributions to our qualified defined contribution plan and any other retirement plans in which the executive participated prior to the date of termination during the continuation period; provided, however, that where such contributions may not be provided without adversely affecting the qualified status of such plan or where such contributions are otherwise prohibited by any such plans, the executive shall instead receive an additional lump sum payment equal to the contributions that would have been made during the continuation period if the executive had remained employed with us during such period;

(vii) All other accrued or vested benefits in accordance with the terms of any applicable Company plan, which vested benefits shall include the executive's otherwise unvested account balances in our qualified defined contribution plan, which shall become vested as of the date of termination; and

(viii) If requested by the executive, outplacement services will be provided by a professional outplacement provider selected by the executive at a cost to us of not more than $30,000.

- Certain other executive officers are entitled to receive all of the same payments and benefits described above, with the following differences:
  - the severance multiple in clause (i) above is reduced to two;
  - the period of time during which welfare benefit coverage is provided as described in clause (iii) above, and which perquisites are provided as described in clause (iv) above, is reduced to the earlier of (x) the second anniversary of the date of termination of employment and (y) the commencement of comparable welfare benefit coverage and perquisites, respectively, by the executive with a subsequent employer;

  - the contributions made by us into our qualified defined contribution plan and any other retirement plans in which the executives participated (or lump sum payments in respect thereof), as described in clause (vi) above, will only be in respect of the same period in respect of which comparable welfare benefit coverage is provided, as described in clause (b) above; and
  - the cost of outplacement services provided to the executives as described in clause (viii) above shall not be more than $15,000.

Excess Parachute Payment Excise Taxes

If (i) it is determined that the payments and benefits provided under the agreements or otherwise in the aggregate (a "parachute payment") would be subject to the excise tax imposed under the U.S. Internal Revenue Code, and the aggregate value of the parachute payment exceeds a certain threshold amount, calculated under the U.S. Internal Revenue Code (the "base amount") by 5% or less, then (ii) the parachute payment will be reduced to the extent necessary so that the aggregate value of the parachute payment is equal to an amount that is less than such threshold amount; provided, however, that if the aggregate value of the parachute payment exceeds the threshold amount by more than 5%, then the executive will be entitled to receive an additional payment or payments in an amount such that, after payment by the executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any excise tax, imposed upon this payment, the executive retains an amount equal to the excise tax imposed upon the parachute payment.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Principal Shareholders

The following table sets forth information regarding the beneficial ownership of our common stock by (1) all persons known by us to own beneficially more than 5% of our common stock, (2) our chief executive officer and each of the named executive officers, (3) each director and (4) all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days after January 3, 2004 are deemed issued and outstanding. These shares, however, are not deemed outstanding for purposes of computing percentage ownership of each other shareholder.

Our capital stock consists of common stock and preferred stock. As of January 3, 2004, there were 106,348,094 shares of our common stock outstanding and zero (0) shares of our preferred stock outstanding.

Name of Beneficial Owner	As of January 3, 2004 Shares	Percent
Artal Luxembourg(1)	59,772,567	56.2%
Artal Participations & Management S.A.(1)	4,493,258	4.2%
Linda Huett(2)(3)	357,403	*
Richard McSorley(2)(3)	212,733	*
Clive Brothers(2)(6)	259,787	*
Scott R. and Nicola Penn(2)(3)(4)	344,423	*
Ann M. Sardini(2)(3)	20,000	*
Robert W. Hollweg(2)(3)	251,313	*
Melanie Stubbing(2)	—	*
Maurice Kelly(2)	—	*
Raymond Debbane(2)(5)	—	*
Marsha Johnson Evans(2)(3)	4,708	*
Jonas M. Fajgenbaum(2)	—	*
Sacha Lainovic(2)	—	*
Sam K. Reed(2)(3)	14,708	*
John F. Bard(2)(3)	4,426	*
Christopher J. Sobecki(2)	—	*
Philippe Amouyal(2)	—	*
All directors and executive officers as a group (15 people)(3)	1,209,714	1.1%

* Less than 1.0%

(1) Artal Luxembourg and Artal Participations and Management may be contacted at 105, Grand-Rue, L-1661 Luxembourg, Luxembourg. The parent entity of Artal Luxembourg is Artal International. The parent entity of Artal International is Artal Group. The parent entity of Artal Group is Westend S.A. The parent entity of Artal Participations and Management is Artal Services N.V., a Belgian company. The parent entity of Artal Services is Artal International. The address of Westend, Artal Group and Artal International is the same as the address of Artal Luxembourg. The address of Artal Services is Woluwedal, 28 B-1932 St. Stevens—Woluwe Belgium.

(2) Our executive officers and directors may be contacted c /o Weight Watchers International, Inc., 175 Crossways Park West, Woodbury, New York, 11797.

(3) Includes shares subject to purchase upon exercise of options exercisable within 60 days after January 3, 2004, as follows: Ms. Huett 263,195 shares; Ms. Sardini 20,000 shares; Mr. and Ms. Penn 42,348 shares; Mr. Hollweg 153,679 shares; Mr. McSorley 151,713 shares; Mr. Reed 4,000; Ms. Evans 4,000 shares; and Mr. Bard 2,000 shares.

(4) With respect to Mr. Penn, includes 78,583 shares of our common stock held by Mr. Scott Penn's spouse, Nicola Penn.

(5) Mr. Debbane is also a director of Artal Group. Artal Group is the parent entity of Artal International, which is the parent entity of Artal Luxembourg. Artal International is the parent entity of Artal Services, which is the parent entity of Artal Participations and Management. Mr. Debbane disclaims beneficial ownership of all shares owned by Artal Luxembourg and Artal Participations and Management.

(6) Includes 98,679 shares subject to purchase upon exercise of options exercisable within 60 days after January 3, 2004. Mr. Brothers resigned as an executive officer effective October 8, 2003.

The following table summarizes our equity compensation plan information as of January 3, 2004.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options,	Weighted average exercise price of outstanding options,	Number of securities remaining available

Plan category	warrants and rights	warrants and rights	for future issuance
Equity compensation plans approved by security holders	4,500,842	$ 8.19	827,029
Equity compensation plans not approved by security holders	—	—	—
Total	4,500,842	$ 8.19	827,029

Item 13. Certain Relationships and Related Transactions

Shareholders' Agreements

Shortly after our acquisition by Artal Luxembourg, we entered into a shareholders' agreement with Artal Luxembourg and Merchant Capital, Inc., Richard and Heather Penn, Longisland International Limited, Envoy Partners and Scotiabanc, Inc. relating to their rights with respect to our common stock held by parties, other than Artal Luxembourg. Without the consent of Artal Luxembourg, transfers of our common stock by these shareholders are restricted with certain exceptions. Subsequent transferees of our common stock must, subject to limited exceptions, agree to be bound by the terms and provisions of the agreement. Additionally, this agreement provides the shareholders with the right to participate pro rata in certain transfers of our common stock by Artal Luxembourg and grants Artal Luxembourg the right to require the other shareholders to participate on a pro rata basis in certain transfers of our common stock by Artal Luxembourg.

Registration Rights Agreement

Simultaneously with the closing of our acquisition by Artal Luxembourg, we entered into a registration rights agreement with Artal Luxembourg and Heinz. The registration rights agreement grants Artal Luxembourg the right to require us to register shares of our common stock for public sale under the Securities Act (1) upon demand and (2) in the event that we conduct certain types of registered offerings. Heinz has sold all shares of our common stock and accordingly no longer has any rights under this agreement. Merchant Capital, Inc., Richard and Heather Penn, Longisland International Limited, Envoy Partners and Scotiabanc, Inc. became parties to this registration rights agreement under joinder agreements, and each acquired the right to require us to register and sell their stock in the event that we conduct certain types of registered offerings.

Corporate Agreement

We have entered into a corporate agreement with Artal Luxembourg. We have agreed that, so long as Artal Luxembourg beneficially owns 10% or more, but less than a majority of our then outstanding voting stock, Artal Luxembourg will have the right to nominate a number of directors approximately equal to that percentage multiplied by the number of directors on our board. This right to nominate directors will not restrict Artal Luxembourg from nominating a greater number of directors.

We have agreed with Artal Luxembourg that both we and Artal Luxembourg have the right to:

- engage in the same or similar business activities as the other party;
- do business with any customer or client of the other party; and
- employ or engage any officer or employee of the other party.

Neither Artal Luxembourg nor we, nor our respective related parties, will be liable to each other as a result of engaging in any of these activities.

Under the corporate agreement, if one of our officers or directors who also serves as an officer, director or advisor of Artal Luxembourg becomes aware of a potential transaction related primarily to the group education-based weight-loss business that may represent a corporate opportunity for both Artal Luxembourg and us, the officer, director or advisor has no duty to present that opportunity to Artal Luxembourg, and we will have the sole right to pursue the transaction if our board so determines. If one of our officers or directors who also serves as an officer, director or advisor of Artal Luxembourg becomes aware of any other potential transaction that may represent a corporate opportunity for both Artal Luxembourg and us, the officer or director will have a duty to present that opportunity to Artal Luxembourg, and Artal Luxembourg will have the sole right to pursue the transaction if Artal Luxembourg's board so determines. If one of our officers or directors who does not serve as an officer, director or advisor of Artal Luxembourg becomes aware of a potential transaction that may represent a corporate opportunity for both Artal Luxembourg and us, neither the officer nor the director nor we have a duty to present that opportunity to Artal Luxembourg, and we may pursue the transaction if our board so determines.

If Artal Luxembourg transfers, sells or otherwise disposes of our then outstanding voting stock, the transferee will generally succeed to the same rights that Artal Luxembourg has under this agreement by virtue of its ownership of our voting stock, subject to Artal Luxembourg's option not to transfer those rights.

WeightWatchers.com Note

On September 10, 2001, we amended and restated our loan agreement with WeightWatchers.com, increasing the aggregate commitment thereunder to $34.5 million. The note bears interest at 13% per year, beginning on January 1, 2002, which interest, except as set forth below, is paid semi-annually starting on March 31, 2002. All principal outstanding under this note is payable in six semi-annual installments, starting on March 31, 2004. The note may be prepaid at any time in whole or in part, without penalty. In 2003, we received a $5.0 million early loan payment from WeightWatchers.com, which reduced the principal balance outstanding to $29.5 million at January 3, 2004. As WeightWatchers.com is an equity investee, and we have been the only entity providing funding through fiscal year 2001, we reduced our loan receivable balances by 100% of WeightWatchers.com's losses. Additionally, the remaining loan receivable balances were reviewed for impairment on a quarterly basis and, accordingly, during fiscal 2001 we recorded a full valuation allowance against the remaining balances.

WeightWatchers.com Warrant Agreements

Under the warrant agreements that we entered into with WeightWatchers.com, we have received warrants to purchase an additional 6,394,997 shares of WeightWatchers.com's common stock in connection with the loans that we made to WeightWatchers.com under the note described above. These warrants will expire from November 24, 2009 to September 10, 2011 and may be exercised at a price of $7.14 per share of WeightWatchers.com's common stock until their expiration. We own 19.9% of the outstanding common stock of WeightWatchers.com, or approximately 37% on a fully diluted basis (including the exercise of all options and all the warrants we own in WeightWatchers.com).

Collateral Assignment and Security Agreement

In connection with the WeightWatchers.com note, we entered into a collateral assignment and security agreement whereby we obtained a security interest in the assets of WeightWatchers.com. Our security interest in those assets will terminate when the note has been paid in full.

WeightWatchers.com Intellectual Property License

We have entered into an amended and restated intellectual property license agreement with WeightWatchers.com that governs WeightWatchers.com's right to use our trademarks and materials related to the Weight Watchers program.

The amended and restated license agreement grants WeightWatchers.com the exclusive right to (1) use any of our trademarks, service marks, logos, brand names and other business identifiers as part of a domain name for a website on the Internet; (2) use any of the domain names we own; (3) use any of our trademarks on the Internet and any other similar or related forms of interactive digital transmission that now exists or may be developed later (provided that we and our affiliates, franchisees, and licensees other than WeightWatchers.com can continue using the trademarks in connection with online advertising and promotion of activities conducted offline); and (4) use any materials related to the Weight Watchers program, including any text, artwork and photographs, and advertising, marketing and promotional materials on the Internet. The license agreement also grants WeightWatchers.com a non-exclusive right to (1) use any of our trademarks to advertise any approved activities that relate to its online weight-loss business; and (2) create derivative works. All rights granted to WeightWatchers.com must be used solely in connection with the conduct of its online weight-loss business.

Beginning in January 2002, WeightWatchers.com began paying us a royalty of 10% of the net revenues it earns through its online activities. For fiscal 2003 and 2002, we earned royalties of $7.1 million and $4.2 million, respectively.

We retain exclusive ownership of all of the trademarks and materials that we license to WeightWatchers.com and of the derivative works created by WeightWatchers.com.

All of the rights granted to WeightWatchers.com in the license agreement are subject to our pre-existing agreements with third parties, including franchisees.

The license agreement provides us with control over the use of our intellectual property. In particular, we have the right to approve WeightWatchers.com's e-commerce activities, any materials, sublicenses, communication to consumers, products, privacy policy, marketing programs, and materials publicly displayed on the Internet. These controls are designed to protect the value of our intellectual property.

WeightWatchers.com and we will jointly own user data collected through the website and both parties are required to adhere to the site's privacy policy.

WeightWatchers.com Service Agreement

Simultaneously with the signing of the amended and restated intellectual property license, we entered into a service agreement with WeightWatchers.com, under which WeightWatchers.com provides the following types of services:

- information distribution services, which include the hosting, displaying and distributing on the Internet of information relating to us and our affiliates and franchisees;
- marketing services, which include the hosting, displaying and distributing on the Internet of information relating to our products and services such as classroom meetings, the *Weight Watchers Magazine* and *At Home* and similar products and services from our affiliates and franchisees; and
- customer communication services, which include establishing a means by which customers can communicate with us on the Internet to ask questions related to our products and services and the products and services of our affiliates and franchisees.

We are required to pay for all expenses incurred by WeightWatchers.com directly attributable to the services it performs under this agreement, plus a fee of 10% of those expenses. In fiscal 2003 and 2002, service fees incurred by us to WeightWatchers.com were $2.0 million and $1.9 million, respectively.

WeightWatchers.com Shareholders' Agreement

We entered into a shareholders' agreement with WeightWatchers.com, Inc., Artal Luxembourg and Heinz that governs our and Artal Luxembourg's relationship with WeightWatchers.com as holders of our common stock. Heinz has sold all of its shares in WeightWatchers.com back to WeightWatchers.com and thus no longer has any rights under this agreement. Subsequent transferees of ours and of Artal Luxembourg must, except for some limited exceptions, agree to be bound by the terms and provisions of the agreement.

The shareholders' agreement imposes on us restrictions on the transfer of common stock of WeightWatchers.com until the earlier to occur of (1) September 29, 2004 and (2) WeightWatchers.com's initial public offering of common stock under the Securities Act, except for certain exceptions. We have the right to participate pro rata in certain transfers of common stock of WeightWatchers.com by Artal Luxembourg, and Artal Luxembourg has the right to require us to participate on a pro rata basis in certain transfers of WeightWatchers.com's common stock by it.

WeightWatchers.com Registration Rights Agreement

We have entered into a registration rights agreement with WeightWatchers.com, Artal Luxembourg and Heinz with respect to our shares in WeightWatchers.com. Heinz has resold all of its shares in WeightWatchers.com back to WeightWatchers.com and thus no longer has any rights under this agreement. The registration rights agreement grants Artal Luxembourg the right to require WeightWatchers.com to register its shares of WeightWatchers.com common stock upon demand and also grants us and Artal Luxembourg rights to register and sell shares of WeightWatchers.com's common stock in the event WeightWatchers.com conducts certain types of registered offerings.

Nellson Co-Pack Agreement

We entered into an agreement with Nellson Nutraceutical, a former subsidiary of Artal Luxembourg, to purchase snack bar and powder products manufactured by Nellson Nutraceutical for sale at our meetings. On October 4, 2002, Nellson Nutraceutical was sold by Artal Luxembourg and at such time, Nellson Nutraceutical was no longer considered a related party. Under the agreement, Nellson Nutraceutical agreed to produce sufficient snack bar products to fill our purchase orders within 30 days of Nellson Nutraceutical's receipt of these purchase orders, and we are not bound to purchase a minimum quantity of snack bar products. We purchased $24.4 million, and $18.7 million, respectively, of products from Nellson Nutraceutical during the fiscal years ended December 28, 2002 and December 29, 2001, respectively. The term of the agreement runs through December 31, 2004, and we have the option to renew the agreement for successive one-year periods by providing written notice to Nellson Nutraceutical.

Item 14. Principal Accounting Fees and Services

Aggregate fees for professional services rendered for us by PricewaterhouseCoopers LLP ("PwC") as of or for the years ended January 3, 2004 and December 28, 2002:

	2003	2002
Audit Fees(1)	$ 942,195	$ 862,365
Audit-Related Fees(2)	286,169	181,410
Tax Fees(3)	331,390	416,657
All Other Fees(4)	68,580	102,510
Total	$ 1,628,334	$ 1,562,942

(1) Audit fees for the years ended January 3, 2004 and December 28, 2002, respectively, were for professional services rendered for the audits of our consolidated financial statements, statutory audits, and assistance with review of documents filed with the U.S. Securities and Exchange Commission.

(2) Audit related fees as of the years ended January 3, 2004 and December 28, 2002 were for services related to audits in connection with acquisitions, employee benefit and franchise profit sharing plans.

(3) Tax fees as of the years ended January 3, 2004 and December 28, 2002, respectively, were primarily for services related to tax compliance.

(4) All other fees as of the years ended January 3, 2004 and December 28, 2002 were for services rendered for employee benefit plan advisory services.

All audit related services, tax services and other services were pre-approved by the Audit Committee, which concluded that the provision of such services by PwC was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee's Audit and Non-Audit Services Pre-Approval Policy provides for pre-approval of audit, audit-related and tax services by category so long as such services are specifically described to the Committee on an annual basis (e.g., in the engagement letter) ("general pre-approval"). In addition, individual engagements that have not received general pre-approval and/or are anticipated to exceed pre-established thresholds must be separately approved in advance on a case-by-case basis ("specific pre-approval"). The Audit Committee is mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services and may choose to determine, for a particular year, the appropriate ratio between the total amount of fees for Audit, Audit-related and Tax services and the total amount of fees for certain permissible non-audit services classified as All Other services. The policy authorizes the Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. In its Audit and Non-Audit Services Pre-Approval Policy, the Committee delegated specific pre-approved authority to its chairperson, provided that the estimated fee for any such proposed pre-approved service does not exceed $50,000.

PART IV

Item 15. Exhibits, Financial Statement Schedule, and Report on Form 8-K.

(a) 1. *Financial Statements*

The financial statements listed in the Index to Financial Statements and Financial Statement Schedule on page F-1 are filed as part of this Form 10-K.

2. *Financial Statement Schedule*

The financial statement schedule listed in the Index to Financial Statements and Financial Statement Schedule on page F-1 is filed as part of this Form 10-K.

3. *Exhibits*

The exhibits listed in the Exhibit Index are filed as part of this Form 10-K.

(b) *Reports on Form 8-K*

On October 14, 2003, the Company filed a report on Form 8-K dated October 9, 2003 related to the authorization of a program to

repurchase up to $250 million of the Company's outstanding common stock.

On November 5, 2003, the Company furnished a report on Form 8-K dated November 5, 2003 related to the results of its third fiscal quarter ended September 27, 2003. Under the Form 8-K, the Company furnished (not filed) pursuant to Item 12 under Item 7 the press release entitled "Weight Watchers Reports 2003 Third Quarter and Nine Month Results" related to the results of its third fiscal quarter ended September 27, 2003.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE
COVERED BY REPORT OF INDEPENDENT AUDITORS
ITEMS 15(a) 1&2

All other schedules are omitted for the reason that they are either not required, not applicable, not material or the information is included in the consolidated financial statements or notes thereto.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT

(IN THOUSANDS)

	January 3, 2004	December 28, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 23,442	$ 57,530
Receivables (net of allowances: January 3, 2004–$1,026 and December 28, 2002–$707)	18,545	19,106
Inventories, net	39,110	38,583
Prepaid expenses	29,724	25,700
Deferred income taxes	3,804	4,222
TOTAL CURRENT ASSETS	114,625	145,141

Property and equipment, net	15,747	12,490
Notes and other receivables	222	243
Franchise rights acquired	496,261	284,815
Goodwill	23,779	23,384
Trademarks and other intangible assets	2,454	2,353
Deferred income taxes	109,799	128,231
Deferred financing costs, net	4,583	7,851
Other noncurrent assets	2,218	1,842
TOTAL ASSETS	$ 769,688	$ 606,350
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Portion of long-term debt due within one year	$ 15,554	$ 18,361
Accounts payable	22,287	20,247
Salaries and wages	20,799	16,618
Accrued interest	2,358	8,598
Other accrued liabilities	32,021	29,856
Income taxes payable	24,624	13,972
Deferred revenue	16,527	15,432
TOTAL CURRENT LIABILITIES	134,170	123,084
Long-term debt	454,320	436,319
Other	10	399
TOTAL LIABILITIES	588,500	559,802
Commitments and contingencies (Note 15)		
SHAREHOLDERS' EQUITY		
Common stock, $0 par 1,000,000 shares authorized; 111,988 shares issued and outstanding	—	—
Treasury stock, at cost, 5,639 shares at January 3, 2004 and 5,711 shares at December 28, 2002	(48,421)	(23,061)
Deferred compensation	(214)	—
Retained earnings	223,557	73,482
Accumulated other comprehensive income (loss)	6,266	(3,873)
TOTAL SHAREHOLDERS' EQUITY	181,188	46,548
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 769,688	$ 606,350

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE FISCAL YEARS ENDED

(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	January 3, 2004 (53 Weeks)	December 28, 2002 (52 Weeks)	December 29, 2001 (52 Weeks)
Meeting fees, net	$ 607,204	$ 520,723	$ 415,680
Product sales and other, net	336,728	288,921	208,190

Revenues, net	943,932	809,644	623,870
Cost of revenues	440,398	370,290	286,436
Gross profit	503,534	439,354	337,434
Marketing expenses	113,603	81,233	69,716
Selling, general and administrative expenses	73,862	61,267	73,029
Operating income	316,069	296,854	194,689
Interest expense, net	33,698	42,299	54,537
Other expense, net	2,774	19,054	13,288
Early extinguishment of debt	47,368	—	4,659
Income before income taxes	232,229	235,501	122,205
Provision for (benefit from) income taxes	88,288	91,807	(24,982)
Net income	$ 143,941	$ 143,694	$ 147,187
Preferred stock dividends	—	254	1,500
Net income available to common shareholders	$ 143,941	$ 143,440	$ 145,687
Earnings Per Share:			
Basic	$ 1.35	$ 1.35	$ 1.34
Diluted	$ 1.31	$ 1.31	$ 1.31
Weighted average common shares outstanding:			
Basic	106,676	105,959	108,676
Diluted	109,724	109,663	111,623

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(IN THOUSANDS)

	Common Stock		Treasury Stock					
	Shares	Amount	Shares	Amount	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total
Balance at December 30, 2000	111,988	$ —	—	$ —	$ —	$ (6,271)	$ (216,507)	$ (222,778)
Comprehensive Income:								
Net income							147,187	147,187
Translation adjustment						(3,132)		(3,132)
Changes in fair value of derivatives accounted for as hedges, net of taxes of $2,303						(3,920)		(3,920)
Total Comprehensive Income								140,135
Preferred stock dividend							(1,500)	(1,500)
Purchase of treasury stock			6,719	(27,132)				(27,132)
Stock options exercised			(93)	375			(177)	198
Sale of common stock			(138)	561			(36)	525
Cost of public equity offering							(2,965)	(2,965)
Balance at December 29, 2001	111,988	$ —	6,488	$ (26,196)	$ —	$ (13,323)	$ (73,998)	$ (113,517)

Comprehensive Income:								
Net income							143,694	143,694
Translation adjustment, net of taxes of $835						8,205		8,205
Changes in fair value of derivatives accounted for as hedges, net of taxes of $(443)						1,245		1,245
Total Comprehensive Income								153,144
Preferred stock dividend							(254)	(254)
Stock options exercised			(777)	3,135			(1,441)	1,694
Tax benefit of stock options exercised							6,331	6,331
Cost of secondary public equity offering							(850)	(850)
Balance at December 28, 2002	111,988	$ —	5,711	$ (23,061)	$ —	$ (3,873)	$ 73,482	$ 46,548
Comprehensive Income:								
Net income							143,941	143,941
Translation adjustment, net of taxes of $4,116						7,733		7,733
Changes in fair value of derivatives accounted for as hedges, net of taxes of $1,687						2,406		2,406
Total Comprehensive Income								154,080
Stock options exercised			(856)	3,455			(1,452)	2,003
Tax benefit of stock options exercised							7,319	7,319
Purchase of treasury stock			784	(28,815)				(28,815)
Restricted stock issued to employees					(267)		267	—
Compensation expense on restricted stock awards					53			53
Balance at January 3, 2004	111,988	$ —	5,639	$ (48,421)	$ (214)	$ 6,266	$ 223,557	$ 181,188

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED

(IN THOUSANDS)

	January 3, 2004	December 28, 2002	December 29, 2001
	(53 Weeks)	(52 Weeks)	(52 Weeks)
Operating activities:			
Net income	$ 143,941	$ 143,694	$ 147,187
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	5,894	4,738	13,243
Amortization of deferred financing costs	1,248	1,313	2,097
Restricted stock compensation expense	53	—	—
Loss on settlement of hedge	5,381	—	—
Deferred tax provision (benefit)	16,906	4,566	(71,069)
Unrealized (gain) loss on derivative instruments	(5,097)	(174)	1,125
Accounting for equity investment	(5,000)	—	17,344
Allowance for doubtful accounts	552	233	6,330
Reserve for inventory obsolescence, other	4,627	2,754	2,718
Foreign currency exchange rate loss (gain)	7,271	17,224	(6,496)
Early extinguishment of debt	47,368	—	4,659

Tax benefit of stock options exercised	7,319	6,331	—
Other items, net	(63)	(156)	191
Changes in cash due to:			
Receivables	861	(5,099)	231
Inventories	1,149	(12,443)	(11,895)
Prepaid expenses	(1,555)	(9,131)	(5,605)
Accounts payable	(563)	1,594	5,201
Accrued liabilities	(3,469)	1,965	3,143
Deferred revenue	(42)	2,126	7,290
Income taxes	6,318	5,403	5,870
Cash provided by operating activities	233,099	164,938	121,564
Investing activities:			
Capital expenditures	(5,029)	(4,889)	(3,834)
Advances, repayments and interest in equity investment	5,000	—	(17,344)
Cash paid for acquisitions	(210,470)	(68,148)	(97,877)
Other items, net	(1,121)	(827)	(1,063)
Cash used for investing activities	(211,620)	(73,864)	(120,118)
Financing activities:			
Net increase in short-term borrowings	998	254	748
Proceeds from borrowings	85,000	—	35,042
Payment of dividends	—	(1,249)	(1,500)
Payments on long-term debt	(58,447)	(35,338)	(25,813)
Proceeds from new term loan	227,326	—	—
Repayment of high-yield loan	(244,919)	—	—
Proceeds from settlement of hedge	2,710	—	—
Premium paid on extinguishment of debt and other costs	(42,980)	—	—
Redemption of redeemable preferred stock	—	(25,000)	—
Deferred financing cost	(2,366)	—	(2,406)
Purchase of treasury stock	(28,815)	—	(27,132)
Cost of public equity offering	—	(850)	(1,017)
Proceeds from sale of common stock	—	—	525
Proceeds from stock options exercised	2,003	1,694	198
Cash used for financing activities	(59,490)	(60,489)	(21,355)
Effect of exchange rate changes on cash and cash equivalents and other	3,923	3,607	(1,254)
Net (decrease) increase in cash and cash equivalents	(34,088)	34,192	(21,163)
Cash and cash equivalents, beginning of fiscal year	57,530	23,338	44,501
Cash and cash equivalents, end of fiscal year	$ 23,442	$ 57,530	$ 23,338

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Weight Watchers International, Inc. and subsidiaries (the "Company") operates and franchises territories offering weight loss and control programs through the operation of classroom type meetings to the general public in the United States, Canada, Mexico, the United Kingdom, Continental Europe, Australia, New Zealand, South Africa, and Brazil.

Recapitalization:

On September 29, 1999, the Company entered into a recapitalization and stock purchase agreement (the "Transaction") with its former parent, H.J. Heinz Company ("Heinz"). In connection with the Transaction, the Company effectuated a stock split of 58,747.6 shares for each share outstanding. The Company then redeemed 164,442 shares of common stock from Heinz for $349,500. The number of shares of the Company's common stock that was authorized and outstanding prior to the Transaction has been adjusted to reflect the stock split. The $349,500 consisted of $324,500 of cash and $25,000 of the Company's redeemable Series A Preferred Stock. After the redemption, Artal Luxembourg S.A. ("Artal") purchased 94% of the Company's remaining common stock from Heinz for $223,700. The recapitalization and stock purchase was financed through borrowings under credit facilities amounting to approximately $237,000 and the issuance of Senior Subordinated Notes amounting to $255,000, due 2009. The balance of the borrowings was utilized to refinance debt incurred prior to the Transaction relating to the transfer of ownership and acquisition of the minority interest in the Weight Watchers businesses that operate in Australia and New Zealand. The acquisition of the minority interest resulted in approximately $15,900 of goodwill. In connection with the Transaction, the Company incurred approximately $8,300 in transaction costs and $15,900 in deferred financing costs. For U.S. Federal and State tax purposes, the Transaction was treated as a taxable sale under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended. As a result, for tax purposes, the Company recorded a step-up in the tax basis of net assets. For financial reporting purposes, a valuation allowance of approximately $72,100 was established against the corresponding deferred tax asset of $144,200.

Stock Split:

On October 29, 2001, the Company's Board of Directors declared a 4.70536-for-one stock split, which became effective concurrent with the effective date, November 15, 2001, of the registration statement filed by the Company in connection with its initial public offering ("IPO"). All common shares and per share amounts have been retroactively restated for the stock split. In addition, stock options and the respective exercise prices have been amended to reflect this split.

Common Stock Offering:

On November 15, 2001, the Company traded 17,400 shares of its common stock on the New York Stock Exchange at an initial price to the public of $24.00 per share. The Company did not receive any of the proceeds from the sale of shares of the Company's common stock pursuant to the IPO.

Simultaneous with the Transaction, the Company entered into a Registration Rights Agreement with Artal, under which the Company is obligated at the request of Artal, to register its common stock with the Securities and Exchange Commission and pay all costs associated with such registration. As a result, all costs incurred in connection with the Company's common stock offering have been recorded in shareholders' equity (deficit).

Secondary Stock Offering:

On September 23, 2002, the Company completed the secondary offering of 15,000 shares of common stock at an initial price of $42.00 per share. The Company did not receive any of the proceeds from the sale of shares of the Company's common stock pursuant to this secondary offering.

2. Summary of Significant Accounting Policies

Fiscal Year:

The Company's fiscal year ends on the Saturday closest to December 31 st and consists of either 52 or 53 week periods. Fiscal year 2003 contained 53 weeks while fiscal years 2002 and 2001 contained 52 weeks.

Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company has investments in two entities that it accounts for under the equity method. The Company's percentage of profits and losses of these two entities are also included in the consolidated financial statements as calculated under the equity method of accounting.

Use of Estimates:

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates and judgments, including those related to inventories, investments, the impairment analysis for goodwill and other indefinite-lived intangible assets, income taxes, and contingencies and litigation. The Company bases its estimates on historical experience and on various other factors and assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts could differ from these estimates.

Translation of Foreign Currencies:

For all foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income (loss).

Foreign currency gains and losses arising from the translation of intercompany receivables with the Company's international subsidiaries are recorded as a component of other expense, net, unless the receivable is considered long-term in nature, in which case the foreign currency gains and losses are recorded as a component of other comprehensive income (loss).

Cash Equivalents:

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less. Cash balances may, at times, exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions.

Inventories:

Inventories, which consist of finished goods, are stated at the lower of cost or market on a first-in, first-out basis, net of reserves for obsolescence and shrinkage.

Property and Equipment:

Property and equipment are recorded at cost. For financial reporting purposes, equipment is depreciated on the straight-line method over the estimated useful lives of the assets (3 to 10 years). Leasehold improvements are amortized on the straight-line method over the shorter of the term of the lease or the useful life of the related assets (generally 5 to 10 years). Expenditures for new facilities and improvements that substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income.

Impairment of Long Lived Assets:

The Company reviews long-lived assets, including finite-lived intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable.

Effective December 30, 2001, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of." SFAS No. 144 provides updated guidance concerning the recognition and measurement of an impairment loss for certain types of long-lived assets, expands the scope of a discontinued operation to include a component of an entity and eliminates the exemption to consolidate when control over a subsidiary is likely to be temporary. The adoption of this new standard did not have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

Intangibles Assets:

Effective December 30, 2001, the Company adopted SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." As a result, the Company is no longer required to amortize goodwill and other indefinite-lived intangible assets but is required to conduct an annual review of these assets for potential impairment. Finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives of three to 20 years.

The Company accounts for software costs under the American Institute of Certified Public Accountants Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which requires capitalization of certain costs incurred in

connection with developing or obtaining internally used software. Software costs are amortized over 3 to 5 years.

Revenue Recognition:

The Company earns revenue by conducting meetings, selling products and aids in its meetings and to its franchisees, collecting commissions from franchisees operating under the Weight Watchers name, collecting royalties related to licensing agreements and selling advertising space in and copies of its magazine. The Company charges non-refundable registration fees in exchange for an introductory information session and materials it provides to new members. Revenue from these registration fees is recognized when the service and products are provided, which is generally at the same time payment is received from the customer. Revenue from meeting fees, product sales, commissions and royalties is recognized when services are rendered, products are shipped to customers and title and risk of loss pass to the customer, and commissions and royalties are earned. Advertising revenue is recognized when ads are published. Revenue from magazine sales is recognized when the magazine is sent to the customer. Deferred revenue, consisting of prepaid lecture and magazine subscription revenue, is amortized into income over the period earned. Discounts to customers, including free registration offers, are recorded as a deduction from gross revenue in the period such revenue was recognized. The Company grants refunds under limited circumstances and at aggregate amounts that historically have not been material. Because the period of payment generally approximates the period revenue was originally recognized, refunds are recorded as a reduction of revenue when paid.

Advertising Costs:

Advertising costs consist primarily of national and local direct mail, television, and spokespersons' fees. All costs related to advertising are expensed in the period incurred, except for TV and radio media related costs that are expensed the first time the advertising takes place. Total advertising expenses for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 were $107,931, $78,293 and $66,749, respectively.

Income Taxes:

The Company provides for taxes based on current taxable income and the future tax consequences of temporary differences between the financial reporting and income tax carrying values of its assets and liabilities. Under SFAS No. 109, "Accounting for Income Taxes," assets and liabilities acquired in purchase business combinations are assigned their fair values and deferred taxes are provided for lower or higher tax bases.

Derivative Instruments and Hedging:

The Company enters into forward and swap contracts to hedge transactions denominated in foreign currencies to reduce the currency risk associated with fluctuating exchange rates. These contracts are used primarily to hedge certain intercompany cash flows and for payments arising from some of the Company's foreign currency denominated obligations. In addition, the Company enters into interest rate swaps to hedge a substantial portion of its variable rate debt.

Effective December 31, 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its related amendments, SFAS No. 138, "Accounting for

Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement on Derivative Instruments and Hedging Activities." These standards require that all derivative financial instruments be recorded on the consolidated balance sheets at their fair value as either assets or liabilities. Changes in the fair value of derivatives are recorded each period in earnings or accumulated other comprehensive income (loss), depending on whether a derivative is designated as effective as part of a hedge transaction and, if it is, the type of hedge transaction. Gains and losses on derivative instruments reported in accumulated other comprehensive income (loss) will be included in

earnings in the periods in which earnings are affected by the hedged item. As of December 31, 2000, the adoption of these new standards resulted in an adjustment of $5,086 ($3,204 net of taxes) to accumulated other comprehensive income (loss). The receivable or payable associated with derivative contracts is included in the balance of prepaid expenses or accounts payable, respectively.

Investments:

The Company uses the cost method to account for investments in which it holds 20% or less of the investee's voting stock and over which it does not have significant influence. When the Company holds 50% or less of the investee's voting stock and has the ability to exercise significant influence over operating and financial policies of the investee, the investment is accounted for under the equity method.

Deferred Financing Costs:

Deferred financing costs consist of fees paid by the Company as part of the establishment, exchange and/or modification of the Company's long-term debt. During the fiscal year ended January 3, 2004, the Company incurred additional deferred financing costs of $2,366 associated with the refinancing of its Credit Facility. Such costs are being amortized using the interest rate method over the term of the related debt. Amortization expense for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 was $1,248, $1,313 and $2,097, respectively. In connection with the early extinguishment of its Senior Subordinated Notes, the Company wrote off $4,387 of deferred financing costs in the fiscal year ended January 3, 2004. Additionally, in connection with the refinancing of its Credit Facility, the Company wrote off $4,659 of deferred financing costs in the fiscal year ended December 29, 2001. These amounts have been recorded as a component of operating income. See Note 6 for details of the refinancing.

Comprehensive Income (Loss):

Comprehensive income (loss) represents the change in shareholders' equity (deficit) resulting from transactions other than shareholder investments and distributions. The Company's comprehensive income (loss) includes net income, changes in the fair value of derivative instruments and the effects of foreign currency translations. At January 3, 2004 and December 28, 2002, the cumulative balance of changes in fair value of derivative instruments is ($270) and ($2,675), respectively As of January 3, 2004 and December 28, 2002, the cumulative balance of the effects of foreign currency translations is $6,536 and ($1,198) respectively.

Stock Based Compensation:

In December 2002, the Financial Accounting Standards Board, ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure,"—an amendment of SFAS No. 123. SFAS No. 148 provides two additional alternative transition methods for recognizing an entity's voluntary decision to change its method of accounting for stock-based employee compensation to the fair value method. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 so that entities following the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") will be required to disclose the pro forma effect of using the fair value method for any period for which an income statement is presented. The disclosures are required to be made in annual financial statements and in quarterly information provided to shareholders without regard to whether the entity has adopted the fair value recognition provisions of SFAS No. 123. The Company adopted the disclosure provisions of SFAS No. 148 beginning in the first quarter of 2003.

At January 3, 2004, the Company had stock-based employee compensation plans, which are described more fully in Note 10. As permitted by SFAS No. 123, the Company applies the recognition and measurement principles of APB 25 and related Interpretations in accounting for those plans. No compensation expense for employee stock options is reflected in earnings, as all options granted under the plans had an exercise price equal to the market value of the common stock on the date of grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 in each fiscal year:

	January 3, 2004	December 28, 2002	December 29, 2001
Net income, as reported	$ 143,941	$ 143,694	$ 147,187
Deduct:			
Total stock-based employee compensation expense determined under the fair value method for all stock options awards, net of related tax effect	2,036	696	558
Pro forma net income	$ 141,905	$ 142,998	$ 146,629

Earnings per share:			
Basic—as reported	$ 1.35	$ 1.35	$ 1.34
Basic—pro forma	$ 1.33	$ 1.35	$ 1.34
Diluted—as reported	$ 1.31	$ 1.31	$ 1.31
Diluted—pro forma	$ 1.29	$ 1.30	$ 1.31

Recently Issued Accounting Standards:

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB No. 13 and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, which required all gains and losses from the extinguishment of debt to be classified as an extraordinary item, and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of SFAS No. 145 became effective for the Company beginning December 29, 2002. In accordance with these provisions, the fiscal 2001 charge for the early extinguishment of debt, which was previously reported as an extraordinary item, has been reclassified.

In December 2003, the Financial Accounting Standards Board issued Interpretation No. 46R, "Consolidation of Variable Interest Entities," ("FIN 46R"). FIN 46R replaces the same titled FIN 46 that was issued in January 2003. FIN 46R identifies when entities must be consolidated with the financial statements of a company where the investors in an entity do not have the characteristics of a controlling financial interest or the entity does not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The provisions of this interpretation are effective for the Company beginning the first quarter of fiscal 2004.

The Company has evaluated its relationship with its franchisees and based on this guidance, determined they are not variable interest entities and therefore will not be consolidated with the Company's results. The Company is in the process of assessing its relationship with its licensee, WeightWatchers.com, with respect to FIN 46R. The Company has not reached a conclusion on this matter. Should the Company conclude that WeightWatchers.com is a variable interest entity meeting the requirements of FIN 46R it would be required to consolidate it. As of December 31, 2003, WeightWatchers.com had total assets of $21.1 million, total stockholders' deficit of $23.0 million, and an accumulated deficit of $27.0 million. For the year ended December 31, 2003, WeightWatchers.com had net income of $5.4 million.

In April 2003, the FASB issued SFAS No. 149. This statement amends and clarifies financial accounting and reporting for derivative instruments including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003 and hedging relationships designated after June 30, 2003. The Company has applied the provisions of SFAS No. 149 and its adoption has not had a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2003, the Emerging Issue Task Force ("EITF") reached a consensus on EITF Issue No. 01-8, "Determining Whether an Arrangement Contains a Lease." EITF Issue No. 01-8 requires companies to perform a review of all arrangements or contracts that traditionally were not viewed as leases to determine if they contain features that would require them to be accounted for under FASB No. 13, "Accounting for Leases." For calendar year—end companies, EITF Issue No. 01-8 was effective July 1, 2003. The assessment of whether an arrangement contains a lease should be determined at inception of the arrangement based on all of the facts and circumstances surrounding the arrangement and also is required when any modification or change is made to an existing contractual arrangement. The adoption of EITF Issue No. 01-8 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Reclassification:

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Acquisitions

All acquisitions have been accounted for under the purchase method of accounting and, accordingly, earnings have been included in the consolidated operating results of the Company since the date of acquisition. During fiscal 2003 and 2002, the Company acquired certain assets

of its franchises as outlined below.

On November 30, 2003, the Company completed the acquisition of certain assets of two of its franchisees, Weight Watchers of Dallas, Inc. and Pedebud, Inc. (d/b/a Weight Watchers of Northern New Mexico), pursuant to the terms of a combined asset purchase agreement with these two entities (collectively "Dallas/New Mexico") and the Company. The purchase price was $27,200 plus assumed liabilities of $300, and was allocated to franchise rights ($26,874), property and equipment ($412), and inventory ($214). The acquisition was financed through cash from operations. Pro forma results of operations, assuming this acquisition had been completed at the beginning of fiscal 2002 would not differ materially from the reported results.

Effective March 30, 2003, the Company completed the acquisition of certain assets of eight of the fifteen franchises of The WW Group, Inc. and its affiliates (the "WW Group") pursuant to the terms of an Asset Purchase Agreement executed on March 31, 2003 among the WW Group, The WW Group East L.L.C., The WW Group West L.L.C., Cuida Kilos, S.A. de C.V., Weight Watchers North America, Inc. and the Company. The purchase price for the acquisition was $180,700 plus assumed liabilities of $448 and acquisition costs of $866. The Company completed the purchase price allocation in the fourth quarter of 2003 as follows: franchise rights ($177,128), inventory ($2,741), prepaid expenses ($36) and property and equipment ($2,109). The acquisition was financed through cash and additional borrowings of $85,000 under a new Term Loan D under the Company's Credit Facility, as amended on April 1, 2003 (as defined in Note 6).

The following table presents unaudited pro forma financial information that reflects the consolidated operations of the Company and the acquired franchises of the WW Group as if the acquisition had occurred as of the beginning of the respective periods. The pro forma financial information does not give effect to any synergies that might result nor any discontinued expenses from the acquisition of the WW Group. Such discontinued expenses are estimated by management to be approximately $3,300 and $12,000 for the years ended January 3, 2004 and December 28, 2002, respectively. These expenses relate to corporate expenses of the owners of the WW Group and other indirect expenses of non-acquired franchises for the periods detailed below. This pro forma information

does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the consolidated companies.

	Pro Forma	
	For the fiscal year ended	
	January 3, 2004	December 28, 2002
Revenue	$ 963,644	$ 885,510
Net income	$ 145,200	$ 147,767
Diluted earnings per share	$ 1.32	$ 1.35

During 2003, the Company also completed the acquisition of franchises in Mexico and Hong Kong, as well as a third party entity, Easy Slim, for a total purchase price of $1,271, which was paid with cash from operations. As a result of these three acquisitions, the Company recorded goodwill of $395 and franchise rights acquired of $1,326. Pro forma results of operations, assuming these acquisitions had been completed at the beginning of fiscal 2002 would not differ materially from the reported results.

On September 1, 2002, the Company completed the acquisition of the assets of one of its franchisees, AZIS Properties of Raleigh Durham, Inc. (d/b/a Weight Watchers of Raleigh Durham), pursuant to the terms of an Asset Purchase Agreement among Weight Watchers of Raleigh Durham, the Company and Weight Watchers North America, Inc., a wholly owned subsidiary of the Company. Substantially all the purchase price has been allocated to franchise rights acquired. The purchase price for the acquisition was $10,600 and was financed through cash from operations.

On July 2, 2002, the Company completed the acquisition of the assets of one of its franchisees, Weight Watchers of San Diego and The Inland Empire, Inc., pursuant to the terms of an Asset Purchase Agreement among Weight Watchers of San Diego, the Company and Weight Watchers North America, Inc. Substantially all of the purchase price has been allocated to franchise rights acquired. The purchase price for the acquisition was $11,000 and was financed through cash from operations.

On January 18, 2002, the Company completed the acquisition of the assets of one of its franchisees, Weight Watchers of North Jersey, Inc., pursuant to the terms of an Asset Purchase Agreement executed on December 31, 2001 among Weight Watchers of North Jersey, Inc., the Company and Weight Watchers North America, Inc. Substantially all of the purchase price has been allocated to franchise rights acquired. The purchase price for the acquisition was $46,500. The acquisition was financed through additional borrowings from the Company's Credit Facility (as defined in Note 6). This borrowing was subsequently repaid by the end of the second quarter 2002. See Note 6.

Acquired assets in total for 2002 of $461 include inventory ($155), property and equipment ($282) and other assets ($24).

4. Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, the Company no longer amortizes goodwill or other indefinite lived intangible assets. The Company performed fair value impairment testing as of January 3, 2004 and December 28, 2002 on its goodwill and other indefinite-lived intangible assets, which determined that no impairment was evident. Unamortized goodwill is due mainly to the acquisition of the Company by

the H.J. Heinz Company in 1978. The balance in goodwill remained unchanged from December 29, 2001 to December 28, 2002. The goodwill balance increased during the fiscal year ended January 3, 2004 primarily due to a small foreign acquisition. Franchise rights acquired are due mainly to acquisitions of the Company's franchised territories. Prior to fiscal 2002, goodwill and other indefinite-lived intangible assets were being amortized on a straight-line basis over periods ranging from 3 to 40 years. Amortization of goodwill and other indefinite-lived intangibles for the fiscal year ended December 29, 2001 was $9,782.

Also, in accordance with SFAS No. 142, aggregate amortization expense for finite lived intangible assets was recorded in the amounts of $1,062, $951 and $729 for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001, respectively.

The carrying amount of amortized intangible assets as of January 3, 2004 and December 28, 2002 was as follows:

	January 3, 2004		December 28, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Deferred software cost	$ 1,879	$ 1,206	$ 1,260	$ 869
Trademarks	7,600	6,879	7,223	6,674
Non-compete agreement	1,200	875	1,200	575
Other	4,003	3,268	3,985	3,197
	$ 14,682	$ 12,228	$ 13,668	$ 11,315

Estimated amortization expense of finite lived intangible assets for the next five fiscal years is as follows:

2004	$ 896
2005	$ 429
2006	$ 291
2007	$ 172
2008	$ 98

As required by SFAS No. 142, the results for the fiscal year ended December 29, 2001 have not been restated. A reconciliation of net income, as if SFAS No. 142 had been adopted at the beginning of

fiscal year 2001, is presented below for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001:

	Fiscal Years Ended		
	January 3, 2004	December 28, 2002	December 29, 2001
Reported net income available to common shareholders	$ 143,941	$ 143,440	$ 145,687
Addback: goodwill amortization (net of tax)	—	—	6,357
Adjusted net income available to common shareholders	$ 143,941	$ 143,440	$ 152,044
Basic earnings per share:			
Reported net income available to common shareholders	$ 1.35	$ 1.35	$ 1.34

Addback: goodwill amortization (net of tax)	—	—	0.06
Adjusted net income available to common shareholders	$ 1.35	$ 1.35	$ 1.40
Diluted earnings per share:			
Reported net income available to common shareholders	$ 1.31	$ 1.31	$ 1.31
Addback: goodwill amortization (net of tax)	—	—	0.06
Adjusted net income available to common shareholders	$ 1.31	$ 1.31	$ 1.37

5. Property and Equipment

The components of property and equipment were:

	January 3, 2004	December 28, 2002
Leasehold improvements	$ 9,330	$ 6,733
Equipment	30,202	29,306
	39,532	36,039
Less: Accumulated depreciation and amortization	23,819	23,684
	15,713	12,355
Construction in progress	34	135
	$ 15,747	$ 12,490

Depreciation and amortization expense of property and equipment for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 was $4,832, $3,789 and $2,732, respectively.

6. Long-Term Debt

The components of long-term debt are as follows:

	January 3, 2004		December 28, 2002	
	Balance	Effective rate	Balance	Effective rate
EURO 100.0 million 13% Senior Subordinated Notes due 2009	$ 10,564	13.00%	$ 104,380	13.00%
US $150.0 million 13% Senior Subordinated Notes due 2009	5,130	13.00%	150,000	13.00%
Term Loan A due 2005	24,340	3.04%	44,834	3.76%
Term Loan B due 2009	380,937	3.56%	97,618	4.46%
Transferable Loan Certificate due 2009	48,903	3.85%	57,848	4.40%
	469,874		454,680	
Less Current Portion	15,554		18,361	
	$ 454,320		$ 436,319	

Credit Facility

The Company's Credit Agreement as amended on January 16, 2001, December 21, 2001, April 1, 2003, and August 21, 2003 (the "Credit Facility") consists of Term Loans, a Revolver, and a transferable loan certificate ("TLC").

On April 1, 2003, in connection with the acquisition of certain of the assets of the WW Group, the Company borrowed $85,000 under a new Term Loan D pursuant to the Credit Facility, as amended on that date. This loan was repaid and replaced as part of the August 21, 2003 refinancing, as explained below.

On August 21, 2003, in conjunction with the tender offer (as described below), the Company refinanced its Credit Facility as follows: Term Loans B and D and the TLC in the aggregate amount of $204,674 were repaid and replaced with a new Term Loan B in the amount of $382,851 and a new TLC in the amount of $49,149. Term Loan A in the amount of $29,956 remained in place along with a Revolver with available borrowings up to $45,000.

Borrowings under the Credit Facility, as amended, are paid quarterly and bear interest at a rate equal to LIBOR plus (a) in the case of Term Loan A and the Revolver, 1.75% or, at the Company's option, the alternate base rate, as defined, plus 0.75% and, (b) in the case of Term Loan B and the TLC, 2.25% or, at the Company's option, the alternate base rate plus 1.25%. At January 3, 2004 and December 28, 2002, the interest rates were 2.93% and 3.15%, respectively for Term Loan A, 3.43% and 4.31%, respectively for Term Loan B, and 3.44% and 4.32%, respectively for the TLC. In addition to paying interest on outstanding principal under the Credit Facility, the Company is also required to pay a commitment fee to the lenders under the Revolver with respect to the unused commitments at a rate equal to 0.50% per year. All assets of the Company collateralize the Credit Facility.

The Credit Facility contains covenants that restrict the Company's ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other restricted payments, including investments, sell its assets and enter into consolidations, mergers and transfers of all or substantially all of its assets. The Credit Facility also requires the Company to maintain specified financial ratios and satisfy financial condition tests.

Senior Subordinated Notes

In addition, as part of the Transaction, the Company issued $150,000 USD denominated and €100,000 euro denominated principal amount of 13% Senior Subordinated Notes due 2009 (the "Notes") to qualified institutional buyers.

In fiscal 2003, the Company successfully completed a tender offer and consent solicitation to purchase 96.6% of its $150,000 USD denominated ($144,900) and 91.6% of its €100,000 euro denominated (€91,600) 13% Senior Subordinated Notes. The consideration for the tender offer and consent solicitation was funded from cash from operations of $57,292 and additional borrowings under the Credit Facility of $227,326 (as described above). In conjunction with the tender offer, the Company also solicited consents to eliminate substantially all of the restrictive covenants and certain default provisions in the indentures pursuant to which the Notes were issued. Due to this early extinguishment of debt, the Company recognized expenses of $47,368 in the fiscal year ended January 3, 2004, which included tender premiums of $42,619, the write-off of unamortized debt issuance costs of $4,387 and $362 of fees associated with the transaction.

At January 3, 2004 and December 28, 2002, the euro notes of €8,388 and €100,000, respectively, translated into $10,564 and $104,380, respectively. The unrealized impact of the change in foreign exchange rates related to euro denominated debt is reflected in other expense, net. Interest is payable on the Notes semi-annually on April 1 and October 1 of each year. The Company uses interest rate swaps and foreign currency forward contracts in association with its debt. As of January 3, 2004, 100% of the Company's euro denominated Senior Subordinated Notes are effectively hedged through the use of a cash flow hedge.

The Company's obligations under the Notes are subordinated and junior in right of payment to all existing and future senior indebtedness of the Company, including all indebtedness under the Credit Facility. The Notes are guaranteed by certain subsidiaries of the Company.

Maturities

At January 3, 2004, the aggregate amounts of existing long-term debt maturing in each of the next five years and thereafter are as follows (see also Note 19):

2004	$ 15,554
2005	17,426
2006	4,320
2007	4,320
2008	4,320
2009 and thereafter	423,934
	$ 469,874

7. Redeemable Preferred Stock

The Company issued one million shares of Series A Preferred Stock to Heinz in conjunction with the Transaction. On March 1, 2002, the Company redeemed from Heinz all of the Company's Series A Preferred Stock for a redemption price of $25,000 plus accrued and unpaid dividends. The redemption

was financed through additional borrowings of $12,000 under the Credit Facility (as defined in Note 6), which was repaid by the end of the second quarter 2002, and cash from operations.

8. Treasury Stock

On April 18, 2001, the Company entered into a Put/Call Agreement with Heinz, pursuant to which Heinz acquired the right and option to sell during the period ending on or before May 15, 2002, and the Company acquired the right and option to purchase after that date and on or before August 15, 2002, 6,719 shares of the common stock of the Company owned by Heinz. Under this agreement, during the fiscal year ended December 29, 2001, Heinz sold all of its shares to the Company at fair value for an aggregate purchase price of $27,132, which was funded with cash from operations. Heinz no longer holds any common stock of the Company.

On October 9, 2003, the Company's Board of Directors authorized a program to repurchase up to $250,000 of the Company's outstanding stock. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Luxembourg or its affiliates under the program. In the fourth quarter of 2003, the Company purchased 784 shares of stock in the open market at a total cost of $28,815.

9. Earnings Per Share

Basic earnings per share ("EPS") computations are calculated utilizing the weighed average number of common shares outstanding during the periods presented. Diluted EPS includes the weighted average number of common shares outstanding and the effect of dilutive common stock equivalents.

The following table sets forth the computation of basic and diluted EPS.

	January 3, 2004	December 28, 2002	December 29, 2001
Numerator:			
Net income	$ 143,941	$ 143,694	$ 147,187
Preferred stock dividends	—	254	1,500
Numerator for basic and diluted EPS—income available to common shareholders	$ 143,941	$ 143,440	$ 145,687
Denominator:			
Denominator for basic EPS—weighted-average shares	106,676	105,959	108,676
Effect of dilutive stock options	3,048	3,704	2,947
Denominator for diluted EPS—weighted-average shares	109,724	109,663	111,623
EPS:			
Basic	$ 1.35	$ 1.35	$ 1.34
Diluted	$ 1.31	$ 1.31	$ 1.31

For the fiscal 2003, 2002 and 2001 computations 391, 10 and 0 stock options, respectively, were excluded from the calculation of weighted average shares for diluted EPS because their effects were anti-dilutive.

10. Stock Plans

Weight Watchers Incentive Compensation Plans:

On December 16, 1999, the Board of Directors adopted the 1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries (the "Plan"). The Plan is designed to promote the long-term financial interests and growth of the Company and its subsidiaries by attracting and retaining management with the ability to contribute to the success of the business. The Board of Directors or a committee thereof administers the Plan.

Under the stock purchase component of the plan discussed above, 1,639 shares of common stock were sold to 45 members of the Company's management group at a price of $2.13 to $4.04 per share.

Under the option component of the Plan, grants may take the following forms at the committee's sole discretion: Incentive Stock Options, Other Stock Options (other than incentive options), Stock Appreciation Rights, Restricted Stock, Purchase Stock, Dividend Equivalent Rights, Performance Units, Performance Shares and Other Stock—Based Grants. The maximum number of shares available for grant under this plan was 5,647 shares of authorized common stock as of the effective date of the Plan. In 2001, the number of shares available for grant was increased to 7,058 shares.

Pursuant to the restricted stock component of the Plan, the Company granted 7 shares of restricted stock to certain employees during 2003. The weighted average fair value of these shares on the date of the grant was $39.35. These shares vest over a period of three years and resulted in compensation expense of $53 for the fiscal year ended January 3, 2004.

Pursuant to the option component of the Plan, the Board of Directors authorized the Company to enter into agreements under which certain members of management received Non-Qualified Time and Performance Stock Options providing them the opportunity to purchase shares of the Company's common stock at an exercise price of $2.13 to $45.50. The options are exercisable based on the terms outlined in the agreement. The exercise price was equivalent to the fair market value at the date of grant.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 3, 2004	December 28, 2002	December 29, 2001
Dividend yield	0%	0%	0%
Volatility	36.5%	34.5%	34.6%
Risk-free interest rate	2.6%-3.7%	3.5%-5.2%	5.1%-5.4%
Expected term (years)	5.6	7.0	7.5

A summary of the Company's stock option activity is as follows:

	January 3, 2004		December 28, 2002		December 29, 2001	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Options outstanding, Beginning of year	4,896	$ 3.68	5,671	$ 2.35	5,301	$ 2.13
Granted	543	$ 40.61	181	$ 37.37	731	$ 3.89
Exercised	(855)	$ 2.29	(776)	$ 2.18	(93)	$ 2.13
Cancelled	(83)	$ 14.63	(180)	$ 2.28	(268)	$ 2.13
Options outstanding, end of year	4,501	$ 8.19	4,896	$ 3.68	5,671	$ 2.35
Options exercisable, end of year	2,971	$ 2.80	2,950	$ 2.26	2,479	$ 2.19
Options available for grant, end of year	827		1,293		1,294	
Weighted-average fair value of options granted during the year		$ 16.01		$ 17.41		$ 1.89

The following table summarizes information about stock options outstanding at January 3, 2004 by range of exercise price:

Range of Exercise Prices	Options Outstanding: Shares Outstanding	Options Outstanding: Weighted Average Remaining Contractual Life (Yrs.)	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Shares Exercisable	Options Exercisable: Weighted Average Exercise Price
$2.13–$2.34	3,276	6.1	$ 2.13	2,651	$ 2.13
$4.04	529	7.4	$ 4.04	279	$ 4.04
$35.87–$45.50	696	6.5	$ 39.87	41	$ 37.51
	4,501			2,971	

WeightWatchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries:

In April 2000, the Board of Directors adopted the WeightWatchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries, pursuant to which selected employees were granted options to purchase shares of common stock of WeightWatchers.com, Inc. that are owned by the Company. The number of shares available for grant under this plan is 400 shares of authorized common stock of WeightWatchers.com, Inc. All options vest over a period of time, however, vesting of certain options may be accelerated if the Company achieves specified performance levels. No options have been granted under this Plan during the fiscal years ended January 3, 2004, December 28, 2002 or December 29, 2001.

A summary of the stock option activity under the WeightWatchers.com Stock Incentive Plan is as follows:

	January 3, 2004: Number of Shares	January 3, 2004: Weighted average exercise price	December 28, 2002: Number of Shares	December 28, 2002: Weighted average exercise price	December 29, 2001: Number of Shares	December 29, 2001: Weighted average exercise price
Options outstanding, Beginning of year	152	$ 0.50	164	$ 0.50	173	$ 0.50
Granted	—		—		—	
Exercised	—		—		—	
Cancelled	(1)	$ 0.50	(12)	$ 0.50	(9)	$ 0.50
Options outstanding, end of year	151	$ 0.50	152	$ 0.50	164	$ 0.50
Options exercisable, end of year	133	$ 0.50	115	$ 0.50	84	$ 0.50
Options available for grant, end of year	249		248		236	
Weighted average fair value of options granted during the year		—		—		—

The weighted average remaining contractual life of options outstanding at January 3, 2004 was 6.3 years.

11. Income Taxes

The following tables summarize the provision for (benefit from) U.S. federal, state and foreign taxes on income:

	January 3, 2004	December 28, 2002	December 29, 2001
Current:			
U.S federal	$ 40,527	$ 55,670	$ 27,582
State	10,740	14,650	7,110
Foreign	20,344	16,921	11,394
	$ 71,611	$ 87,241	$ 46,086
Deferred:			

U.S federal	$ 15,173	$ 4,565	$ (61,264)
State	1,734	397	(5,618)
Foreign	(230)	(396)	(4,186)
	$ 16,677	$ 4,566	$ (71,068)
Total tax provision (benefit)	$ 88,288	$ 91,807	$ (24,982)

The components of income before income taxes consist of the following:

	January 3, 2002	December 28, 2002	December 29, 2001
Domestic	$ 170,196	$ 185,610	$ 88,244
Foreign	62,033	49,891	33,961
	$ 232,229	$ 235,501	$ 122,205

The difference between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate are as follows:

	January 3, 2004	December 28, 2002	December 29, 2001
U.S. federal statutory rate	35.0%	35.0%	35.0%
Foreign income taxes	(0.2)	(0.2)	(4.3)
States income taxes (net of federal benefit)	4.0	4.0	0.9
Goodwill amortization	—	—	0.2
Other	(0.8)	0.2	3.5
Valuation allowance	—	—	(55.7)
Effective tax rate	38.0%	39.0%	(20.4)%

The deferred tax assets (liabilities) recorded on the balance sheet are as follows:

	January 3, 2004	December 28, 2002
Depreciation/amortization	$ 10	$ 446
Provision for estimated expenses	1,442	1,187
Operating loss carryforwards	3,814	3,708
WeightWatchers.com loan	11,505	13,455
Other	2,057	722
Amortization	96,615	116,437
Total deferred tax assets	$ 115,443	$ 135,955
Deferred income	$ (65)	$ (637)
Other	(1,775)	(2,865)
Total deferred tax liabilities	$ (1,840)	$ (3,502)
Net deferred tax assets	$ 113,603	$ 132,453

On September 29, 1999, the Company effected a recapitalization and stock purchase agreement with its former parent, Heinz. For U.S. tax purposes, the Transaction was treated as a taxable sale under IRC section 338(h)(10), resulting in a step-up in the tax basis of net assets and, recognition of a deferred tax asset in the amount of $144,200. At the time of the Transaction, the Company determined that it was more likely

than not that a portion of the deferred tax asset would not be utilized.

Therefore, a valuation allowance of $72,100 was established against the corresponding deferred tax asset. Based on the Company's performance since the Transaction, the Company determined that the valuation allowance was no longer required. Accordingly, the provision for taxes for the fiscal year ended December 29, 2001 includes a one-time reversal (credit) of the remaining balance of the valuation allowance of $71,903 related to the Transaction.

As of January 3, 2004 and December 28, 2002, various foreign subsidiaries of the Company had net operating loss carry forwards of approximately $12,387 and $12,359 respectively, most of which can be carried forward indefinitely.

As of December 29, 2001, the Company's undistributed earnings of foreign subsidiaries are no longer considered to be reinvested permanently. Accordingly, the Company has recorded all taxes, after taking into account foreign tax credits, on the undistributed earnings of foreign subsidiaries.

12. Related Party Transactions

WeightWatchers.com:

On September 29, 1999, the Company entered into a subscription agreement with WeightWatchers.com, Artal and Heinz under which Artal, Heinz and the Company purchased common stock of WeightWatchers.com for a nominal amount. The Company owns approximately 19.9% of WeightWatchers.com's common stock while Artal owns approximately 72.8% of WeightWatchers.com's common stock. Because the Company has the ability to exercise significant influence over WeightWatchers.com it accounts for this investment under the equity method of accounting.

Under the agreement with WeightWatchers.com, the Company granted it an exclusive license to use its trademarks, copyrights and domain names in electronic media in connection with its online weight-loss business. The license agreement provides the Company with control of how its intellectual property is used. In particular, the Company has the right to approve WeightWatchers.com's e-commerce activities, marketing programs, privacy policy and materials publicly displayed on the Internet. These controls are designed to protect the value of the Company's intellectual property.

Under warrant agreements dated November 24, 1999, October 1, 2000, May 3, 2001, and September 10, 2001, the Company has received warrants to purchase an additional 6,395 shares of WeightWatchers.com's common stock in connection with the loans that the Company has made to WeightWatchers.com under the note described below. These warrants will expire from November 24, 2009 to September 10, 2011 and may be exercised at a price of $7.14 per share of WeightWatchers.com's common stock until their expiration. The exercise price and the number of shares of WeightWatchers.com's common stock available for purchase upon exercise of the warrants may be adjusted from time to time upon the occurrence of certain events.

Loan Agreement:

Pursuant to the amended loan agreement dated September 20, 2001 between the Company and WeightWatchers.com, through fiscal year 2001, the Company provided loans to WeightWatchers.com aggregating $34,500. The Company has no further obligation to provide funding to WeightWatchers.com. Beginning on January 1, 2002, the loan bears interest at 13% per year and beginning March 31, 2002, interest has been and shall be paid to the Company semi-annually. All

principal outstanding under the agreement is payable in six semi-annual installments commencing on March 31, 2004. For the years ended January 3, 2004 and December 28, 2002, the Company recorded interest income on the loan of $4,219 and $4,454, respectively. As of January 3, 2004 and December 28, 2002, the interest receivable balance was $1,009 and $1,106, respectively, and is included within receivables, net. As WeightWatchers.com is an equity investee, and the Company was the only entity providing funding through fiscal year 2001, the Company reduced its loan receivable balances by 100% of WeightWatchers.com's losses in fiscal 2001. Additionally, the remaining loan receivable balances were reviewed for impairment on a quarterly basis and, accordingly, during fiscal 2001 the Company recorded a full valuation allowance against the remaining balances. During fiscal 2003, the Company received a voluntary loan repayment of $5,000 that was recorded as a component of other expense, net.

Intellectual Property License:

The Company entered into an amended and restated intellectual property license agreement dated September 29, 2001 with WeightWatchers.com. In fiscal 2002, the Company began earning royalties pursuant to the agreement. For the years ended January 3, 2004 and December 28, 2002, the Company recorded royalty income of $7,080 and $4,175, respectively, which was included in product sales and other, net. As of January 3, 2004 and December 28, 2002, the receivable balance was $1,758 and $1,280, respectively, and is included within receivables, net.

Service Agreement:

Simultaneous with the signing of the amended and restated intellectual property license agreement, the Company entered into a service agreement with WeightWatchers.com, under which WeightWatchers.com provides certain types of services. The Company is required to pay for all expenses incurred by WeightWatchers.com directly attributable to the services it performs under this agreement, plus a fee of 10% of those expenses. The Company recorded service expense of $1,971, $1,862 and $554 for the years ended January 3, 2004, December 28, 2002 and December 29, 2001, respectively, that was included in marketing expenses. The accrued service payable at January 3, 2004 and December 28, 2002 was $1,223 and $484, respectively, and is netted against receivables, net.

Nellson Agreement:

On November 30, 1999, the Company entered into an agreement with Nellson Neutraceutical, Inc. ("Nellson"), which up until October 4, 2002 was a wholly-owned subsidiary of Artal, to purchase nutrition bar products manufactured by Nellson for sale at the Company's meetings. Upon sale by Artal, Nellson is no longer considered a related party. Under the agreement, Nellson agrees to produce sufficient nutrition bar products to fill the Company's purchase orders within 30 days of receipt. The Company is not bound to purchase a minimum quantity of nutrition bar products. The term of the agreement runs through December 31, 2004, and the Company has the option to renew the agreement for successive one-year periods by providing written notice to Nellson. Management believes the provisions of the agreement are comparable to those the Company would receive from a third party. Total purchases from Nellson for the fiscal years ended December 28, 2002 and December 29, 2001 were $24,351, and $18,706, respectively. These purchases represent approximately 21% and 22% of total inventory purchases for the fiscal years ended December 28, 2002 and December 29, 2001, respectively.

Management Agreement:

Simultaneous with the closing of the Company's acquisition by Artal, the Company entered into a management agreement with The Invus Group, LLC ("Invus"), the independent investment advisor to Artal. Under this agreement, Invus provided the Company with management, consulting and other services in exchange for an annual fee equal to the greater of $1,000 or one percent of the Company's EBITDA (as defined in the indentures relating to the Company's Senior Subordinated Notes), plus any related out-of-pocket expenses. This agreement has been terminated effective December 28, 2002. These management fees, recorded in other expense, net for the fiscal years ended December 28, 2002 and December 29, 2001, were $2,838, and $1,926, respectively.

Heinz :

At the closing of the Transaction, the Company granted to Heinz an exclusive worldwide, royalty-free license to use the Custodial Trademarks (or any portion covering food and beverage products) in connection with Heinz licensed products. Heinz will pay the Company an annual fee of $1,200 for five years in exchange for the Company serving as the custodian of the Custodial Trademarks.

As of January 3, 2004, December 28, 2002 and December 29, 2001, other accrued liabilities include $1,965, $3,209 and $2,888, respectively, primarily consisting of food royalties received on behalf of Heinz.

13. Employee Benefit Plans

Weight Watchers Sponsored Plans:

Effective September 29, 1999, the net assets of the Heinz sponsored employee savings plan were transferred to the Weight Watchers sponsored plan upon execution of the Transaction. The Company sponsors the Weight Watchers Savings Plan (the "Savings Plan") for salaried and hourly employees. The Savings Plan is a defined contribution plan that provides for employer matching contributions up to 100% of the first 3% of an employee's eligible compensation. The Savings Plan also permits employees to contribute between 1% and 13% of eligible compensation on a pre-tax basis. Expense related to these contributions for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 was $1,228, $1,033 and $823, respectively.

The Company sponsors the Weight Watchers Profit Sharing Plan (the "Profit Sharing Plan") for all full-time salaried employees who are eligible to participate in the Savings Plan (except for certain senior management personnel). The Profit Sharing Plan provides for a guaranteed monthly employer contribution on behalf of each participant based on the participant's age and a percentage of the participant's eligible

compensation. The Profit Sharing Plan has a supplemental employer contribution component, based on the Company's achievement of certain annual performance targets, which are determined annually by the Company's Board of Directors. The Company also reserves the right to make additional discretionary contributions to the Profit Sharing Plan. Expense related to these contributions for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 was $1,655, $1,560, and $1,361, respectively.

For certain senior management personnel, the Company sponsors the Weight Watchers Executive Profit Sharing Plan. Under the Internal Revenue Service ("IRS") definition, this plan is considered a Nonqualified Deferred Compensation Plan. There is a promise of payment by the Company made on the employees' behalf instead of an individual account with a cash balance. The account is valued at the end of each fiscal month, based on an annualized interest rate of prime plus 2%, with an annualized cap of 15%. Expense related to these contributions for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 was $774, $567, and $692, respectively.

During fiscal 2002, the Company received a favorable determination letter from the IRS that qualifies the Company's Savings Plan under Section 401(a) of the IRS Code.

14. Cash Flow Information

	January 3, 2004	December 28, 2002	December 29, 2001
Net cash paid during the year for:			
Interest expense	$ 38,533	$ 41,588	$ 54,556
Income taxes	$ 59,739	$ 75,684	$ 39,474
Noncash investing and financing activities were as follows:			
Fair value of net assets acquired in connection with the acquisitions	$ 4,797	$ 461	$ 3,709
Liabilities incurred in connection with the public equity offering	—	—	$ 1,950
Liability incurred in connection with a noncompete agreement	—	—	$ 1,200

15. Commitments and Contingencies

Legal:

Due to the nature of its activities, the Company is, at times, subject to pending and threatened legal actions that arise during the normal course of business. In the opinion of management, based in part upon advice of legal counsel, the disposition of such matters is not expected to have a material effect on the Company's results of operations, financial condition or cash flows.

Lease Commitments:

Minimum rental commitments under non-cancelable operating leases, primarily for office and rental facilities at January 3, 2004, consist of the following:

2004	$ 21,460
2005	16,179
2006	11,209
2007	7,062
2008	4,341
2009 and thereafter	17,787
Total	$ 78,038

Total rent expense charged to operations under these leases for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 was $23,855, $16,321 and $14,818, respectively.

Finland Repurchase Agreement:

The Company is a party to a repurchase agreement related to the 10% minority interest in the classroom operation of Finland. Pursuant to this agreement, the Company may elect or be required to repurchase the minority shareholders' interest in this operation. If the Company repurchases the minority interest within five years of the original sale, the repurchase price is based on the original sales price times the increase in the consumer price index since the date of the sale. If the Company repurchases the minority interest after five years from the original sale, the repurchase price is based on a multiple of the average operating income during the last three years. In December 2003, the minority shareholder elected to sell his interest in the Finland operation. The terms of the purchase agreement will be finalized and payment will be made in 2004. The Company estimates this payment will be approximately $1,500.

Franchise Profit Sharing Fund:

In October 2000, the Company reached an agreement with certain franchisees regarding the sharing of profits of prior and future retail licensed product sales. The settlement provided for a payment of approximately $3,836, to be paid out through 2001, and released the Company from any future obligations to the franchisees under profit sharing arrangements dating back to 1969.

The Company's franchise agreement with certain other North American franchisees provides for an annual franchise profit sharing distribution of retail licensed product sales based upon specified formulas. Profit sharing expense under this arrangement for the fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001 was $37, $56 and $40, respectively.

16. Segment and Geographic Data

The Company is engaged principally in one line of business, weight loss products and services. The following table presents information about the Company's sources of revenue and other information by

geographic area. There were no material amounts of sales or transfers among geographic areas and no material amounts of United States export sales.

	Revenues		
	January 3, 2004	December 28, 2002	December 29, 2001
NACO meeting fees	$ 392,432	$ 350,683	$ 262,467
International company-owned meeting fees	214,772	170,043	153,213
Product sales	276,835	237,602	170,363
Franchise royalties	24,879	31,347	28,371
Other	35,014	19,969	9,456
	$ 943,932	$ 809,644	$ 623,870

	Revenues		
	January 3, 2004	December 28, 2002	December 29, 2001
United States	$ 599,944	$ 542,885	$ 397,434
United Kingdom	140,886	112,750	97,594
Continental Europe	159,155	117,425	97,421
Australia, New Zealand and other	43,947	36,584	31,421
	$ 943,932	$ 809,644	$ 623,870

	Long-Lived Assets		
	January 3, 2004	December 28, 2002	December 29, 2001
United States	$ 506,004	$ 299,349	$ 230,696
United Kingdom	2,653	2,854	2,909
Continental Europe	3,153	2,537	2,025
Australia, New Zealand and other	26,431	18,302	16,260
	$ 538,241	$ 323,042	$ 251,890

17. Financial Instruments

Fair Value of Financial Instruments:

The Company's significant financial instruments include cash and cash equivalents, short and long-term debt, current and noncurrent notes receivable, currency exchange agreements and guarantees.

In evaluating the fair value of significant financial instruments, the Company generally uses quoted market prices of the same or similar instruments or calculates an estimated fair value on a discounted cash flow basis using the rates available for instruments with the same remaining maturities. As of January 3, 2004, the fair value of financial instruments held by the Company, excluding the 13% Senior Subordinated Notes due 2009, approximated the recorded value. Based on current interest rates, management believes that the carrying amount at January 3, 2004 of the Company's 13% Senior Subordinated Notes due 2009 of $15,694 has an estimated fair value of $18,775.

Derivative Instruments and Hedging:

The Company enters into forward and swap contracts to hedge transactions denominated in foreign currencies to reduce currency risk associated with fluctuating exchange rates. These contracts are used primarily to hedge certain inter-company cash flows and for payments arising from some of the Company's foreign currency denominated obligations. In addition, the Company enters into interest rate swaps to hedge a substantial portion of its variable rate debt. As of January 3, 2004, December 28, 2002 and December 29, 2001 the Company held currency and interest rate swap contracts to purchase certain foreign currencies totaling $255,156, $92,936 and $204,276, respectively. The Company also held separate currency and interest rate swap contracts to sell foreign currencies of $256,564, $96,051 and $207,730, respectively. The Company is hedging forecasted transactions for periods not exceeding the next 12 months. At January 3, 2004, the Company estimates that derivative losses of $270, net of income taxes, reported in accumulated other comprehensive income (loss) will be reclassified to the Statement of Operations within the next twelve months.

As of January 3, 2004 and December 28, 2002, cumulative losses for qualifying hedges were reported as a component of accumulated other comprehensive loss in the amount of $443 ($270 net of taxes) and $4,536 ($2,675 net of taxes), respectively. The Company discontinued certain of its cash flow hedges that were associated with the euro denominated Notes that were extinguished, as described in Note 6. As such, the Company has reclassified a net loss of $5,381 from accumulated other comprehensive income to other expense, net. In addition, the Company has recorded net proceeds of $2,710 from the gain on settlement in cash from financing activities in the Statement of Cash Flows as cash flows from hedge transactions are classified in a manner consistent with the item being hedged. In addition, the ineffective portion of changes in fair values of qualifying cash flow hedges was not material. Prior to the extinguishment of the euro Notes, the Company hedged 24% of the outstanding principal of the euro Notes via forward contracts, subsequent to the extinguishment the Company is currently 100% hedged. As such, to offset gains or losses from changes in foreign exchange rates related to the euro Notes for the fiscal years ended January 3, 2004 and December 28, 2002, the Company reclassified $310 ($508 before taxes) and $2,258 ($3,702 before taxes) from accumulated other comprehensive income (loss) to other expense, net.

For the fiscal years ended January 3, 2004 and December 28, 2002, fair value adjustments for non-qualifying hedges resulted in a reduction to net income of $2,136 ($3,502 before taxes) and $2,082 ($3,528 before taxes), included within other expense, net, respectively. In addition, for the fiscal year ended December 28, 2002, the Company terminated all non-qualifying hedges resulting in an increase to net income of $1,439 ($2,359 before taxes), included within other expense, net.

18. Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the fiscal years ended January 3, 2004 and December 28, 2002.

	For the Fiscal Quarters Ended			
	March 29, 2003	June 28, 2003	September 27, 2003	January 3, 2004
Fiscal year ended January 3, 2004				
Revenues, net	$ 251,479	$ 258,869	$ 217,498	$ 216,086

Operating income	$ 79,414	$ 97,636	$ 74,018	$ 65,001
Net income	$ 40,581	$ 53,774	$ 11,482	$ 38,104
Basic EPS	$ 0.38	$ 0.50	$ 0.11	$ 0.36
Diluted EPS	$ 0.37	$ 0.49	$ 0.10	$ 0.35

	For the Fiscal Quarters Ended			
	March 30, 2002	June 29, 2002	September 28, 2002	December 28, 2002
Fiscal year ended December 28, 2002				
Revenues, net	$ 212,503	$ 217,893	$ 189,172	$ 190,078
Operating income	$ 71,056	$ 90,521	$ 74,407	$ 60,873
Net income	$ 37,284	$ 41,220	$ 36,832	$ 28,358
Basic EPS	$ 0.35	$ 0.39	$ 0.35	$ 0.27
Diluted EPS	$ 0.34	$ 0.38	$ 0.34	$ 0.26

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

19. Subsequent Event

In January 2004, the Company refinanced its existing debt, which moved a large portion of its debt from fixed term loans to revolver. Under the refinancing, the term loans have been reduced from $454,180 to $150,000 and the Revolver capacity has increased from $45,000 to $350,000. To complete the refinancing, the Company drew down $310,000 of the Revolver. In connection with this early extinguishment of debt, the Company incurred charges of approximately $3,000 in the first quarter of 2004.

20. Guarantor Subsidiaries

The Company's payment obligations under the Senior Subordinated Notes are fully and unconditionally guaranteed on a joint and several basis by the following wholly-owned subsidiaries: 58 WW Food Corp.; Waist Watchers, Inc.; Weight Watchers Camps, Inc.; W.W. Camps and Spas, Inc.; Weight Watchers Direct, Inc.; W/W Twentyfirst Corporation; W.W. Weight Reduction Services, Inc.; W.W.I. European Services Ltd.; W.W. Inventory Service Corp.; Weight Watchers North America, Inc.; Weight Watchers U.K. Holdings Ltd.; Weight Watchers International Holdings Ltd.; Weight Watchers (U.K.) Limited; Weight Watchers (Exercise) Ltd.; Weight Watchers (Accessories & Publications) Ltd.;

Weight Watchers (Food Products) Limited; Weight Watchers New Zealand Limited; BLTC Pty Ltd.; LLTC Pty Ltd.; Weight Watchers Asia Pacific Finance Limited Partnership (APF); Weight Watchers International Pty Limited; Fortuity Pty Ltd; and Gutbusters Pty Ltd. (collectively, the "Guarantor Subsidiaries"). The obligations of each Guarantor Subsidiary under its guarantee of the Notes are subordinated to such subsidiary's obligations under its guarantee of the new senior credit facility.

Presented below is condensed consolidating financial information for Weight Watchers International, Inc. ("Parent Company"), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries (primarily companies incorporated in European countries other than the United Kingdom). In the Company's opinion, separate financial statements and other disclosures concerning each of the Guarantor Subsidiaries would not provide additional information that is material to investors. Therefore, the Guarantor Subsidiaries are combined in the presentation below.

Investments in subsidiaries are accounted for by the Parent Company on the equity method of accounting. Earnings of subsidiaries are, therefore, reflected in the Parent Company's investments in subsidiaries' accounts. The elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET

AS OF JANUARY 3, 2004

(IN THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 2,170	$ 10,633	$ 10,639	$ —	$ 23,44
Receivables, net	4,474	12,219	1,852	—	18,54
Inventories, net	—	27,482	11,628	—	39,11
Prepaid expenses	3,338	18,473	7,913	—	29,72
Deferred income taxes	(1,966)	5,770	—	—	3,80
Intercompany (payables) receivables	(177,601)	164,838	12,763	—	–
TOTAL CURRENT ASSETS	(169,585)	239,415	44,795	—	114,62
Investment in consolidated subsidiaries	701,897	—	—	(701,897)	–
Property and equipment, net	1,317	12,324	2,106	—	15,74
Notes and other receivables	222	—	—	—	22
Franchise rights acquired	3,384	491,948	929		496,26
Goodwill	23,385	394	—	—	23,77
Trademarks and other intangible assets	1,364	1,090	—	—	2,45
Deferred income taxes	38,495	72,136	(832)	—	109,79
Deferred financing costs, net	4,583	—	—	—	4,58
Other noncurrent assets	463	1,240	515	—	2,21
TOTAL ASSETS	$ 605,525	$ 818,547	$ 47,513	$ (701,897)	$ 769,68
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Portion of long-term debt due within one year	$ 15,062	$ 492	$ —	$ —	$ 15,55
Accounts payable	1,168	12,876	8,243	—	22,28
Salaries and wages	6,967	7,874	5,958	—	20,79
Accrued interest	2,152	206	—	—	2,35
Other accrued liabilities	8,084	21,359	2,578	—	32,02
Income taxes (receivable) payable	(15,004)	39,546	82	—	24,62
Deferred revenue	—	14,662	1,865	—	16,52
TOTAL CURRENT LIABILITIES	18,429	97,015	18,726	—	134,17
Long-term debt	405,908	48,412	—	—	454,32
Other	—	(18)	28	—	1
TOTAL LIABILITIES	424,337	145,409	18,754	—	588,50
Shareholders' equity	181,188	673,138	28,759	(701,897)	181,18
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 605,525	$ 818,547	$ 47,513	$ (701,897)	$ 769,68

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 28, 2002

(IN THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 34,694	$ 14,808	$ 8,028	$ —	$ 57,530
Receivables, net	3,467	13,972	1,667	—	19,106
Inventories, net	—	30,021	8,562	—	38,583
Prepaid expenses	2,453	16,535	6,712	—	25,700
Deferred income taxes		4,222		—	4,222
Intercompany (payables) receivables	(228,146)	218,449	9,697	—	—
TOTAL CURRENT ASSETS	(187,532)	298,007	34,666	—	145,141
Investment in consolidated subsidiaries	556,952	—	—	(556,952)	—
Property and equipment, net	1,380	9,401	1,709	—	12,490
Notes and other receivables	243	—	—	—	243
Franchise rights acquired	3,385	280,660	770		284,815
Goodwill	23,384	—	—	—	23,384
Trademarks and other intangible assets	897	1,456	—	—	2,353
Deferred income taxes	37,174	91,832	(775)	—	128,231
Deferred financing costs, net	7,851	—	—	—	7,851
Other noncurrent assets	628	776	438	—	1,842
TOTAL ASSETS	$ 444,362	$ 682,132	$ 36,808	$ (556,952)	$ 606,350
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Portion of long-term debt due within one year	$ 17,632	$ 729	$ —	$ —	$ 18,361
Accounts payable	1,217	14,679	4,351	—	20,247
Salaries and wages	7,005	4,939	4,674	—	16,618
Accrued interest	8,125	473	—	—	8,598
Other accrued liabilities	10,079	16,326	3,451	—	29,856
Income taxes payable	(25,544)	39,066	450	—	13,972
Deferred revenue	100	14,118	1,214	—	15,432
TOTAL CURRENT LIABILITIES	18,614	90,330	14,140	—	123,084
Long-term debt	379,200	57,119	—	—	436,319
Other	—	325	74	—	399
TOTAL LIABILITIES	397,814	147,774	14,214	—	559,802
Shareholders' equity	46,548	534,358	22,594	(556,952)	46,548
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$ 444,362	$ 682,132	$ 36,808	$ (556,952)	$ 606,350

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE FISCAL YEAR ENDED JANUARY 3, 2004

(IN THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues, net	$ 14,350	$ 770,425	$ 159,157	$ —	$ 943,932
Cost of revenues	272	348,336	91,790	—	440,398
Gross profit	14,078	422,089	67,367	—	503,534
Marketing expenses	2,373	85,946	25,284	—	113,603
Selling, general and administrative expenses	11,980	46,881	15,001	—	73,862
Operating (loss) income	(275)	289,262	27,082	—	316,069
Interest expense (income), net	27,608	6,929	(839)	—	33,698
Other expense (income), net	6,337	(3,455)	(108)	—	2,774
Early extinguishment of debt	47,368	—	—	—	47,368
Equity in income of consolidated subsidiaries	161,012	—	—	(161,012)	—
Franchise commission income (loss)	74,922	(64,759)	(10,163)	—	—
Income before income taxes	154,346	221,029	17,866	(161,012)	232,229
Provision for income taxes	10,405	71,191	6,692	—	88,288
Net income	$ 143,941	$ 149,838	$ 11,174	$ (161,012)	$ 143,941

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE FISCAL YEAR ENDED DECEMBER 28, 2002

(IN THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues, net	$ 8,801	$ 683,418	$ 117,425	$ —	$ 809,644
Cost of revenues	(752)	304,375	66,667	—	370,290
Gross profit	9,553	379,043	50,758	—	439,354
Marketing expenses	—	64,113	17,120	—	81,233

Selling, general and administrative expenses	9,364	41,357	10,546	—	61,267
Operating income	189	273,573	23,092	—	296,854
Interest expense (income), net	33,728	9,519	(948)	—	42,299
Other expense (income), net	21,801	(2,792)	45	—	19,054
Equity in income of consolidated subsidiaries	161,881	—	—	(161,881)	—
Franchise commission income (loss)	63,426	(56,757)	(6,669)	—	—
Income before income taxes	169,967	210,089	17,326	(161,881)	235,501
Provision for income taxes	26,273	58,952	6,582	—	91,807
Net income	$ 143,694	$ 151,137	$ 10,744	$ (161,881)	$ 143,694

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE FISCAL YEAR ENDED DECEMBER 29, 2001

(IN THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues, net	$ 4,194	$ 522,255	$ 97,421	$ —	$ 623,870
Cost of revenues	821	231,402	54,213	—	286,436
Gross profit	3,373	290,853	43,208	—	337,434
Marketing expenses	—	57,117	12,599	—	69,716
Selling, general and administrative expenses	17,780	39,735	15,514	—	73,029
Operating (loss) income	(14,407)	194,001	15,095	—	194,689
Interest expense (income), net	40,714	14,692	(869)	—	54,537
Other expense (income), net	14,983	3,592	(5,287)	—	13,288
Early extinguishment of debt	4,659	—	—	—	4,659
Equity in income of consolidated subsidiaries	109,285	—	—	(109,285)	—
Franchise commission income (loss)	47,823	(42,084)	(5,739)	—	—
Income before income taxes	82,345	133,633	15,512	(109,285)	122,205
(Benefit from) provision for income taxes	(64,842)	34,431	5,429	—	(24,982)
Net income	$ 147,187	$ 99,202	$ 10,083	$ (109,285)	$ 147,187

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF CASH FLOW

FOR THE FISCAL YEAR ENDED JANUARY 3, 2004

(IN THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net income	$ 143,941	$ 149,838	$ 11,174	$ (161,012)	$ 143,941
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and amortization	942	4,033	919	—	5,894
Amortization of deferred financing costs	1,248	—	—	—	1,248
Restricted stock compensation expense	53	—			53
Loss on settlement of hedge	5,381	—			5,381
Deferred tax (benefit) provision	(2,581)	19,582	(95)	—	16,906
Unrealized gain on derivative instruments	(5,097)	—	—	—	(5,097)
Accounting for equity investment	(5,000)	—	—	—	(5,000)
Allowance for doubtful accounts	117	195	240	—	552
Reserve for inventory obsolescence, other	—	3,704	923	—	4,627
Foreign curreny exchange rate loss	9,583	(2,303)	(9)	—	7,271
Early extinguishment of debt	47,368	—	—	—	47,368
Tax benefit of stock options exercised	7,319	—	—	—	7,319
Other items, net	—	(8)	(55)	—	(63)
Changes in cash due to:					
Receivables	(1,105)	2,112	(146)	—	861
Inventories	—	3,270	(2,121)	—	1,149
Prepaid expenses	(468)	(1,234)	147	—	(1,555)
Intercompany receivables/payables	(61,219)	60,781	438	—	—
Accounts payable	(623)	(2,634)	2,694	—	(563)
Accrued liabilities	(7,327)	5,012	(1,154)	—	(3,469)
Deferred revenue	(100)	(302)	360	—	(42)
Income taxes	7,965	(1,266)	(381)	—	6,318
Cash provided by operating activities	140,397	240,780	12,934	(161,012)	233,099
Investing activities:					
Capital expenditures	(427)	(3,636)	(966)	—	(5,029)
Advances, repayments and interest in equity investment	5,000	—	—	—	5,000
Cash paid for acquistions	—	(209,116)	(1,354)	—	(210,470)
Other items, net	(814)	(318)	11	—	(1,121)
Cash used for investing activities	3,759	(213,070)	(2,309)	—	(211,620)
Financing activities:					
Net increase in short-term borrowings	576	422	—	—	998
Proceeds from borrowings	85,000	—	—	—	85,000
Payment of dividends	—	(24,239)	(13,338)	37,577	—
Parent company investment in subsidiaries	(144,945)	—	—	144,945	—
Payments on long-term debt	(49,502)	(8,945)	—	—	(58,447)
Proceeds from new term loan	227,326	—	—	—	227,326
Repayment of high-yield loan	(244,919)	—	—	—	(244,919)
Proceeds from settlement of hedge	2,710	—	—	—	2,710
Premium paid on extinguishment of debt and other costs	(42,980)	—	—	—	(42,980)

Deferred financing cost	(2,366)	—	—	—	(2,366)
Purchase of treasury stock	(28,815)	—	—	—	(28,815)
Proceeds from stock options exercised	2,003	—	—	—	2,003
Cash used for financing activities	(195,912)	(32,762)	(13,338)	182,522	(59,490)
Effect of exchange rate changes on cash and cash equivalents and other	19,232	877	5,324	(21,510)	3,923
Net (decrease) increase in cash and cash equivalents	(32,524)	(4,175)	2,611	—	(34,088)
Cash and cash equivalents, beginning of fiscal year	34,694	14,808	8,028	—	57,530
Cash and cash equivalents, end of fiscal year	$ 2,170	$ 10,633	$ 10,639	$ —	$ 23,442

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF CASH FLOW

FOR THE FISCAL YEAR ENDED DECEMBER 28, 2002

(IN THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net income	$ 143,694	$ 151,137	$ 10,744	$ (161,881)	$ 143,694
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and amortization	758	3,258	722	—	4,738
Amortization of deferred financing costs	1,313	—	—	—	1,313
Deferred tax (benefit) provision	(4,011)	8,498	79	—	4,566
Unrealized gain on derivative instruments	(174)	—	—	—	(174)
Allowance for doubtful accounts	19	184	30	—	233
Reserve for inventory obsolescence, other	(280)	3,034	—	—	2,754
Foreign currency exchange rate gain (loss)	19,332	(2,108)	—	—	17,224
Tax benefit of stock options exercised	6,331	—	—	—	6,331
Other items, net	(3)	26	(179)	—	(156)
Changes in cash due to:					
Receivables	(765)	(4,671)	337	—	(5,099)
Inventories	280	(9,586)	(3,137)	—	(12,443)
Prepaid expenses	(1,190)	(4,777)	(3,164)	—	(9,131)
Intercompany receivables/payables	65,813	(67,863)	2,050	—	—
Accounts payable	195	(31)	1,430	—	1,594
Accrued liabilities	(1,465)	4,058	(628)	—	1,965
Deferred revenue	100	2,961	(935)	—	2,126
Income taxes	(13,850)	21,297	(2,044)	—	5,403
Cash provided by operating activities	216,097	105,417	5,305	(161,881)	164,938

Investing activities:					
Capital expenditures	(515)	(3,549)	(825)	—	(4,889)
Cash paid for acquisitions	—	(68,148)	—	—	(68,148)
Other items, net	(591)	(177)	(59)	—	(827)
Cash used for investing activities	(1,106)	(71,874)	(884)	—	(73,864)
Financing activities:					
Net (decrease) increase in short-term borrowings	(265)	519	—	—	254
Parent company investment in subsidiaries	(140,140)	—	—	140,140	—
Payment of dividends	(1,249)	(22,540)	(7,326)	29,866	(1,249)
Payments on long-term debt	(29,186)	(6,152)	—	—	(35,338)
Redemption of redeemable preferred stock	(25,000)				(25,000)
Net Parent advances	—	12	697	(709)	—
Cost of public equity offering	(850)				(850)
Proceeds from stock options exercised	1,694	—	—	—	1,694
Cash used for financing activities	(194,996)	(28,161)	(6,629)	169,297	(60,489)
Effect of exchange rate changes on cash and cash equivalents and other	8,469	622	1,932	(7,416)	3,607
Net increase (decrease) in cash and cash equivalents	28,464	6,004	(276)	—	34,192
Cash and cash equivalents, beginning of fiscal year	6,230	8,804	8,304	—	23,338
Cash and cash equivalents, end of fiscal year	$ 34,694	$ 14,808	$ 8,028	$ —	$ 57,530

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF CASH FLOW

FOR THE FISCAL YEAR ENDED DECEMBER 29, 2001

(IN THOUSANDS)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net income	$ 147,187	$ 99,202	$ 10,083	$ (109,285)	$ 147,187
Adjustments to reconcile net income to cash provided by (used for) operating activities:					
Depreciation and amortization	2,311	10,346	586	—	13,243
Amortization of deferred financing costs	2,097	—	—	—	2,097
Deferred tax (benefit) provision	(77,663)	6,594	—	—	(71,069)
Unrealized loss on derivative instruments	1,125	—	—	—	1,125
Accounting for equity investment	17,344	—	—	—	17,344
Allowance for doubtful accounts	6,123	207	—	—	6,330
Reserve for inventory obsolescence,					

other	—	2,718	—	—	2,718
Foreign currency exchange rate (gain) loss	(6,501)	29	(24)	—	(6,496)
Early extinguisment of debt	4,659	—	—	—	4,659
Other items, net	—	46	145	—	191
Changes in cash due to:					
Receivables	4,279	(3,539)	(509)	—	231
Inventories	—	(10,531)	(1,364)	—	(11,895)
Prepaid expenses	(301)	(4,740)	(564)	—	(5,605)
Intercompany receivables/payables	151,062	(146,455)	(4,607)	—	—
Accounts payable	180	5,173	(152)	—	5,201
Accrued liabilities	2,546	(645)	1,242	—	3,143
Deferred revenue	—	6,295	995	—	7,290
Income taxes	(13,277)	19,057	90	—	5,870
Cash provided by (used for) operating activities	241,171	(16,243)	5,921	(109,285)	121,564
Investing activities:					
Capital expenditures	(269)	(2,724)	(841)	—	(3,834)
Advances and interest to equity investment	(17,344)	—	—	—	(17,344)
Cash paid for acquisitions	—	(97,877)	—	—	(97,877)
Other items, net	310	(1,276)	(97)	—	(1,063)
Cash used for investing activities	(17,303)	(101,877)	(938)	—	(120,118)
Financing activities:					
Net increase in short-term borrowings	175	573	—	—	748
Proceeds from borrowings	35,042	—	—	—	35,042
Parent company investment in subsidiaries	(240,936)	—	—	240,936	—
Payment of dividends	(1,500)	(4,893)	(3,732)	8,625	(1,500)
Payments on long-term debt	(3,466)	(22,347)	—	—	(25,813)
Deferred financing costs	(2,406)	—	—	—	(2,406)
Net Parent advances	—	142,449	995	(143,444)	—
Purchase of treasury stock	(27,132)	—	—	—	(27,132)
Cost of public equity offering	(1,017)	—	—	—	(1,017)
Proceeds from sale of common stock	525	—	—	—	525
Proceeds from stock options exercised	198	—	—	—	198
Cash (used for) provided by financing activities	(240,517)	115,782	(2,737)	106,117	(21,355)
Effect of exchange rate changes on cash and cash equivalents and other	(3,820)	(49)	(553)	3,168	(1,254)
Net (decrease) increase in cash and cash equivalents	(20,469)	(2,387)	1,693	—	(21,163)
Cash and cash equivalents, beginning of fiscal year	26,699	11,191	6,611	—	44,501
Cash and cash equivalents, end of fiscal year	$ 6,230	$ 8,804	$ 8,304	$ —	$ 23,338

Report of Independent Auditors

To the Board of Directors and Shareholders
of Weight Watchers International, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) on page F-1 present fairly, in all material respects, the financial position of Weight Watchers International, Inc. and its subsidiaries at January 3, 2004 and December 28, 2002, and the results of their operations and their cash flows for each of the years ended January 3, 2004, December 28, 2002 and December 29, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) on page F-1 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, on December 30, 2001, Weight Watchers International, Inc. adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

PricewaterhouseCoopers, LLP
New York, New York

February 16, 2004

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(IN THOUSANDS)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions(1)	Balance at End of Period
FISCAL YEAR ENDED JANAURY 3, 2004				
Allowance for doubtful accounts	$ 707	$ 557	$ (238)	$ 1,026
Inventory reserves, other	$ 2,828	$ 5,439	$ (5,601)	$ 2,666
FISCAL YEAR ENDED DECEMBER 28, 2002				
Allowance for doubtful accounts	$ 726	$ 223	$ (242)	$ 707
Inventory reserves, other	$ 2,709	$ 2,883	$ (2,764)	$ 2,828
FISCAL YEAR ENDED DECEMBER 29, 2001				
Allowance for doubtful accounts	$ 797	$ 6,330	$ (6,401)	$ 726
Inventory reserves, other	$ 2,532	$ 2,718	$ (2,541)	$ 2,709
Tax valuation allowance	$ 72,100	$ —	$ (72,100)	$ —

(1) Primarily represents the utilization of established reserves, net of recoveries.

EXHIBIT INDEX

Exhibit

Number	Description
**2.1	— Recapitalization and Stock Purchase Agreement, dated July 22, 1999, among Weight Watchers International, Inc., H.J. Heinz Company and Artal International S.A. is incorporated herein by reference to Exhibit 2 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.
**2.2	— Asset Purchase Agreement, dated as of March 31, 2003, by and among the WW Group, Inc., The WW Group East L.L.C., The WW Group West L.L.C., Cuida Kilos, S.A. de C.V., Weight Watchers North America, Inc. and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 2.1 filed with the Registrant's Current Report on Form 8-K dated April 1, 2003.
**3.1	— Amended and Restated Articles of Incorporation of Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 3.1 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2001.
**3.2	— Amended and Restated By-laws of Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 3.2 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2001.
**3.3	— Articles of Amendment to the Articles of Incorporation, as Amended and Restated, of Weight Watchers International, Inc., to Create a New Series of Preferred Stock Designated as Series B Junior Participating Preferred Stock, adopted as of November 14, 2001 is incorporated herein by reference to Exhibit 3.3 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2001.
**4.1	— Senior Subordinated Dollar Notes Indenture, dated as of September 29, 1999, between Weight Watchers International, Inc. and Norwest Bank Minnesota, National Association is incorporated herein by reference to Exhibit 4.1 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.
**4.2	— Supplemental Indenture, dated as of August 7, 2003, to the Senior Subordinated Dollar Notes Indenture, dated as of September 29, 1999, between Weight Watchers International, Inc. and Wells Fargo Bank Minnesota, National Association (formerly known as Norwest Bank Minnesota, National Association) is incorporated herein by reference to Exhibit 4.1 filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 27, 2003.
**4.3	— Guarantee Agreement, dated as of March 3, 2000, given by 58 WW Food Corp., Waist Watchers, Inc., Weight Watchers Camps and Spas, Inc., Weight Watchers Direct, Inc., W/W Twentyfirst Corporation, W.W. Weight Reductions Services, Inc., W.W.I. European Services, Ltd., W.W. Inventory Service Corp., Weight Watchers North America, Inc., Weight Watchers U.K. Holdings Ltd., Weight Watchers International Holdings, Ltd., Weight Watchers U.K. Limited, Weight Watchers (Accessories & Publications) Ltd., Weight Watchers (Food Products) Limited, Weight Watchers New Zealand Limited, Weight Watchers International Pty Limited, Fortuity Pty Ltd. and Gutbusters Ltd. is incorporated herein by reference to Exhibit 4.2 with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.
**4.4	— Senior Subordinated Euro Notes Indenture, dated as of September 29, 1999, between Weight Watchers International Inc. and Norwest Bank Minnesota, National Association is incorporated herein by reference to Exhibit 4.2 with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.
**4.5	— Supplemental Indenture, dated as of August 7, 2003, to the Senior Subordinated Euro Notes Indenture, dated as of September 29, 1999, between Weight Watchers International, Inc. and Wells Fargo Bank Minnesota, National Association (formerly known as Norwest Bank Minnesota, National Association) is incorporated herein by reference to Exhibit 4.2 filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 27, 2003.
**4.6	— Guarantee Agreement, dated as of March 3, 2000, given by 58 WW Food Corp., Waist Watchers, Inc., Weight Watchers Camps and Spas, Inc., Weight Watchers Direct, Inc., W/W Twentyfirst Corporation, W.W. Weight Reductions Services, Inc., W.W.I. European Services, Ltd., W.W. Inventory Service Corp., Weight Watchers North America, Inc., Weight Watchers U.K. Holdings Ltd., Weight Watchers International Holdings, Ltd., Weight Watchers U.K. Limited, Weight Watchers (Accessories & Publications) Ltd., Weight Watchers (Food Products) Limited, Weight Watchers New Zealand Limited, Weight Watchers International Pty Limited, Fortuity Pty Ltd. and Gutbusters Ltd. is incorporated herein by reference to Exhibit 4.4 with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.
**4.7	— Rights Agreement, dated as of November 15, 2001 between Weight Watchers International Inc. and Equiserve Trust Company, N.A. is incorporated herein by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form S-3 (File No. 333-89444) as filed on May 31, 2002.
**4.8	— First Amendment dated as of November 4, 2003, to the Rights Agreement, dated as of November 15, 2001 by and between Weight Watchers International, Inc. and EquiServe Trust Company, N.A. is incorporated herein by reference to

Exhibit 4.3 filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 27, 2003.

**4.9 — Specimen of stock certificate representing Weight Watchers International Inc.'s common stock, no par value is incorporated herein by reference to Exhibit 4.6 with Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on November 9, 2001.

*10.1 — Fifth Amended and Restated Credit Agreement, dated as of January 21, 2004, among Weight Watchers International, Inc., Credit Suisse First Boston, The Bank of Nova Scotia and various financial institutions.

**10.4 — License Agreement, dated as of September 29, 1999, between WW Foods, LLC and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.4 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.

**10.7 — LLC Agreement, dated as of September 29, 1999, between H.J. Heinz Company and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.7 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.

**10.8 — Operating Agreement, dated as of September 29, 1999, between Weight Watchers International, Inc. and H.J. Heinz Company is incorporated herein by reference to Exhibit 10.8 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.

**10.9 — Stockholders' Agreement, dated as of September 30, 1999, among Weight Watchers International, Inc., Artal Luxembourg S.A., Merchant Capital, Inc., Logo Incorporated Pty. Ltd., Longisland International Limited, Envoy Partners and Scotiabanc, Inc. is incorporated herein by reference to Exhibit No. 10.9 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001.

**10.10 — Registration Rights Agreement, dated September 29, 1999, among WeightWatchers.com, Weight Watchers International, Inc., H.J. Heinz Company and Artal Luxembourg S.A. is incorporated herein by reference to Exhibit 10.10 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.

**10.11 — Stockholders' Agreement, dated September 29, 1999, among WeightWatchers.com, Weight Watchers International, Inc., Artal Luxembourg S.A., H.J. Heinz Company is incorporated herein by reference to Exhibit 10.11 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.

**10.12 — Letter Agreement, dated as of September 29, 1999, between Weight Watchers International, Inc. and The Invus Group, LLC is incorporated herein by reference to Exhibit 10.12 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.13 — Amendment to Letter Agreement, dated as of October 19, 2001, between Weight Watchers International, Inc. and The Invus Group, LLC is incorporated herein by reference to Exhibit 10.13 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2001.

**10.14 — Amendment to Letter Agreement, dated as January 24, 2003 between Weight Watchers International, Inc. and The Invus Group, LLC is incorporated herein by reference to Exhibit 10.14 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.

**10.15 — Agreement of Lease, dated as of August 1, 1995, between Industrial & Research Associates Co. and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.13 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.16 — Lease Agreement, dated as of April 1, 1997, between Junto Investments and Weight Watchers North America, Inc. is incorporated herein by reference to Exhibit 10.14 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.

**10.17 — Lease Agreement, dated as of August 31, 1995, between 89 State Line Limited Partnership and Weight Watchers North America, Inc. is incorporated herein by reference to Exhibit 10.15 filed with the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on December 2, 1999.

**10.18 — Weight Watchers Savings Plan, dated as of October 3, 1999, as amended, is incorporated herein by reference to Exhibit 10.17 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2001.

**10.19 — Weight Watchers Executive Profit Sharing Plan, dated as of October 4, 1999 is incorporated herein by reference to Exhibit 10.18 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended April 29, 2000.

**10.20 — 1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries is incorporated herein by reference to Exhibit 10.19 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended April29,

2000.

**10.21 — WeightWatchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries is incorporated herein by reference to Exhibit 10.20 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended April 29, 2000.

**10.22 — Warrant Agreement, dated as of November 24, 1999, between WeightWatchers.com, Inc. and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.20 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001.

**10.23 — Warrant Certificate of WeightWatchers.com No. 1, dated as of November 24, 1999 is incorporated herein by reference to Exhibit 10.21 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001.

**10.24 — Warrant Agreement, dated as of October 1, 2000, between WeightWatchers.com, Inc. and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.2 filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2000.

**10.25 — Warrant Certificate of WeightWatchers.com, Inc. No. 2, dated as of October 1, 2000 is incorporated herein by reference to Exhibit 10.2 filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2000.

**10.26 — Warrant Agreement, dated as of May 3, 2001, between WeightWatchers.com, Inc. and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.2 filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001.

**10.27 — Warrant Certificate of WeightWatchers.com, Inc., No. 3, dated as of May 3, 2001 is incorporated herein by reference to Exhibit 10.3 filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001.

**10.28 — Warrant Agreement, dated as of September 10, 2001 between WeightWatchers.com, Inc. and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.29 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001

**10.29 — Warrant Certificate WeightWatchers.com, Inc. No. 4, dated as of September 10, 2001 is incorporated herein by reference to Exhibit 10.30 filed with Amendment No. 1 to the Registrant's Registration Statement of Form S-1 (File No. 333-69362) as filed on October 29, 2001.

**10.30 — Second Amended and Restated Note, dated as of October 1, 2000, by WeightWatchers.com, Inc. to Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.24 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001.

**10.31 — Second Amended and Restated Collateral Assignment and Security Agreement, dated as of September 10, 2001, by WeightWatchers.com, Inc. in favor of Weight Watchers International, Inc. is incorporated herein by reference to Exhibit No. 10.31 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001.

**10.32 — Termination Agreement, dated as of November 5, 2001, between Weight Watchers International, Inc. and Artal Luxembourg S.A. is incorporated herein by reference to Exhibit No. 10.32 filed with Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on November 9, 2001.

**10.33 — Amended and Restated Co-Pack Agreement, dated as of September 13, 2001, between Weight Watchers International, Inc. and Nellson Nutraceutical, Inc. is incorporated herein by reference to Exhibit No. 10.33 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001.

**10.34 — Amended and Restated Intellectual Property License Agreement, dated as of September 10, 2001, between Weight Watchers International, Inc. and WeightWatchers.com, Inc. is incorporated herein by reference to Exhibit No. 10.34 filed with Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on November 9, 2001.

**10.35 — Service Agreement, dated as of September 10, 2001, between Weight Watchers International, Inc. and WeightWatchers.com, Inc. is incorporated herein by reference to Exhibit No. 10.35 filed with Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on November 9, 2001.

**10.36 — Corporate Agreement, dated as of September 10, 2001, between Weight Watchers International, Inc. and

WeightWatchers.com, Inc. and Artal Luxembourg S.A. is incorporated herein by reference to Exhibit No. 10.36 filed with Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on November 9, 2001.

**10.37 — Registration Rights Agreement dated as of September 29, 1999, among Weight Watchers International, Inc., H.J. Heinz Company and Artal Luxembourg S.A. is incorporated herein by reference to Exhibit No. 10.38 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001.

*10.38 — Form of Continuity Agreement, dated as of October 10, 2003, between Weight Watchers International, Inc. and certain key executives (Chief Executive Officer, Chief Financial Officer and General Counsel).

*10.39 — Form of Continuity Agreement, dated as of October 10, 2003, between Weight Watchers International, Inc. and certain key executives (certain other key executives).

**21. — Subsidiaries of Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 21 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-69362) as filed on October 29, 2001.

*23.1 — Consent of Independent Auditors.

*31.1 — Rule 13a-14(a) Certification by Linda Huett, President and Chief Executive Officer.

*31.2 — Rule 13a-14(a) Certification by Ann M. Sardini, Vice President and Chief Financial Officer.

***32.1 — Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

***32.2 — Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Previously filed.

*** Pursuant to Commission Release No. 33-8212, this certification will be treated as "accompanying" this Form 10-K and not "filed" as part of such report for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act and this certification will not be deemed to be incorporated by reference into any filing, under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on his behalf by the undersigned, thereunto duly authorized.

WEIGHT WATCHERS INTERNATIONAL, INC.

Date: March 18, 2004

By: /s/ LINDA HUETT

Linda Huett
President, Chief Executive Officer and Director
(Principal Executive Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 18, 2004

By: /s/ LINDA HUETT

Linda Huett

President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: March 18, 2004 By: /s/ ANN M. SARDINI

Ann M. Sardini
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: March 18, 2004 By: /s/ RAYMOND DEBBANE

Raymond Debbane
Director

Date: March 18, 2004 By: /s/ JONAS M. FAJENBAUM

Jonas M. Fajgenbaum
Director

Date: March 18, 2004 By: /s/ SACHA LAINOVIC

Sacha Lainovic
Director

Date: March 18, 2004 By: /s/ CHRISTOPHER J. SOBECKI

Christopher J. Sobecki
Director

Date: March 18, 2004 By: /s/ SAM K. REED

Sam K. Reed
Director

Date: March 18, 2004 By: /s/ MARSHA JOHNSON EVANS

Marsha Johnson Evans
Director

Date: March 18, 2004 By: /s/ JOHN F. BARD

John F. Bard
Director

Date: March 18, 2004 By: /s/ PHILIPPE J. AMOUYAL

Philippe J. Amouyal
Director

QuickLinks

Exhibit 10.1

[EXECUTION COPY]

FIFTH AMENDED AND RESTATED CREDIT AGREEMENT,

dated as of January 21, 2004

(amending and restating the Fourth Amended and Restated
Credit Agreement, dated as of August 20, 2003),

among

WEIGHT WATCHERS INTERNATIONAL, INC.,
as the Borrower,

VARIOUS FINANCIAL INSTITUTIONS,
as the Lenders,

CREDIT SUISSE FIRST BOSTON,
acting through its Cayman Islands Branch,
as the Syndication Agent,
a Lead Arranger and a Book Manager, and

THE BANK OF NOVA SCOTIA,
as the Administrative Agent,
a Lead Arranger and a Book Manager.

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FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIFTH AMENDED AND RESTATED CREDIT AGREEMENT, dated as of January 21, 2004 (amending and restating the Fourth Amended and Restated Credit Agreement, dated as of August 20, 2003), is among WEIGHT WATCHERS INTERNATIONAL, INC., a Virginia corporation (the " Borrower "), the various financial institutions as are or may become parties hereto (collectively, the " Lenders "), CREDIT SUISSE FIRST BOSTON, acting through its Cayman Islands Branch (" CSFB "), as the syndication agent and as a lead arranger (in such capacities, the " Syndication Agent " and a " Lead Arranger ", respectively), and THE BANK OF NOVA SCOTIA (" Scotia Capital "), as (x) the administrative agent for the Lenders, and (y) a lead arranger for the Lenders (in such capacities, the " Administrative Agent " and a " Lead Arranger ", respectively) and as Issuer (as defined below).

W I T N E S S E T H :

WHEREAS, pursuant to the Fourth Amended and Restated Credit Agreement, dated as of August 20, 2003 (as amended or otherwise modified prior to the date hereof, the " Existing Credit Agreement "), among the Borrower, WW Funding Corp., a Delaware corporation (" SP1 "), certain financial institutions and other Persons from time to time party thereto (the " Existing Lenders ") and the Agents, the Existing Lenders made or continued the following extensions of credit to the Borrower which currently remain outstanding on the Effective Date in the amounts set forth below:

(a) the term A loans existing on the date thereof (the " Existing Term A Loans ") continued to remain outstanding as Term A Loans thereunder and are outstanding on the Effective Date in an aggregate principal amount of $24,339,628.87;

(b) the additional term B facility was made consisting of (i) a tranche of additional term B loans (the " Existing Term B Loans ") of which an aggregate principal amount of $380,936,879.32 is outstanding on the Effective Date and (ii) additional TLCs (the " Existing TLCs ") of which an aggregate principal amount of $48,903,120.68 is outstanding on the Effective Date; and

(c) the continuation of the revolving loans (the " Existing Revolving Loans ") and the swing line loans (the " Existing Swing Line Loans "; together with the Existing Term A Loans, the Existing Term B Loans, the Existing Revolving Loans and the Existing TLCs, the " Existing Loans ") to the Borrower and SP1;

WHEREAS, in connection with the Current Refinancing (defined below) and the ongoing working capital and general corporate needs of the Borrower, the Borrower desires to, among other things, refinance the Existing Loans (the " Current Refinancing ") with Loans under this Agreement and maintain and obtain the Commitments to make Credit Extensions set forth herein;

WHEREAS, the Borrower has requested that the Existing Credit Agreement be amended and restated in its entirety to become effective and binding on the Borrower pursuant to the terms of this Agreement and the Lenders (including the Existing Lenders) have agreed to amend and restate the Existing Credit Agreement in its entirety to read as set forth in this Agreement, and it

has been agreed by the parties to the Existing Credit Agreement that the letters of credit issued and outstanding under the Existing Credit Agreement (the " Existing Letters of Credit ") shall be governed by and deemed to be outstanding under the amended and restated terms and conditions contained in this Agreement, with the intent that the terms of this Agreement shall supersede the terms of the Existing Credit Agreement (each of which shall hereafter have no further effect upon the parties thereto, other than as referenced herein and other than for accrued fees and expenses, and indemnification provisions, accrued and owing under the terms of the Existing Credit Agreement on or prior to the date hereof or arising (in the case of an indemnification) under the terms of the Existing Credit Agreement, in each case to the extent provided for in the Existing Credit Agreement); provided , that any Rate Protection Agreements with any one or more Existing Lenders (or their respective Affiliates) shall continue unamended and in full force and effect;

WHEREAS, the Borrower desires to obtain or continue the following financing facilities from the Lenders as set forth below:

(a) a revolving loan commitment (to include availability for revolving loans, swing line loans and letters of credit) pursuant to which Borrowings of revolving loans are and will continue to be made to the Borrower from time to time as set forth herein;

(b) a letter of credit commitment pursuant to which the Issuer will continue to issue letters of credit for the account of the Borrower or any of its Subsidiaries (as defined below) from time to time; and

(c) a term loan commitment pursuant to which Borrowings of term loans are made to the Borrower on the Effective Date;

WHEREAS, all Obligations shall continue to be and shall be guaranteed pursuant to the Subsidiary Guaranty executed and delivered by each Subsidiary party thereto required to do so under the Existing Credit Agreement and secured pursuant to the Security Agreements executed and delivered by the Borrower and the applicable Subsidiaries pursuant to the Existing Credit Agreement; and

WHEREAS, the Lenders and the Issuer are willing, on the terms and subject to the conditions hereinafter set forth, to so amend and restate the Existing Credit Agreement and to maintain or extend such Commitments and make such Loans to the Borrower and issue or maintain (or participate in) Letters of Credit for the account of the Borrower;

NOW, THEREFORE, the parties hereto hereby agree to amend and restate the Existing Credit Agreement, and the Existing Credit Agreement is amended and restated in its entirety as set forth herein.

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.1 . Defined Terms . The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

" Acquisition " means the acquisition by the Borrower or one of its Subsidiaries of certain of the business and assets of The WW Group Inc., a Pennsylvania corporation, The WW Group West L.L.C., a Delaware limited liability company and The WW Group East L.L.C., a Michigan limited liability company (collectively, the " Sellers "), which will include Weight Watchers franchise numbers 11, 23, 39, 40, 60, 64, 73, 77 and 302 and was consummated on April 1, 2003.

" Administrative Agent " is defined in the preamble and includes each other Person as shall have subsequently been appointed as the successor Administrative Agent pursuant to Section 10.4 .

" Affiliate " of any Person means any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person (excluding any trustee under, or any committee with responsibility for administering, any Plan). A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 15% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

" Agents " means, collectively, the Administrative Agent and the Syndication Agent.

" Agreement " means, on any date, this Credit Agreement, as amended and restated hereby and as further amended, supplemented, amended and restated, or otherwise modified from time to time and in effect on such date.

" Alternate Base Rate " means, on any date and with respect to all Base Rate Loans, a fluctuating rate of interest per annum equal to the higher of

(a) the rate of interest most recently established by the Administrative Agent at its Domestic Office as its base rate for U.S. Dollar loans in the United States; and

(b) the Federal Funds Rate most recently determined by the Administrative Agent plus 1/2 of 1%.

The Alternate Base Rate is not necessarily intended to be the lowest rate of interest determined by the Administrative Agent in connection with extensions of credit. Changes in the rate of interest on that portion of any Loans maintained as Base Rate Loans will take effect

simultaneously with each change in the Alternate Base Rate. The Administrative Agent will give notice promptly to the Borrower and the Lenders of changes in the Alternate Base Rate.

" Applicable Margin " means at all times,

(a) with respect to the unpaid principal amount of Term B Loans maintained as a

(i) Base Rate Loan, 0.75% per annum; and

(ii) LIBO Rate Loan, 1.75% per annum;

(b) from the Effective Date until the last day of the first two Fiscal Quarters following the Effective Date (the " Reset Date "), with respect to the unpaid principal amount of each Revolving Loan and Swing Line Loans maintained as a

(i) Base Rate Loan, 0.75% per annum; and

(ii) LIBO Rate Loan, 1.75% per annum;

(c) at any time after the Reset Date, if the Borrower's senior secured debt rating is greater than or equal to BBB- by S&P or Baa3 by Moody's, with respect to the unpaid principal amount of each Revolving Loan and Swing Line Loans maintained as a

(i) Base Rate Loan, 0.50% per annum; and

(ii) LIBO Rate Loan, 1.50% per annum; and

(d) at any time after the Reset Date, if the Borrower's senior secured debt rating is not greater than or equal to BBB- by S&P or Baa3 by Moody's (or not rated at all), with respect to the unpaid principal amount of each Revolving Loan and Swing Line Loans maintained as a

(i) Base Rate Loan, 0.75% per annum; and

(ii) LIBO Rate Loan, 1.75% per annum.

The Applicable Margin for Designated New Term Loans shall be determined pursuant to Section 2.1.6 .

" ARTAL " means ARTAL Luxembourg S.A., a corporation organized under the laws of Luxembourg.

" ARTAL Pledge Agreement " means the Pledge Agreement, dated September 29, 1999, by ARTAL, in favor of the Administrative Agent as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" Assignee Lender " is defined in Section 11.11.1 .

" Australian Guaranty " means the Guaranty, dated September 29, 1999, by WW Australia, FPL and GB in favor of the Administrative Agent, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

" Australian Pledge Agreement " means the Australian Share Mortgage Agreement, dated September 29, 1999, by WW Australia and FPL in favor of the Administrative Agent, together with each Supplement thereto delivered pursuant to clause (b) of Section 7.1.7 , as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" Australian Security Agreement " means the Security Agreement, dated September 29, 1999, by WW Australia, FPL and GB in favor of the Administrative Agent, together with each Supplement thereto delivered pursuant to clause (a) of Section 7.1.7 , as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" Australian Subsidiary " means any Subsidiary that is organized under the laws of Australia or any territory thereof.

" Authorized Officer " means, relative to any Obligor, those of its officers whose signatures and incumbency shall have been certified to the Administrative Agent and the Lenders in writing from time to time.

" Average Life " means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing:

(x) the sum of the products of numbers of years from the date of determination to the dates of each successive scheduled principal payment of or redemption or similar payment with respect to such Indebtedness multiplied by the amount of such payment

by

(y) the sum of all such payments.

" Base Amount " is defined in Section 7.2.7 .

" Base Rate Loan " means a Loan bearing interest at a fluctuating rate determined by reference to the Alternate Base Rate.

" Borrower " is defined in the preamble .

" Borrowing " means the Loans of the same type and, in the case of LIBO Rate Loans, having the same Interest Period made by the relevant Lenders on the same Business Day and pursuant to the same Borrowing Request in accordance with Section 2.1 .

" Borrowing Request " means a loan request and certificate duly executed by an Authorized Officer of the Borrower, substantially in the form of Exhibit B-1 hereto.

" Business Day " means

(a) any day which is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in New York City; and

(b) relative to the making, continuing, prepaying or repaying of any LIBO Rate Loans, any day on which dealings in U.S. Dollars are carried on in the London interbank market.

" Capital Expenditures " means for any period, the sum, without duplication, of

(a) the aggregate amount of all expenditures of the Borrower and its Subsidiaries for fixed or capital assets made during such period which, in accordance with GAAP, would be classified as capital expenditures; and

(b) the aggregate amount of all Capitalized Lease Liabilities incurred during such period.

" Capital Securities " means, (i) any and all shares, interests, participations or other equivalents of or interests in (however designated) corporate stock, including shares of preferred or preference stock, (ii) all partnership interests (whether general or limited) in any Person which is a partnership, (iii) all membership interests or limited liability company interests in any limited liability company, and (iv) all equity or ownership interests in any Person of any other type.

" Capitalized Lease Liabilities " means, without duplication, all monetary obligations of the Borrower or any of its Subsidiaries under any leasing or similar arrangement which, in accordance with GAAP, would be classified as capitalized leases, and, for purposes of this Agreement and each other Loan Document, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

" Cash Equivalent Investment " means, at any time:

(a) any evidence of Indebtedness, maturing not more than one year after such time, issued or guaranteed by the United States Government;

(b) commercial paper, maturing not more than nine months from the date of issue, which is issued by

(i) a corporation (other than an Affiliate of any Obligor) organized under the laws of any state of the United States or of the District of Columbia and rated at least A-l by S&P or P-l by Moody's, or

(ii) any Lender which is an Eligible Institution (or its holding company);

(c) any certificate of deposit or bankers acceptance, maturing not more than one year after such time, which is issued by either

(i) a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than $500,000,000, or

(ii) any Lender;

(d) short-term tax-exempt securities rated not lower than MIG-1/1+ by either Moody's or S&P with provisions for liquidity or maturity accommodations of 183 days or less;

(e) any money market or similar fund the assets of which are comprised exclusively of any of the items specified in clauses (a) through (d) above and as to which withdrawals are permitted at least every 90 days; or

(f) in the case of any Subsidiary of the Borrower organized in a jurisdiction outside the United States: (i) direct obligations of the sovereign nation (or any agency thereof) in which such Subsidiary is organized and is conducting business or in obligations fully and unconditionally guaranteed by such sovereign nation (or any agency thereof), (ii) investments of the type and maturity described in clauses (a) through (e) above of foreign obligors, which investments or obligors (or the parents of such obligors) have ratings described in such clauses or equivalent ratings from comparable foreign ratings agencies or (iii) investments of the type and maturity described in clauses (a) through (e) above of foreign obligors (or the parents of such obligors), which investments or obligors (or the parents of such obligors) are not rated as provided above but which are, in the reasonable judgment of the Borrower, comparable in investment quality to such investments and obligors (or the parents of such obligors); provided that the aggregate face amount outstanding at any time of such investments of all foreign Subsidiaries of the Borrower made pursuant to this clause (iii) does not exceed $25,000,000.

" CERCLA " means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

" CERCLIS " means the Comprehensive Environmental Response Compensation Liability Information System List.

" Change in Control " means

(a) any "person" or "group" (as such terms are used in Rule 13d-5 under the Securities Exchange Act of 1934, as amended (the " Exchange Act "), and Sections 13(d) and 14(d) of the Exchange Act) of persons (other than the Permitted ARTAL Investor Group) becomes, directly or indirectly, in a single transaction or in a related series of transactions by way of merger, consolidation, or other business combination or otherwise, the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act) of more than 20% of the total voting power in the aggregate of all classes of Capital Securities of

the Borrower then outstanding entitled to vote generally in elections of directors of the Borrower;

(b) at all times, as applicable, individuals who on the Effective Date constituted the Board of Directors of the Borrower (together with any new directors whose election to such Board or whose nomination for election by the stockholders of the Borrower was approved by a member of the Permitted ARTAL Investor Group or a vote of 66.67% of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Borrower then in office;

(c) at all times, as applicable, the failure of the Borrower to own, free and clear of all Liens (other than in favor of the Administrative Agent pursuant to a Loan Document), all of the outstanding shares of Capital Securities of each of (x) UKHC1, UKHC2 and WW Australia (other than shares of Capital Securities issued pursuant to a Local Management Plan), and (y) SP1, in each case on a fully diluted basis; or

(d) any other event constituting a Change of Control (as defined in the Senior Subordinated Note Indenture).

" Code " means the Internal Revenue Code of 1986, as amended.

" Commitment " means, as the context may require, a Lender's Letter of Credit Commitment, Revolving Loan Commitment, Swing Line Loan Commitment or Term B Loan Commitment.

" Commitment Amount " means, as the context may require, the Letter of Credit Commitment Amount, the Revolving Loan Commitment Amount, the Swing Line Loan Commitment Amount or the Term B Loan Commitment Amount.

" Commitment Termination Event " means

(a) the occurrence of any Event of Default described in clauses (a) through (d) of Section 9.1.9 ; or

(b) the occurrence and continuance of any other Event of Default and either

(i) the declaration of the Loans to be due and payable pursuant to Section 9.3 , or

(ii) in the absence of such declaration, the giving of notice by the Administrative Agent, acting at the direction of the Required Lenders, to the Borrower that the Commitments have been terminated.

" Compliance Certificate " means a certificate duly completed and executed by the chief financial Authorized Officer of the Borrower, substantially in the form of Exhibit E hereto.

" Contingent Liability " means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, obligation or any other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person's obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the debt, obligation or other liability guaranteed thereby.

" Continuation/Conversion Notice " means a notice of continuation or conversion and certificate duly executed by an Authorized Officer of the Borrower, substantially in the form of Exhibit C hereto.

" Controlled Group " means all members of a controlled group of corporations and all members of a controlled group of trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code or Section 4001 of ERISA.

" Copyright Security Agreement " means the Copyright Security Agreement, dated September 29, 1999, delivered by the Borrower and each of its U.S. Subsidiaries party thereto in favor of the Administrative Agent, as amended, supplemented, amended and restated or otherwise modified.

" Credit Extension " means, as the context may require,

(a) the making of a Loan by a Lender; or

(b) the issuance of any Letter of Credit, or the extension of any Stated Expiry Date of any previously issued Letter of Credit, by the Issuer.

" Current Assets " means, on any date, without duplication, all assets (other than cash) which, in accordance with GAAP, would be included as current assets on a consolidated balance sheet of the Borrower and its Subsidiaries at such date as current assets (excluding, however, amounts due and to become due from Affiliates of the Borrower which have arisen from transactions which are other than arm's-length and in the ordinary course of its business).

" Current Liabilities " means, on any date, without duplication, all amounts which, in accordance with GAAP, would be included as current liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries at such date, excluding current maturities of Indebtedness.

" Current Refinancing " is defined in the second recital .

" Debt " means the outstanding principal amount of all Indebtedness of the Borrower and its Subsidiaries of the type referred to in clauses (a) , (b) , (c) and (e) of the definition of "Indebtedness" or any Contingent Liability in respect thereof.

" Debt to EBITDA Ratio " means, as of the last day of any Fiscal Quarter, the ratio of

(a) Debt outstanding on the last day of such Fiscal Quarter

to

(b) EBITDA computed for the period consisting of such Fiscal Quarter and each of the three immediately preceding Fiscal Quarters.

" Default " means any Event of Default or any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default.

" Designated Additional Revolving Loan Commitments " is defined in Section 2.1.6 .

" Designated Additional Term B Loans " is defined in Section 2.1.6 .

" Designated New Loan " means, as the context requires, a Designated Additional Term B Loan and/or a Designated New Term Loan.

" Designated New Term Loans " is defined in Section 2.1.6 .

" Designated Subsidiary " means The Weight Watchers Foundation, Inc., a New York not-for-profit corporation.

" Disbursement " is defined in Section 2.6.2 .

" Disbursement Date " is defined in Section 2.6.2 .

" Disbursement Due Date " is defined in Section 2.6.2 .

" Disclosure Schedule " means the Disclosure Schedule attached hereto as Schedule I , as it may be amended, supplemented or otherwise modified from time to time by the Borrower with the written consent of the Required Lenders.

" Disposition " (or correlative words such as "Dispose") means any sale, transfer, lease contribution or other conveyance (including by way of merger) of, or the granting of options, warrants or other rights to, any of the Borrower's or its Subsidiaries', assets (including accounts receivable and Capital Securities of Subsidiaries) to any other Person (other than to another Obligor) in a single transaction or series of transactions.

" Domestic Office " means, relative to any Lender, the office of such Lender designated as such on Schedule III hereto or designated in the Lender Assignment Agreement or such other office of a Lender (or any successor or assign of such Lender) within the United States as may be designated from time to time by notice from such Lender, as the case may be, to each other Person party hereto.

" EBITDA " means, for any applicable period, the sum (without duplication) of

(a) Net Income,

plus

(b) the amount deducted, in determining Net Income, representing amortization of assets (including amortization with respect to goodwill, deferred financing costs, other non-cash interest and all other intangible assets),

plus

(c) the amount deducted, in determining Net Income, of all income taxes (whether paid or deferred) of the Borrower and its Subsidiaries,

plus

(d) Interest Expense,

plus

(e) the amount deducted, in determining Net Income, representing depreciation of assets,

plus

(f) an amount equal to all non-cash charges deducted in arriving at Net Income,

plus

(g) an amount equal to all minority interest charges deducted in determining Net Income (net of Restricted Payments made in respect of such minority interest),

plus

(h) an amount equal to the cash royalty payment received pursuant to the Warnaco Agreement, to the extent not included in the calculation of Net Income,

plus

(i) the amount deducted, in determining Net Income, due to foreign currency translation required by FASB 52 or FASB 133 arising after June 30, 1997,

plus

(j) the amount deducted in determining Net Income of expenses incurred in connection with the Weighco Acquisition, the Acquisition and the Tender Offer,

minus

(k) an amount equal to the amount of all non-cash credits included in arriving at Net Income.

" Effective Date " means the date on which all the conditions precedent set forth in Article V have been satisfied in the reasonable judgment of the Administrative Agent.

" Eligible Institution " means a financial institution that either (a) has combined capital and surplus of not less than $500,000,000 or its equivalent in foreign currency, whose long-term certificate of deposit rating or long-term senior unsecured debt rating is rated "BBB" or higher by S&P and "Baa2" or higher by Moody's or an equivalent or higher rating by a nationally recognized rating agency if both of the two named rating agencies cease publishing ratings of investments or (b) is reasonably acceptable to the Administrative Agent and, in the case of assignments of a Revolving Loan and/or a Revolving Loan Commitment, the Issuer.

" Environmental Laws " means all applicable federal, state, local or foreign statutes, laws, ordinances, codes, rules and regulations (including consent decrees and administrative orders) relating to public health and safety and protection of the environment.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended.

" Euro " means the single currency of participating member States of the European Union.

" Event of Default " is defined in Section 9.1 .

" Existing Credit Agreement " is defined in the first recital .

" Existing Lenders " is defined in the first recital .

" Existing Loans " is defined in clause (d) of the first recital .

" Existing Revolving Loans " is defined in clause (d) of the first recital .

" Existing Swing Line Loans " is defined in clause (d) of the first recital .

" Existing Term A Loans " is defined in clause (a) of the first recital .

" Existing Term B Loans " is defined in clause (b) of the first recital .

" Existing TLCs " is defined in clause (b) of the first recital .

" Federal Funds Rate " means, for any period, a fluctuating interest rate per annum equal for each day during such period to

(a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York; or

(b) if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

" Fee Letters " means, collectively, (a) the confidential fee letter, dated as of July 20, 1999, between Artal International S.A., a Luxembourg corporation (" AI "), and the Administrative Agent, as assumed by ARTAL, (b) the confidential fee letter, dated as of December 21, 2001, among the Borrower, the Administrative Agent and the Syndication Agent, (c) the confidential fee letter, dated as of March 31, 2003, among the Borrower, the Administrative Agent and the Syndication Agent, (d) the confidential fee letter, dated as of August 23, 2003, among the Borrower, the Administrative Agent and the Syndication Agent and (e) the confidential fee letter, dated as of the Effective Date, among the Borrower, the Administrative Agent and the Syndication Agent, in each case, as amended, supplemented, restated or otherwise modified from time to time pursuant to the terms thereof.

" Final Termination Date " means the later of (i) the Stated Maturity Date with respect to Term B Loans, and (ii) the date on which all Obligations are satisfied and paid in full.

" Fiscal Quarter " means any three-month period ending on a Saturday closest to March 31, June 30, September 30, or December 31 of any Fiscal Year.

" Fiscal Year " means any year ending on the Saturday closest to December 31 (e.g., the " 2004 Fiscal Year " refers to the Fiscal Year ending on January 1, 2005).

" FNZ " means Weight Watchers New Zealand Unit Trust, a New Zealand trust which owns and operates the Weight Watchers classroom franchise and business in New Zealand.

" FNZ Guaranty " means the Guaranty, dated December 16, 1999, made by FNZ in favor of the Administrative Agent, as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms.

" FNZ Security Agreement " means the Security Agreement, dated December 16, 1999, by FNZ in favor of the Administrative Agent, together with each Supplement thereto delivered pursuant to clause (c) of Section 7.1.13 , as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" Foreign Currency " means any currency other than U.S. Dollars.

" FPL " means Fortuity Pty. Ltd. (ACN 007 148 683), an Australian company incorporated in the State of Victoria which operates the Weight Watchers classroom franchise and business in Victoria.

" F.R.S. Board " means the Board of Governors of the Federal Reserve System or any successor thereto.

" Franchise Acquisition " means the acquisition of any Weight Watchers franchise by the Borrower or one of its Subsidiaries.

" GAAP " is defined in Section 1.4 .

" GB " means Gutbusters Pty. Ltd. (ACN 059 073 157), an Australian company incorporated in the State of New South Wales.

" Governmental Authority " means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local (or the equivalent thereof), and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

" Guaranties " means, collectively, (a) the Australian Guaranty, (b) the Subsidiary Guaranty, (c) the FNZ Guaranty and (d) each other guaranty delivered from time to time pursuant to the terms of this Agreement.

" Guarantor " means any Person which has or may issue a Guaranty hereunder.

" Hazardous Material " means

(a) any "hazardous substance", as defined by CERCLA or equivalent applicable foreign law;

(b) any "hazardous waste", as defined by the Resource Conservation and Recovery Act, as amended or equivalent applicable foreign law;

(c) any petroleum product; or

(d) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material or substance within the meaning of any other applicable federal, state or local law, regulation, ordinance or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, all as amended or hereafter amended.

" Hedging Obligations " means, with respect to any Person, all liabilities of such Person under interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, and all other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency exchange rates, including but not limited to Rate Protection Agreements.

" herein ", " hereof ", " hereto ", " hereunder " and similar terms contained in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular Section, paragraph or provision of this Agreement or such other Loan Document.

" HJH " means H.J. Heinz Company, a Pennsylvania Corporation.

" HJH Pledge Agreement " means the HJH Pledge Agreement, dated September 29, 1999, by HJH in favor of the Administrative Agent, as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" Immaterial Subsidiary " means, at any date of determination, any Subsidiary or group of Subsidiaries of the Borrower having assets as at the end of or EBITDA for the immediately

preceding four Fiscal Quarter period for which the relevant financial information has been delivered pursuant to clause (a) or clause (b) of Section 7.1.1 of less than 5% of total assets of the Borrower and its Subsidiaries or $2,000,000, respectively, individually or in the aggregate.

" Impermissible Qualification " means, relative to the opinion or certification of any independent public accountant as to any financial statement of any Obligor, any qualification or exception to such opinion or certification

(a) which is of a "going concern" or similar nature;

(b) which relates to the limited scope of examination of matters relevant to such financial statement; or

(c) which relates to the treatment or classification of any item in such financial statement and which, as a condition to its removal, would require an adjustment to such item the effect of which would be to cause such Obligor to be in default of any of its obligations under Section 7.2.4 .

" including " means including without limiting the generality of any description preceding such term, and, for purposes of this Agreement and each other Loan Document, the parties hereto agree that the rule of ejusdem generis shall not be applicable to limit a general statement, which is followed by or referable to an enumeration of specific matters, to matters similar to the matters specifically mentioned.

" Indebtedness " of any Person means, without duplication:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments for borrowed money in respect thereof;

(b) all obligations, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances issued for the account of such Person;

(c) all obligations of such Person as lessee under leases which have been or should be, in accordance with GAAP, recorded as Capitalized Lease Liabilities;

(d) net liabilities of such Person under all Hedging Obligations;

(e) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services, other than indebtedness (excluding prepaid interest thereon and interest not yet due) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; provided , however , that, for purposes of determining the amount of any Indebtedness of the type described in this clause, if recourse with respect to such Indebtedness is limited to specific property financed with such Indebtedness, the amount

of such Indebtedness shall be limited to the fair market value (determined on a basis reasonably acceptable to the Administrative Agent) of such property or the principal amount of such Indebtedness, whichever is less; and

(f) all Contingent Liabilities of such Person in respect of any of the foregoing;

provided , that, Indebtedness shall not include unsecured Indebtedness incurred in the ordinary course of business in the nature of accrued liabilities and open accounts extended by suppliers on normal trade terms in connection with purchases of goods and services, but excluding the Indebtedness incurred through the borrowing of money or Contingent Liabilities in connection therewith. For all purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer (to the extent such Person is liable for such Indebtedness).

" Indemnified Liabilities " is defined in Section 11.4 .

" Indemnified Parties " is defined in Section 11.4 .

" Initial Public Offering " means any sale of the Capital Securities of the Borrower to the public pursuant to an initial, primary offering registered under the Securities Act of 1933 and, for purposes of the Change in Control definition only, pursuant to which no less than 10% of the Capital Securities of the Borrower outstanding after giving effect to such offering was sold pursuant to such offering.

" Intercompany Subordination Agreement " means the Intercompany Subordination Agreement, dated September 29, 1999, by the Borrower, SP1 and each of the Guarantors in favor of the Administrative Agent, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

" Interest Coverage Ratio " means, at the close of any Fiscal Quarter, the ratio computed for the period consisting of such Fiscal Quarter and each of the three immediately prior Fiscal Quarters of:

(a) EBITDA (for such period)

to

(b) Interest Expense (for such period).

" Interest Expense " means, for any Fiscal Quarter, the aggregate consolidated cash interest expense (net of interest income) of the Borrower and its Subsidiaries for such Fiscal Quarter, as determined in accordance with GAAP, including the portion of any payments made in respect of Capitalized Lease Liabilities allocable to interest expense.

" Interest Period " means, relative to any LIBO Rate Loans, the period beginning on (and including) the date on which such LIBO Rate Loan is made or continued as, or converted into, a LIBO Rate Loan pursuant to Section 2.3.1 or 2.4 and shall end on (but exclude) the day which numerically corresponds to such date one, two, three or six or, with the consent of each

applicable Lender, nine or twelve months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), in either case as the Borrower may select in its relevant notice pursuant to Section 2.3 or 2.4 ; provided , however , that

(a) the Borrower shall not be permitted to select Interest Periods to be in effect at any one time which have expiration dates occurring on more than ten different dates;

(b) Interest Periods commencing on the same date for Loans comprising part of the same Borrowing shall be of the same duration;

(c) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day (unless such next following Business Day is the first Business Day of a calendar month, in which case such Interest Period shall end on the Business Day next preceding such numerically corresponding day); and

(d) no Interest Period for any Loan may end later than the Stated Maturity Date for such Loan.

" Investment " means, relative to any Person,

(a) any loan or advance made by such Person to any other Person (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business);

(b) any ownership or similar interest held by such Person in any other Person; and

(c) any purchase or other acquisition of all or substantially all of the assets of any Person or any division thereof.

The amount of any Investment shall be the original principal or capital amount thereof less all returns of principal or equity thereon (and without adjustment by reason of the financial condition of such other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property at the time of such transfer or exchange.

" Issuance Request " means a Letter of Credit request and certificate duly executed by an Authorized Officer of the Borrower, substantially in the form of Exhibit B-2 hereto.

" Issuer " means, collectively, Scotia Capital in its individual capacity hereunder as issuer of the Letters of Credit and such other Lender as may be designated by Scotia Capital (and agreed to by the Borrower and such Lender) in its individual capacity as the issuer of Letters of Credit.

" Lead Arrangers " means Scotia Capital and CSFB.

" Lender Assignment Agreement " means a Lender Assignment Agreement substantially in the form of Exhibit D hereto.

" Lenders " is defined in the preamble .

" Lender's Environmental Liability " means any and all losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, costs, judgments, suits, proceedings, damages (including consequential damages), disbursements or expenses of any kind or nature whatsoever (including reasonable attorneys' fees at trial and appellate levels and experts' fees and disbursements and expenses incurred in investigating, defending against or prosecuting any litigation, claim or proceeding) which may at any time be imposed upon, incurred by or asserted or awarded against the Administrative Agent, the Syndication Agent, any Lead Arranger, any Lender or any Issuer or any of such Person's Affiliates, shareholders, directors, officers, employees, and agents in connection with or arising from:

(a) any Hazardous Material on, in, under or affecting all or any portion of any property of the Borrower or any of its Subsidiaries, the groundwater thereunder, or any surrounding areas thereof to the extent caused by Releases from the Borrower or any of its Subsidiaries' or any of their respective predecessors' properties;

(b) any misrepresentation, inaccuracy or breach of any warranty, contained or referred to in Section 6.12 ;

(c) any violation or claim of violation by the Borrower or any of its Subsidiaries of any Environmental Laws; or

(d) the imposition of any lien for damages caused by or the recovery of any costs for the cleanup, release or threatened release of Hazardous Material by the Borrower or any of its Subsidiaries, or in connection with any property owned or formerly owned by the Borrower or any of its Subsidiaries.

" Letter of Credit " is defined in Section 2.1.3 .

" Letter of Credit Commitment " means, with respect to the Issuer, the Issuer's obligation to issue Letters of Credit pursuant to Section 2.1.3 and, with respect to each of the other Lenders that has a Revolving Loan Commitment, the obligations of each such Lender to participate in such Letters of Credit pursuant to Section 2.6.1 .

" Letter of Credit Commitment Amount " means, on any date, a maximum amount of $10,000,000, as such amount may be reduced from time to time pursuant to Section 2.2 .

" Letter of Credit Outstandings " means, on any date, an amount equal to the sum of

(a) the then aggregate amount which is undrawn and available under all issued and outstanding Letters of Credit,

plus

(b) the then aggregate amount of all unpaid and outstanding Reimbursement Obligations in respect of such Letters of Credit.

" LIBO Rate " means, relative to any Interest Period for LIBO Rate Loans, the rate of interest equal to the average (rounded upwards, if necessary, to the nearest 1/16 of 1%) of the rates per annum at which U.S. Dollar deposits in immediately available funds are offered to the Administrative Agent's LIBOR Office in the London interbank market as at or about 11:00 a.m. London time two Business Days prior to the beginning of such Interest Period for delivery on the first day of such Interest Period, and in an amount approximately equal to the amount of the Administrative Agent's LIBO Rate Loan and for a period approximately equal to such Interest Period.

" LIBO Rate Loan " means a Loan bearing interest, at all times during an Interest Period applicable to such Loan, at a fixed rate of interest determined by reference to the LIBO Rate (Reserve Adjusted).

" LIBO Rate (Reserve Adjusted) " means, relative to any Loan to be made, continued or maintained as, or converted into, a LIBO Rate Loan for any Interest Period, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined pursuant to the following formula:

$$\text{LIBO Rate (Reserve Adjusted)} = \frac{\text{LIBO Rate}}{1.00 - \text{LIBOR Reserve Percentage}}$$

The LIBO Rate (Reserve Adjusted) for any Interest Period for LIBO Rate Loans will be determined by the Administrative Agent on the basis of the LIBOR Reserve Percentage in effect on, and the applicable rates furnished to and received by the Administrative Agent from Scotia Capital, two Business Days before the first day of such Interest Period.

" LIBOR Office " means, relative to any Lender, the office of such Lender designated as such on Schedule III hereto or designated in the Lender Assignment Agreement or such other office of a Lender as designated from time to time by notice from such Lender to the Borrower and the Administrative Agent, whether or not outside the United States, which shall be making or maintaining LIBO Rate Loans of such Lender hereunder.

" LIBOR Reserve Percentage " means, relative to any Interest Period for LIBO Rate Loans, the reserve percentage (expressed as a decimal) equal to the maximum aggregate reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) specified under regulations issued from time to time by the F.R.S. Board and then applicable to assets or liabilities consisting of and including "Eurocurrency Liabilities", as currently defined in Regulation D of the F.R.S. Board, having a term approximately equal or comparable to such Interest Period.

" Lien " means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property, or

any filing or recording of any instrument or document in respect of the foregoing, to secure payment of a debt or performance of an obligation or other priority or preferential arrangement of any kind or nature whatsoever.

" Loan " means, as the context may require, a Revolving Loan, a Swing Line Loan, a Term B Loan and a Designated New Loan.

" Loan Document " means this Agreement, the Notes, the Letters of Credit, each Rate Protection Agreement under which that counterpart to such agreement is (or at the time such Rate Protection Agreement was entered into, was) a Lender or an Affiliate of a Lender relating to Hedging Obligations of the Borrower or any of its Subsidiaries, the Fee Letters, each Pledge Agreement, each Guaranty, each Security Agreement, the Intercompany Subordination Agreement and each other agreement, document or instrument delivered in connection with this Agreement or any other Loan Document, whether or not specifically mentioned herein or therein.

" Local Management Plan " means an equity plan or program for (i) the sale or issuance of Capital Securities of a Subsidiary in an amount not to exceed 5% of the outstanding common equity of such Subsidiary to local management or a plan or program in respect of Subsidiaries of the Borrower whose principal business is conducted outside of the United States, (ii) the direct purchase from ARTAL by the Borrower management employees, in one transaction or a series of transactions, of not more than 3% in the aggregate of the WWI Common Shares owned by ARTAL or (iii) the issuance by the Borrower to its management employees, in one transaction or a series of transactions, of stock options to purchase not more than 6% in the aggregate of the WWI Common Shares on a fully diluted basis.

" Material Adverse Effect " means (a) a material adverse effect on the financial condition, operations, assets, business or properties of the Borrower and its Subsidiaries, taken as a whole, (b) a material impairment other than an event or set of circumstances described in clause (a) of the ability of any Obligor (other than any Immaterial Subsidiary) to perform its respective material obligations under the Loan Documents to which it is or will be a party, or (c) an impairment of the validity or enforceability of, or a material impairment of the rights, remedies or benefits available to the Administrative Agent, the Issuer or the Lenders under, this Agreement or any other Loan Document.

" Moody's " means Moody's Investors Service, Inc.

" Mortgage " means, collectively, each Mortgage or Deed of Trust executed and delivered pursuant to the terms of this Agreement, including clause (b) of Section 7.1.8 , as such Mortgage or Deed of Trust is amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

" Net Debt to EBITDA Ratio " means, as of the last day of any Fiscal Quarter, the ratio of

(a) Debt outstanding on the last day of such Fiscal Quarter (less the amount of cash and Cash Equivalent Investments of the Borrower and its Subsidiaries as of such date)

to

(b) EBITDA computed for the period consisting of such Fiscal Quarter and each of the three immediately preceding Fiscal Quarters.

" Net Disposition Proceeds " means, with respect to a Permitted Disposition of the assets of the Borrower or any of its Subsidiaries, the excess of

(a) the gross cash proceeds received by the Borrower or any of its Subsidiaries from any Permitted Disposition and any cash payments received in respect of promissory notes or other non-cash consideration delivered to the Borrower or such Subsidiary in respect of any Permitted Disposition,

less

(b) the sum of

(i) all reasonable and customary fees and expenses with respect to legal, investment banking, brokerage and accounting and other professional fees, sales commissions and disbursements and all other reasonable fees, expenses and charges, in each case actually incurred in connection with such Permitted Disposition which have not been paid to Affiliates of the Borrower,

(ii) all taxes and other governmental costs and expenses actually paid or estimated by the Borrower (in good faith) to be payable in cash in connection with such Permitted Disposition, and

(iii) payments made by the Borrower or any of its Subsidiaries to retire Indebtedness (other than the Loans) of the Borrower or any of its Subsidiaries where payment of such Indebtedness is required in connection with such Permitted Disposition;

provided , however , that if, after the payment of all taxes with respect to such Permitted Disposition, the amount of estimated taxes, if any, pursuant to clause (b)(ii) above exceeded the tax amount actually paid in cash in respect of such Permitted Disposition, the aggregate amount of such excess shall be immediately payable, pursuant to clause (b) of Section 3.1.1 , as Net Disposition Proceeds.

Notwithstanding the foregoing, Net Disposition Proceeds shall not include fees or other amounts paid to the Borrower or its Subsidiaries in respect of a license of intellectual property (not related to the classroom business of the Borrower or its Subsidiaries) having customary terms and conditions for similar licenses.

" Net Income " means, for any period, the net income of the Borrower and its Subsidiaries for such period on a consolidated basis, excluding extraordinary gains.

" Netco " means Weight Watchers.com Inc., a Delaware corporation.

" Non-Excluded Taxes " means any taxes other than (i) net income and franchise taxes imposed with respect to any Secured Party by a Governmental Authority under the laws of which such Secured Party is organized or in which it maintains its applicable lending office and (ii) any taxes imposed on a Secured Party by any jurisdiction as a result of any former or present connection between such Secured Party and such jurisdiction other than a connection arising from a Secured Party entering into this Agreement or making any loan hereunder.

" Non-Guarantor Subsidiary " means the Designated Subsidiary and any other Subsidiary of the Borrower other than any Person which has or may issue a Guaranty hereunder.

" Non-U.S. Lender " means any Lender (including each Assignee Lender) that is not (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any state thereof, or (iii) any estate or trust that is subject to U.S. Federal income taxation regardless of the source of its income.

" Note " means, as the context may require, a Revolving Note, a Swing Line Note, a Registered Note, a Term B Note or any promissory note representing a Designated New Loan.

" Obligations " means all obligations (monetary or otherwise) of the Borrower and each other Obligor arising under or in connection with this Agreement, the Notes, each Letter of Credit and each other Loan Document, and Hedging Obligations owed to a Lender or an Affiliate thereof (unless the Lender or such Affiliate otherwise agrees).

" Obligor " means the Borrower or any other Person (other than any Agent, any Lender or the Issuer) obligated under any Loan Document.

" Organic Document " means, relative to any Obligor, its certificate of incorporation, and its by-laws (or other similar organizational and/or governing documents) and all shareholder agreements, voting trusts and similar arrangements (or the foreign equivalent thereof) applicable to any of its authorized shares of Capital Securities.

" Other Taxes " means any and all stamp, documentary or similar taxes, or any other excise or property taxes or similar levies that arise on account of any payment made or required to be made under any Loan Document or from the execution, delivery, registration, recording or enforcement of any Loan Document.

" Participant " is defined in Section 11.11.2 .

" Patent Security Agreement " means the Patent Security Agreement, dated September 29, 1999, by the Borrower and each of its U.S. Subsidiaries in favor of the Administrative Agent, as amended, supplemented, amended and restated or otherwise modified.

" PBGC " means the Pension Benefit Guaranty Corporation and any successor entity.

" Pension Plan " means a " pension plan ", as such term is defined in section 3(2) of ERISA, which is subject to Title IV of ERISA (other than a multiemployer plan as defined in section 4001(a)(3) of ERISA), and to which the Borrower or any corporation, trade or business that is, along with the Borrower, a member of a Controlled Group, has or within the prior six years has

had any liability, including any liability by reason of having been a substantial employer within the meaning of section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under section 4069 of ERISA.

" Percentage " means, relative to any Lender, the applicable percentage relating to Term B Loans, any Tranche of Designated New Loans, Swing Line Loans or Revolving Loans, as the case may be, as set forth opposite its name on Schedule II hereto under the applicable column heading or set forth in Lender Assignment Agreement(s) under the applicable column heading, as such percentage may be adjusted from time to time pursuant to Lender Assignment Agreement(s) executed by such Lender and its Assignee Lender(s) and delivered pursuant to Section 11.11 . A Lender shall not have any Commitment to make a particular Tranche of Loans (as the case may be) if its percentage under the respective column heading is zero.

" Permitted Acquisition " means an acquisition (whether pursuant to an acquisition of Capital Securities, assets or otherwise) by the Borrower or any of the Subsidiaries from any Person of a business in which the following conditions are satisfied:

(a) immediately before and after giving effect to such acquisition no Default shall have occurred and be continuing or would result therefrom (including under Section 7.2.1);

(b) if the acquisition is of Capital Securities of a Person such Person becomes a Subsidiary; and

(c) in the event the aggregate amount of consideration (including cash and incurrence or assumption of Indebtedness) exceeds $50,000,000 for such acquisition, the Borrower shall have delivered to the Agents a Compliance Certificate for the period of four full Fiscal Quarters immediately preceding such acquisition (prepared in good faith and in a manner and using such methodology which is consistent with the most recent financial statements delivered pursuant to Section 7.1.1) giving pro forma effect to the consummation of such acquisition and evidencing compliance with the covenants set forth in Section 7.2.4 .

" Permitted ARTAL Investor Group " means ARTAL or any of its direct or indirect Wholly-owned Subsidiaries and ARTAL Group S.A., a Luxembourg corporation or any of its direct or indirect Wholly-owned Subsidiaries.

" Permitted Disposition " means a Disposition in accordance with the terms of clause (b) (other than as permitted by clause (a)) of Section 7.2.9 .

" Person " means any natural person, corporation, partnership, firm, association, trust, government, governmental agency, limited liability company or any other entity, whether acting in an individual, fiduciary or other capacity.

" Plan " means any Pension Plan or Welfare Plan.

" Pledge Agreements " means, collectively, (a) the WWI Pledge Agreement, (b) the ARTAL Pledge Agreement, (c) the HJH Pledge Agreement, (d) the Australian Pledge

Agreement, (e) the U.K. Pledge Agreement, and (f) each other pledge agreement delivered from time to time pursuant to clause (b) of Section 7.1.7 .

" Qualified Assets " is defined in clause (b) of Section 3.1.1 .

" Quarterly Payment Date " means the last day of each March, June, September and December, or, if any such day is not a Business Day, the next succeeding Business Day.

" Rate Protection Agreements " means, collectively, arrangements entered into by any Person designed to protect such Person against fluctuations in interest rates or currency exchange rates, pursuant to the terms of this Agreement.

" Recapitalization " means those transactions contemplated and undertaken pursuant to the Recapitalization Agreement.

" Recapitalization Agreement " means that certain Recapitalization and Stock Purchase Agreement, dated as of July 22, 1999 among the Borrower, ARTAL and HJH.

" Refinance " means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

" Refinancing Indebtedness " means Indebtedness that Refinances any Indebtedness of the Borrower or any of its Subsidiaries existing on the Effective Date or otherwise permitted hereunder, including Indebtedness that Refinances Refinancing Indebtedness; provided , however , that:

(i) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

(ii) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced; and

(iii) such Refinancing Indebtedness has an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced;

provided further , however , that Refinancing Indebtedness shall not include (A) Indebtedness of a Subsidiary that Refinances Indebtedness of the Borrower or (B) Indebtedness of the Borrower or a Subsidiary that Refinances Indebtedness of another Subsidiary.

" Refunded Swing Line Loans " is defined in clause (b) of Section 2.3.2 .

" Register " is defined in Section 11.11.3 .

" Registered Note " means a promissory note of the Borrower payable to any Registered Noteholder, in the form of Exhibit A-6 hereto (as such promissory note may be amended, endorsed or otherwise modified from time to time), evidencing the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Term Loans, and also means all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

" Registered Noteholder " means any Lender that has been issued a Registered Note.

" Reimbursement Obligation " is defined in Section 2.6.3 .

" Related Fund " means, with respect to any Lender which is a fund that invests in loans, any other fund that invests in loans and is advised, controlled or managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor or collateralized debt or loan obligation fund advised, managed or operated by a Lender or an Affiliate of a Lender.

" Release " means a " release ", as such term is defined in CERCLA.

" Required Lenders " means, at any time, Lenders holding at least 51% of the Total Exposure Amount.

" Resource Conservation and Recovery Act " means the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq. , as in effect from time to time.

" Restricted Payments " is defined in Section 7.2.6 .

" Revolving Lender " is defined in clause (a) of Section 2.1.2 .

" Revolving Loan " is defined in clause (a) of Section 2.1.2 .

" Revolving Loan Commitment " is defined in clause (a) of Section 2.1.2 .

" Revolving Loan Commitment Amount " means, on any date, $350,000,000, as such amount may be (i) reduced from time to time pursuant to Section 2.2 or (ii) increased pursuant to Section 2.1.6 .

" Revolving Loan Commitment Termination Date " means the earliest of

(a) March 31, 2009;

(b) the date on which the Revolving Loan Commitment Amount is terminated in full or reduced to zero pursuant to Section 2.2 ; and

(c) the date on which any Commitment Termination Event occurs.

Upon the occurrence of any event described in clauses (b) or (c) , the Revolving Loan Commitments shall terminate automatically and without any further action.

" Revolving Note " means a promissory note of the Borrower payable to a Lender, substantially in the form of Exhibit A-1 hereto (as such promissory note may be amended, endorsed or otherwise modified from time to time), evidencing the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Revolving Loans, and also means all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

" S&P " means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

" Scotia Capital " is defined in the preamble .

" Secured Parties " means, collectively, the Lenders, the Issuers, the Administrative Agent, the Syndication Agent, the Lead Arrangers, each counterparty to a Rate Protection Agreement that is (or at the time such Rate Protection Agreement was entered into, was) a Lender or an Affiliate thereof and (in each case) and each of their respective successors, transferees and assigns.

" Security Agreements " means, collectively, (a) the WWI Security Agreement, (b) the Australian Security Agreement, (c) the U.K. Security Agreement, (d) the Patent Security Agreements, the Trademark Security Agreements and the Copyright Security Agreements, (e) the FNZ Security Agreement and (f) each other security agreement executed and delivered from time to time pursuant to clause (a) of Section 7.1.7 , in each case, as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" Sellers " is defined in the second recital .

" Senior Debt " means all Debt other than Subordinated Debt.

" Senior Subordinated Debt " means, collectively, debt of the Borrower under its 13% Senior Subordinated Notes in an initial aggregate principal amount of $150,000,000 and its 13% Senior Subordinated Notes in an initial aggregate principal amount of Euro 100,000,000, issued under the Senior Subordinated Note Indenture pursuant to a Rule 144A private placement.

" Senior Subordinated Note Indenture " means, collectively, that certain Senior Subordinated Note Indenture, dated as of September 29, 1999 between the Borrower and Norwest Bank Minnesota, National Association, as trustee, related to the issuance of $150,000,000 Senior Subordinated Notes and that certain Senior Subordinated Note Indenture, dated as of September 29, 1999, between the Borrower and Norwest Bank Minnesota, National Association, as trustee, related to the issuance of Euro 100,000,000 Senior Subordinated Notes.

" Senior Subordinated Noteholder " means, at any time, any holder of a Senior Subordinated Note.

" Senior Subordinated Notes " means those certain 13% Senior Subordinated Notes due 2009, issued pursuant to the Senior Subordinated Note Indenture.

" Solvent " means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including

contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (d) such Person is not engaged in business or a transaction, and such person is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

" SP1 " is defined in the first recital .

" Stated Amount " of each Letter of Credit means the total amount available to be drawn under such Letter of Credit upon the issuance thereof.

" Stated Expiry Date " is defined in Section 2.6 .

" Stated Maturity " means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

" Stated Maturity Date " means

(a) in the case of any Revolving Loan, March 31, 2009;

(b) in the case of any Term B Loan, March 31, 2010; and

(c) in the case of any Designated New Loan, as determined in accordance with Section 2.1.6 .

" Subordinated Debt " means, as the context may require, (i) the unsecured Debt of the Borrower evidenced by the Senior Subordinated Notes and (ii) any other unsecured subordinated Debt of the Borrower which shall (i) contain subordination provisions that are no less favorable to the holders of "Senior Indebtedness", "Senior Debt" or terms of similar import as used in such documents than the subordination provisions contained in the Senior Subordinated Note Indenture, (ii) not provide for any amortization (in whole or in part) of the Debt issued thereunder prior to 6 months after the Stated Maturity Date for Term B Loans and (iii) contain such other terms and conditions which, taken as a whole, are comparable to those contained in the Senior Subordinated Note Indenture, as modified pursuant to Section 7.2.10 .

" Subordinated Guaranty " means, collectively, (i) the Guaranty executed and delivered by certain Subsidiaries of the Borrower pursuant to Section 4.13 of the Senior Subordinated Note Indenture and (ii) each other guaranty, if any, executed from time to time by any Subsidiary of the Borrower pursuant to which the guarantor thereunder has any Contingent Liability with respect to any other Subordinated Debt.

" Subordination Provisions " is defined in Section 9.1.11 .

" Subsidiary " means, with respect to any Person, any corporation, partnership or other business entity of which more than 50% of the outstanding Capital Securities (or other ownership interest) having ordinary voting power to elect a majority of the board of directors, managers or other voting members of the governing body of such entity (irrespective of whether at the time Capital Securities (or other ownership interest) of any other class or classes of such entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person. Unless the context otherwise specifically requires, the term "Subsidiary" shall be a reference to a Subsidiary of the Borrower.

" Subsidiary Guaranty " means the Guaranty, dated September 29, 1999, by the U.S. Subsidiaries signatory thereto, UKHC1, UKHC2 and WWUK and its Subsidiaries in favor of the Administrative Agent, as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms.

" Swing Line Lender " means Scotia Capital (or another Lender designated by Scotia Capital with the consent of the Borrower, if such Lender agrees to be the Swing Line Lender hereunder), in such Person's capacity as the maker of Swing Line Loans.

" Swing Line Loan " is defined in clause (b) of Section 2.1.2 .

" Swing Line Loan Commitment " means, with respect to the Swing Line Lender, the Swing Line Lender's obligation pursuant to clause (b) of Section 2.1.2 to make Swing Line Loans and, with respect to each Revolving Lender (other than the Swing Line Lender), such Revolving Lender's obligation to participate in Swing Line Loans pursuant to Section 2.3.2 .

" Swing Line Loan Commitment Amount " means, on any date, $5,000,000, as such amount may be reduced from time to time pursuant to Section 2.2 .

" Swing Line Note " means a promissory note of the Borrower payable to the Swing Line Lender, in substantially the form of Exhibit A-3 hereto (as such promissory note may be amended, endorsed or otherwise modified from time to time), evidencing the aggregate Indebtedness of the Borrower to the Swing Line Lender resulting from outstanding Swing Line Loans, and also means all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

" Syndication Agent " is defined in the preamble .

" Tender Offer " means the tender by the Borrower for up to all of its Senior Subordinated Notes made in connection with the execution and delivery of the Existing Agreement.

" Term B Loan " is defined in clause (a) of Section 2.1.1 .

" Term B Loan Commitment " is defined in clause (a) of Section 2.1.1 .

" Term B Loan Commitment Amount " means $150,000,000.

" Term B Loan Lender " means any Lender which has a Percentage of the Term B Loan Commitment Amount.

" Term B Note " means a promissory note of the Borrower, payable to the order of any Lender, in the form of Exhibit A-2 hereto (as such promissory note may be amended, endorsed or otherwise modified from time to time), evidencing the aggregate Indebtedness of the Borrower to such Lender resulting from outstanding Term B Loans (including Designated Additional Term B Loans), and also means all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

" Term Loans " means, collectively, the Term B Loans and the Designated Additional Term B Loans.

" Total Exposure Amount " means, on any date of determination, the then outstanding principal amount of all Term Loans and the then effective Revolving Loan Commitment Amount.

" Trademark Security Agreement " means the Trademark Security Agreement, dated September 29, 1999, by the Borrower and each of its U.S. Subsidiaries signatory thereto in favor of the Administrative Agent, as amended, supplemented, amended and restated or otherwise modified from time to time.

" Tranche " means, as the context may require, the Loans constituting Term B Loans, Swing Line Loans, Revolving Loans or Designated New Loans.

" type " means, relative to any Loan, the portion thereof, if any, being maintained as a Base Rate Loan or a LIBO Rate Loan.

" UCC " means the Uniform Commercial Code as in effect from time to time in the State of New York.

" UKHC1 " means Weight Watchers UK Holding Ltd, a company incorporated under the laws of England.

" UKHC2 " means Weight Watchers International Ltd, a company incorporated under the laws of England.

" U.K. Pledge Agreement " means, collectively, (i) the Deeds of Charge executed and delivered by the Borrower to UKHC1, UKHC2 and WWUK and its Subsidiaries and (ii) each other pledge agreement delivered pursuant to clause (b) of Section 7.1.7 , as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" U.K. Security Agreement " means, collectively, (i) the Debentures executed and delivered by UKHC1, UKHC2 and WWUK and each of its Subsidiaries and (ii) each other security agreement delivered pursuant to clause (a) of Section 7.1.7 , as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" U.K. Subsidiary " means any Subsidiary that is incorporated under the laws of England.

" United States " or " U.S. " means the United States of America, its fifty States and the District of Columbia.

" U.S. Dollar " and the sign " $ " mean lawful money of the United States.

" U.S. Subsidiary " means any Subsidiary that is incorporated or organized under the laws of the United States or a state thereof or the District of Columbia.

" Voting Stock " means, with respect to any Person, Capital Securities of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

" Waiver " means an agreement in favor of the Administrative Agent for the benefit of the Lenders and the Issuer in form and substance reasonably satisfactory to the Administrative Agent.

" Warnaco Agreement " means that certain License Agreement, dated as of January 8, 1999, between Warnaco Inc., a Delaware corporation, and the Borrower.

" Weighco Acquisition " the acquisition by the Borrower and its Subsidiaries of substantially all of the assets and business of Weighco Enterprises, Inc., and various of its Affiliates on January 16, 2001.

" Welfare Plan " means a " welfare plan ", as such term is defined in section 3(1) of ERISA, and to which the Borrower or any of its Subsidiaries has any liability.

" Wholly-owned Subsidiary " shall mean, with respect to any Person, any Subsidiary of such Person all of the Capital Securities (and all rights and options to purchase such Capital Securities) of which, other than directors' qualifying shares or shares sold pursuant to Local Management Plans, are owned, beneficially and of record, by such Person and/or one or more Wholly-owned Subsidiaries of such Person.

" WW Australia " means Weight Watchers International Pty. Ltd. (ACN 070 836 449), an Australian company incorporated in the State of New South Wales and resident in Australia and the direct corporate parent of FPL and SP1.

" WWI Common Shares " means shares of common stock of the Borrower, par value $1.00 per share.

" WWI Pledge Agreement " means the Pledge Agreement, dated September 29, 1999, by the Borrower and its U.S. Subsidiaries signatory thereto in favor of the Administrative Agent, together with each Supplement thereto delivered pursuant to clause (b) of Section 7.1.7 , as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" WWI Security Agreement " means the Security Agreement dated September 29, 1999, by the Borrower and all U.S. Subsidiaries of the Borrower (other than the Designated Subsidiary) in favor of the Administrative Agent, together with each Supplement thereto delivered pursuant to clause (a) of Section 7.1.7 , as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof.

" WWUK " means Weight Watchers UK Limited and its Subsidiaries.

SECTION 1.2 . Use of Defined Terms . Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall have such meanings when used in the Disclosure Schedule and in each other Loan Document, notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document.

SECTION 1.3 . Cross-References . Unless otherwise specified, references in this Agreement and in each other Loan Document to any Article or Section are references to such Article or Section of this Agreement or such other Loan Document, as the case may be, and, unless otherwise specified, references in any Article, Section or definition to any clause are references to such clause of such Article, Section or definition.

SECTION 1.4 . Accounting and Financial Determinations . All accounting determinations and computations made pursuant to Section 7.2.4 shall be made in accordance with those generally accepted accounting principles (" GAAP ") as in effect as of December 28, 2002. For purposes of providing the financial statements required to be delivered hereunder, "GAAP" shall mean those generally accepted accounting principles as in effect at such time. For purposes of computing the covenants set forth in Section 7.2.4 (and any financial calculations required to be made or included within such ratios) as of the end of any Fiscal Quarter, all components of such ratios for the period of four Fiscal Quarters ending at the end of such Fiscal Quarter shall include (or exclude), without duplication, such components of such ratios attributable to any business or assets that have been acquired (or disposed of) by the Borrower or any of the Subsidiaries (including through mergers or consolidations) after the first day of such period of four Fiscal Quarters and prior to the end of such period, on a pro forma basis for such period of four Fiscal Quarters as if such acquisition or disposition had occurred on such first day of such period.

SECTION 1.5 . Currency Conversions . If it shall be necessary for purposes of this Agreement to convert an amount in one currency into another currency, unless otherwise provided herein, the exchange rate shall be determined by reference to the New York foreign exchange selling rates (such determination to be made as at the date of the relevant transaction), as determined by the Administrative Agent (in accordance with its standard practices).

ARTICLE II

COMMITMENTS, BORROWING AND ISSUANCE PROCEDURES, NOTES AND LETTERS OF CREDIT

SECTION 2.1 . Loan Commitments . On the terms and subject to the conditions of this Agreement (including Article V), the Lenders, the Swing Line Lender and the Issuer severally agree to the continuation of Existing Loans and to make Credit Extensions as set forth below.

SECTION 2.1.1 . Term Loan Commitments . Subject to compliance by the Obligors with the terms of Sections 2.1.4 , 5.1 and 5.2 :

(a) in a single Borrowing occurring on the Effective Date, each Lender that has a Term B Loan Commitment will make loans (relative to such Lender, its " Term B Loans ") to the Borrower in an amount equal to such Lender's Percentage of the aggregate amount of the Borrowing of Term B Loans requested by the Borrower to be made on such day (with the commitment of each such Lender described in this clause (a) herein referred to as its " Term B Loan Commitment "); and

(b) no amounts paid or prepaid with respect to Term Loans may be reborrowed.

SECTION 2.1.2 . Revolving Loan Commitment and Swing Line Loan Commitment . Subject to compliance by the Obligors with the terms of Section 2.1.4 , Section 5.1 and Section 5.2 , the Revolving Loans and Swing Line Loans will be continued and/or made as set forth below:

(a) From time to time on any Business Day occurring concurrently with (or after) the making of the Term B Loans but prior to the Revolving Loan Commitment Termination Date, each Lender that has a Revolving Loan Commitment (a " Revolving Lender ") will make loans (relative to such Lender, its " Revolving Loans ") to the Borrower in U.S. Dollars, equal to such Lender's Percentage of the aggregate amount of the Borrowing of the Revolving Loans requested by the Borrower to be made on such day. The Commitment of each Lender described in this clause (a) is herein referred to as its " Revolving Loan Commitment ". On the terms and subject to the conditions hereof, the Borrower may from time to time borrow, prepay and reborrow the Revolving Loans. All Existing Revolving Loans shall be continued as Revolving Loans hereunder.

(b) From time to time on any Business Day occurring concurrently with (or after) the making of the Term B Loans, but prior to the Revolving Loan Commitment Termination Date, the Swing Line Lender will make loans (relative to the Swing Line Lender, its " Swing Line Loans ") to the Borrower equal to the principal amount of the Swing Line Loans requested by the Borrower. On the terms and subject to the conditions hereof, the Borrower may from time to time borrow, prepay and reborrow such Swing Line Loans. All Existing Swing Line Loans shall be continued as Swing Line Loans hereunder.

SECTION 2.1.3 . Letter of Credit Commitment . Subject to compliance by the Obligors with the terms of Section 2.1.5 , Section 5.1 and Section 5.2 , from time to time on any Business Day occurring from and after September 29, 1999 but prior to the Revolving Loan Commitment Termination Date, the Issuer will

(a) issue one or more standby or documentary letters of credit (each referred to as a " Letter of Credit ") for the account of the Borrower in the Stated Amount requested by the Borrower on such day; or

(b) extend the Stated Expiry Date of an existing standby Letter of Credit previously issued hereunder to a date not later than the earlier of (x) the Revolving Loan Commitment Termination Date and (y) one year from the date of such extension.

All Existing Letters of Credit shall be maintained as Letters of Credit hereunder.

SECTION 2.1.4 . Lenders Not Permitted or Required to Make Loans . No Lender shall be permitted or required to, and the Borrower shall not request that any Lender, make

(a) any Term B Loan if, after giving effect thereto, the aggregate original principal amount of all the Term B Loans:

(i) of all Lenders would exceed the Term B Loan Commitment Amount; or

(ii) of such Lender would exceed such Lender's Percentage of the Term B Loan Commitment Amount;

(b) any Revolving Loan or Swing Line Loan if, after giving effect thereto, the aggregate outstanding principal amount of all the Revolving Loans and Swing Line Loans

(i) of all the Lenders with Revolving Loan Commitments, together with the aggregate amount of all Letter of Credit Outstandings, would exceed the Revolving Loan Commitment Amount; or

(ii) of such Lender with a Revolving Loan Commitment (other than the Swing Line Lender), together with such Lender's Percentage of the aggregate amount of all Letter of Credit Outstandings, would exceed such Lender's Percentage of the Revolving Loan Commitment Amount; or

(c) any Swing Line Loan if after giving effect to the making of such Swing Line Loan, the outstanding principal amount of all Swing Line Loans would exceed the then existing Swing Line Loan Commitment Amount.

SECTION 2.1.5 . Issuer Not Permitted or Required to Issue Letters of Credit . No Issuer shall be permitted or required to issue any Letter of Credit if, after giving effect thereto, (a) the aggregate amount of all Letter of Credit Outstandings would exceed the Letter of Credit Commitment Amount or (b) the sum of the aggregate amount of all Letter of Credit Outstandings

plus the aggregate principal amount of all Revolving Loans and Swing Line Loans then outstanding would exceed the Revolving Loan Commitment Amount.

SECTION 2.1.6 . Designated Additional Loans . At any time that no Default has occurred and is continuing, the Borrower may notify the Administrative Agent that the Borrower is requesting that, on the terms and subject to the conditions contained in this Agreement, the Lenders and/or other lenders not then a party to this Agreement provide up to an aggregate amount of $200,000,000 in commitments to provide (i) (A) additional Revolving Loan Commitments or (B) loans to be provided under a new tranche of revolving loans which have terms and conditions (including interest rate and maturity date), as mutually agreed to by the Borrower, the Administrative Agent, the Syndication Agent and the Person(s) providing such new tranche of Loans (in either case, " Designated Additional Revolving Loan Commitments "), (ii) additional Term B Loans (" Designated Additional Term B Loans ") and/or (iii) loans to be provided under a new tranche of term loans (" Designated New Term Loans ") which have terms and conditions (including interest rate and amortization schedule), as mutually agreed to by the Borrower, the Administrative Agent, the Syndication Agent and the Person(s) providing such new tranche of Loans. Upon receipt of any such notice, the Administrative Agent shall use commercially reasonable efforts to arrange for the Lenders or other Eligible Institutions to provide such additional commitments; provided that the Administrative Agent will first offer each of the Lenders that then has a Percentage of the Commitment or Loans of the type proposed to be obtained a pro rata portion of any such additional commitment. Nothing contained in this Section 2.1.6 or otherwise in this Agreement is intended to commit any Lender or any Agent to provide any portion of any such additional commitments. If and to the extent that any Lenders and/or other lenders agree, in their sole discretion, to provide any such additional commitments, (i) in the case of Designated Additional Revolving Loan Commitments of the type set forth in (i)(A) above, the Revolving Loan Commitment Amount shall be increased by the amount of the additional Revolving Loan Commitments agreed to be so provided, (ii) subject to compliance with the terms of Section 5.2 and such other terms and conditions mutually agreed to among the Borrower, the Administrative Agent, the Syndication Agent and the Lenders providing any such other commitments, Loans of the type requested by the Borrower will be made on the date as agreed among such Persons, (iii) the Percentages of the respective Lenders in respect of the applicable Commitment or type of Loan shall be proportionally adjusted (provided that the Percentage of each Lender shall not be increased without the consent of such Lender), (iv) in the case of Designated Additional Revolving Loan Commitment of the type set forth in (i)(A) above at such time and in such manner as the Borrower and the Administrative Agent shall agree (it being understood that the Borrower and the Agents will use commercially reasonable efforts to avoid the prepayment or assignment of any LIBO Rate Loan on a day other than the last day of the Interest Period applicable thereto), the Lenders shall assign and assume outstanding Revolving Loans and participations in outstanding Letters of Credit so as to cause the amounts of such Revolving Loans and participations in Letters of Credit held by each Lender to conform to the respective Percentages of the Revolving Loan Commitment of the Lenders and (v) the Borrower shall execute and deliver any additional Notes or other amendments or modifications to this Agreement or any other Loan Document as the Administrative Agent may reasonably request. Any fees payable in respect of any commitment provided for in this Section 2.1.6 shall be as agreed to by the Borrower and the Administrative Agent. Any designation of a commitment hereunder (i) shall be irrevocable, (ii) shall reduce the amount of commitments that

may be requested under this Section 2.1.6 pro tanto and (iii) shall be in a minimum principal amount of $5,000,000 and integral multiples of $1,000,000.

SECTION 2.2 . Reduction of the Commitment Amounts . The Commitment Amounts are subject to reductions from time to time pursuant to this Section 2.2 .

SECTION 2.2.1 . Optional . The Borrower may, from time to time on any Business Day occurring after the time of the initial Credit Extension hereunder, voluntarily reduce the Swing Line Loan Commitment Amount, the Letter of Credit Commitment Amount or the Revolving Loan Commitment Amount; provided , however , that all such reductions shall require at least three Business Days' prior notice to the Administrative Agent and be permanent, and any partial reduction of any Commitment Amount shall be in a minimum amount of $1,000,000 and in an integral multiple of $100,000. Any reduction of the Revolving Loan Commitment Amount which reduces the Revolving Loan Commitment Amount below the sum of (i) the Swing Line Loan Commitment Amount and (ii) the Letter of Credit Commitment Amount shall result in an automatic and corresponding reduction of the Swing Line Loan Commitment Amount and/or Letter of Credit Commitment Amount (as directed by the Borrower in a notice to the Administrative Agent delivered together with the notice of such voluntary reduction in the Revolving Loan Commitment Amount) to an aggregate amount not in excess of the Revolving Loan Commitment Amount, as so reduced, without any further action on the part of the Swing Line Lender or the Issuer.

SECTION 2.2.2 . Mandatory . Following the prepayment in full of the Term Loans, the Revolving Loan Commitment Amount shall, without any further action, automatically and permanently be reduced on the date the Term Loans would otherwise have been required to be prepaid with any Net Disposition Proceeds, in an amount equal to the amount by which the Term Loans would otherwise be required to be prepaid if Term Loans had been outstanding. Any reduction of the Revolving Loan Commitment Amount which reduces the Revolving Loan Commitment Amount below the sum of (i) the Swing Line Loan Commitment Amount and (ii) the Letter of Credit Commitment Amount shall result in an automatic and corresponding reduction of the Swing Line Loan Commitment Amount and/or Letter of Credit Commitment Amount (as directed by the Borrower in a notice to the Administrative Agent) to an aggregate amount not in excess of the Revolving Loan Commitment Amount, as so reduced, without any further action on the part of the Swing Line Lender or the Issuer.

SECTION 2.3 . Borrowing Procedures and Funding Maintenance . Loans shall be made by the Lenders in accordance with this Section.

SECTION 2.3.1 . Term Loans and Revolving Loans . By delivering a Borrowing Request to the Administrative Agent on or before 12:00 noon, New York time, on a Business Day, the Borrower may from time to time irrevocably request, on not less than one (in the case of Base Rate Loans) and three (in the case of LIBO Rate Loans) nor more than (in each case) five Business Days' notice, that a Borrowing be made, in the case of LIBO Rate Loans, in a minimum amount of $2,000,000, and an integral multiple of $500,000, and in the case of Base Rate Loans, in a minimum amount of $500,000 and an integral multiple thereof or, in either case, in the unused amount of the applicable Commitment. On the terms and subject to the conditions of this Agreement, each Borrowing shall be comprised of the type of Loans, and shall be made

on the Business Day, specified in such Borrowing Request. On or before 11:00 a.m., New York time, on such Business Day each Lender shall deposit with the Administrative Agent same day funds in an amount equal to such Lender's Percentage of the requested Borrowing. Such deposit will be made to an account which the Administrative Agent shall specify from time to time by notice to the Lenders. To the extent funds are received from the Lenders, the Administrative Agent shall make such funds available to the Borrower by wire transfer to the accounts the Borrower shall have specified in its Borrowing Request. No Lender's obligation to make any Loan shall be affected by any other Lender's failure to make any Loan.

SECTION 2.3.2 . Swing Line Loans .

(a) By telephonic notice, promptly followed (within three Business Days) by the delivery of a confirming Borrowing Request, to the Swing Line Lender on or before 11:00 a.m., New York time, on a Business Day, the Borrower may from time to time irrevocably request that Swing Line Loans be made by the Swing Line Lender in an aggregate minimum principal amount of $200,000 and an integral multiple of $100,000. Each request by the Borrower for a Swing Line Loan shall constitute a representation and warranty by the Borrower that on the date of such request and (if different) the date of the making of the Swing Line Loan, both immediately before and after giving effect to such Swing Line Loan and the application of the proceeds thereof, the statements made in Section 5.2.1 are true and correct. All Swing Line Loans shall be made as Base Rate Loans and shall not be entitled to be converted into LIBO Rate Loans. The proceeds of each Swing Line Loan shall be made available by the Swing Line Lender, by its close of business on the Business Day telephonic notice is received by it as provided in the preceding sentences, to the Borrower by wire transfer to the accounts the Borrower shall have specified in its notice therefor.

(b) If (i) any Swing Line Loan shall be outstanding for more than four full Business Days or (ii) after giving effect to any request for a Swing Line Loan or a Revolving Loan the aggregate principal amount of Revolving Loans and Swing Line Loans outstanding to the Swing Line Lender, together with the Swing Line Lender's Percentage of all Letter of Credit Outstandings, would exceed the Swing Line Lender's Percentage of the Revolving Loan Commitment Amount, the Swing Line Lender, at any time in its sole and absolute discretion may request each Lender that has a Revolving Loan Commitment, and each such Lender, including the Swing Line Lender hereby agrees, to make a Revolving Loan (which shall always be initially funded as a Base Rate Loan) in an amount equal to such Lender's Percentage of the amount of the Swing Line Loans (" Refunded Swing Line Loans ") outstanding on the date such notice is given. On or before 11:00 a.m. (New York time) on the first Business Day following receipt by each Lender of a request to make Revolving Loans as provided in the preceding sentence, each such Lender (other than the Swing Line Lender) shall deposit in an account specified by the Administrative Agent to the Lenders from time to time the amount so requested in same day funds, whereupon such funds shall be immediately delivered to the Swing Line Lender (and not the Borrower) and applied to repay the Refunded Swing Line Loans. On the day such Revolving Loans are made, the Swing Line Lender's Percentage of the Refunded Swing Line Loans shall be deemed to be paid. Upon the making of any Revolving Loan pursuant to this clause, the amount so funded shall

become due under such Lender's Revolving Note and shall no longer be owed under the Swing Line Note. Each Lender's obligation to make the Revolving Loans referred to in this clause shall be absolute and unconditional and shall not be affected by any circumstance, including, (i) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of any Default; (iii) any adverse change in the condition (financial or otherwise) of the Borrower or any other Obligor, subsequent to the date of the making of a Swing Line Loan; (iv) the acceleration or maturity of any Loans or the termination of the Revolving Loan Commitment after the making of any Swing Line Loan; (v) any breach of this Agreement by the Borrower, any other Obligor or any other Lender; or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(c) In the event that (i) the Borrower or any Subsidiary is subject to any bankruptcy or insolvency proceedings as provided in Section 9.1.9 or (ii) the Swing Line Lender otherwise requests, each Lender with a Revolving Loan Commitment shall acquire without recourse or warranty an undivided participation interest equal to such Lender's Percentage of any Swing Line Loan otherwise required to be repaid by such Lender pursuant to the preceding clause by paying to the Swing Line Lender on the date on which such Lender would otherwise have been required to make a Revolving Loan in respect of such Swing Line Loan pursuant to the preceding clause, in same day funds, an amount equal to such Lender's Percentage of such Swing Line Loan, and no Revolving Loans shall be made by such Lender pursuant to the preceding clause. From and after the date on which any Lender purchases an undivided participation interest in a Swing Line Loan pursuant to this clause, the Swing Line Lender shall distribute to such Lender (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participation interest is outstanding and funded) its ratable amount of all payments of principal and interest in respect of such Swing Line Loan in like funds as received; provided , however , that in the event such payment received by the Swing Line Lender is required to be returned to the Borrower, such Lender shall return to the Swing Line Lender the portion of any amounts which such Lender had received from the Swing Line Lender in like funds.

(d) Notwithstanding anything herein to the contrary, the Swing Line Lender shall not be obligated to make any Swing Line Loans if it has elected after the occurrence of a Default not to make Swing Line Loans and has notified the Borrower in writing or by telephone of such election. The Swing Line Lender shall promptly give notice to the Lenders of such election not to make Swing Line Loans.

SECTION 2.4 . Continuation and Conversion Elections . By delivering a Continuation/Conversion Notice to the Administrative Agent on or before 12:00 noon, New York time, on a Business Day, the Borrower may from time to time irrevocably elect, on not less than one (in the case of a conversion of LIBO Rate Loans to Base Rate Loans) and three (in the case of a continuation of LIBO Rate Loans or a conversion of Base Rate Loans into LIBO Rate Loans) nor more than (in each case) five Business Days' notice that all, or any portion in an aggregate minimum amount of $2,000,000 and an integral multiple of $500,000, in the case of the continuation of, or conversion into, LIBO Rate Loans, or an aggregate minimum amount of

$500,000 and an integral multiple thereof, in the case of the conversion into Base Rate Loans (other than Swing Line Loans as provided in clause (a) of Section 2.3.2) be, in the case of Base Rate Loans, converted into LIBO Rate Loans or, in the case of LIBO Rate Loans, be converted into a Base Rate Loan or continued as a LIBO Rate Loan (in the absence of delivery of a Continuation/Conversion Notice with respect to any LIBO Rate Loan at least three Business Days before the last day of the then current Interest Period with respect thereto, such LIBO Rate Loan shall, on such last day, automatically convert to a Base Rate Loan); provided , however , that (x) each such conversion or continuation shall be pro rated among the applicable outstanding Loans of the relevant Lenders, and (y) no portion of the outstanding principal amount of any Loans may be continued as, or be converted into, LIBO Rate Loans when any Default has occurred and is continuing.

SECTION 2.5 . Funding . Each Lender may, if it so elects, fulfill its obligation to make, continue or convert LIBO Rate Loans hereunder by causing one of its foreign branches or Affiliates (or an international banking facility created by such Lender) to make or maintain such LIBO Rate Loan, so long as such action does not result in increased costs to the Borrower; provided , however , that such LIBO Rate Loan shall nonetheless be deemed to have been made and to be held by such Lender, and the obligation of the Borrower to repay such LIBO Rate Loan shall nevertheless be to such Lender for the account of such foreign branch, Affiliate or international banking facility; and provided further , however , that such Lender shall cause such foreign branch, Affiliate or international banking facility to comply with the applicable provisions of clause (b) of Section 4.6 with respect to such LIBO Rate Loan. In addition, the Borrower hereby consents and agrees that, for purposes of any determination to be made for purposes of Sections 4.1 , 4.2 , 4.3 or 4.4 , it shall be conclusively assumed that each Lender elected to fund all LIBO Rate Loans by purchasing U.S. Dollar deposits in its LIBOR Office's interbank eurodollar market.

SECTION 2.6 . Issuance Procedures . By delivering to the Administrative Agent an Issuance Request on or before 12:00 noon, New York time, on a Business Day, the Borrower may, from time to time irrevocably request, on not less than three nor more than ten Business Days' notice (or such shorter notice as may be acceptable to the Issuer), in the case of an initial issuance of a Letter of Credit, and not less than three nor more than ten Business Days' notice (unless a shorter notice period is acceptable to the Issuer) prior to the then existing Stated Expiry Date of a Letter of Credit, in the case of a request for the extension of the Stated Expiry Date of a Letter of Credit, that the Issuer issue, or extend the Stated Expiry Date of, as the case may be, an irrevocable Letter of Credit for the Borrower's account or for the account of any wholly-owned U.S. Subsidiary of the Borrower that is a party to the Subsidiary Guaranty and the WWI Security Agreement and whose outstanding Capital Securities is pledged to the Administrative Agent for the benefit of the Lenders pursuant to the WWI Pledge Agreement, in such form as may be requested by the Borrower and approved by the Issuer, solely for the purposes described in Section 7.1.9 . Notwithstanding anything to the contrary contained herein or in any separate application for any Letter of Credit, the Borrower hereby acknowledges and agrees that it shall be obligated to reimburse the Issuer upon each Disbursement of a Letter of Credit, and it shall be deemed to be the obligor for purposes of each such Letter of Credit issued hereunder (whether the account party on such Letter of Credit is the Borrower or a Subsidiary of the Borrower). Upon receipt of an Issuance Request, the Administrative Agent shall promptly notify the Issuer and each Lender thereof. Each Letter of Credit shall by its terms be stated to expire on a date (its

" Stated Expiry Date ") no later than the earlier to occur of (i) the Revolving Loan Commitment Termination Date or (ii) one year from the date of its issuance. The Issuer will make available to the beneficiary thereof the original of each Letter of Credit which it issues hereunder.

SECTION 2.6.1 . Other Lenders' Participation . Upon the issuance of each Letter of Credit issued by the Issuer pursuant hereto (or the continuation of an Existing Letter of Credit hereunder), and without further action, each Lender (other than the Issuer) that has a Revolving Loan Commitment shall be deemed to have irrevocably purchased from the Issuer, to the extent of its Percentage to make Revolving Loans, and the Issuer shall be deemed to have irrevocably granted and sold to such Lender a participation interest in such Letter of Credit (including the Contingent Liability and any Reimbursement Obligation and all rights with respect thereto), and such Lender shall, to the extent of its Revolving Loan Commitment Percentage, be responsible for reimbursing promptly (and in any event within one Business Day) the Issuer for Reimbursement Obligations which have not been reimbursed by the Borrower in accordance with Section 2.6.3 . In addition, such Lender shall, to the extent of its Percentage to make Revolving Loans, be entitled to receive a ratable portion of the Letter of Credit fees payable pursuant to Section 3.3.3 with respect to each Letter of Credit and of interest payable pursuant to Section 3.2 with respect to any Reimbursement Obligation. To the extent that any Lender has reimbursed the Issuer for a Disbursement as required by this Section, such Lender shall be entitled to receive its ratable portion of any amounts subsequently received (from the Borrower or otherwise) in respect of such Disbursement.

SECTION 2.6.2 . Disbursements; Conversion to Revolving Loans . The Issuer will notify the Borrower and the Administrative Agent promptly of the presentment for payment of any Letter of Credit issued by the Issuer, together with notice of the date (the " Disbursement Date ") such payment shall be made (each such payment, a " Disbursement "). Subject to the terms and provisions of such Letter of Credit and this Agreement, the Issuer shall make such payment to the beneficiary (or its designee) of such Letter of Credit. Prior to 12:00 noon, New York time, on the first Business Day following the Disbursement Date (the " Disbursement Due Date "), the Borrower will reimburse the Administrative Agent, for the account of the Issuer, for all amounts which the Issuer has disbursed under such Letter of Credit, together with interest thereon at the rate per annum otherwise applicable to Revolving Loans (made as Base Rate Loans) from and including the Disbursement Date to but excluding the Disbursement Due Date and, thereafter (unless such Disbursement is converted into a Base Rate Loan on the Disbursement Due Date), at a rate per annum equal to the rate per annum then in effect with respect to overdue Revolving Loans (made as Base Rate Loans) pursuant to Section 3.2.2 for the period from the Disbursement Due Date through the date of such reimbursement; provided , however , that, if no Default shall have then occurred and be continuing, unless the Borrower has notified the Administrative Agent no later than one Business Day prior to the Disbursement Due Date that it will reimburse the Issuer for the applicable Disbursement, then the amount of the Disbursement shall be deemed to be a Revolving Loan constituting a Base Rate Loan and following the giving of notice thereof by the Administrative Agent to the Lenders, each Lender with a commitment to make Revolving Loans (other than the Issuer) will deliver to the Issuer on the Disbursement Due Date immediately available funds in an amount equal to such Lender's Percentage of such Revolving Loan. Each conversion of Disbursement amounts into Revolving Loans shall constitute a representation and warranty by the Borrower that on the date of the making of such Revolving Loan all of the statements set forth in Section 5.2.1 are true and correct.

SECTION 2.6.3 . Reimbursement . The obligation (a " Reimbursement Obligation ") of the Borrower under Section 2.6.2 to reimburse the Issuer with respect to each Disbursement (including interest thereon) not converted into a Base Rate Loan pursuant to Section 2.6.2 , and, upon the failure of the Borrower to reimburse the Issuer and the giving of notice thereof by the Administrative Agent to the Lenders, each Lender's (to the extent it has a Revolving Loan Commitment) obligation under Section 2.6.1 to reimburse the Issuer or fund its Percentage of any Disbursement converted into a Base Rate Loan, shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower or such Lender, as the case may be, may have or have had against the Issuer or any such Lender, including any defense based upon the failure of any Disbursement to conform to the terms of the applicable Letter of Credit (if, in the Issuer's good faith opinion, such Disbursement is determined to be appropriate) or any non-application or misapplication by the beneficiary of the proceeds of such Letter of Credit; provided , however , that after paying in full its Reimbursement Obligation hereunder, nothing herein shall adversely affect the right of the Borrower or such Lender, as the case may be, to commence any proceeding against the Issuer for any wrongful Disbursement made by the Issuer under a Letter of Credit as a result of acts or omissions constituting gross negligence or willful misconduct on the part of the Issuer.

SECTION 2.6.4 . Deemed Disbursements . Upon the occurrence and during the continuation of any Event of Default of the type described in Section 9.1.9 or, with notice from the Administrative Agent acting at the direction of the Required Lenders, upon the occurrence and during the continuation of any other Event of Default,

(a) an amount equal to that portion of all Letter of Credit Outstandings attributable to the then aggregate amount which is undrawn and available under all Letters of Credit issued and outstanding shall, without demand upon or notice to the Borrower or any other Person, be deemed to have been paid or disbursed by the Issuer under such Letters of Credit (notwithstanding that such amount may not in fact have been so paid or disbursed); and

(b) upon notification by the Administrative Agent to the Borrower of its obligations under this Section, the Borrower shall be immediately obligated to reimburse the Issuer for the amount deemed to have been so paid or disbursed by the Issuer.

Any amounts so payable by the Borrower pursuant to this Section shall be deposited in cash with the Administrative Agent and held as collateral security for the Obligations in connection with the Letters of Credit issued by the Issuer. At such time when the Events of Default giving rise to the deemed disbursements hereunder shall have been cured or waived, the Administrative Agent shall return to the Borrower all amounts then on deposit with the Administrative Agent pursuant to this Section, together with accrued interest at the Federal Funds Rate, which have not been applied to the satisfaction of such Obligations.

SECTION 2.6.5 . Nature of Reimbursement Obligations . The Borrower and, to the extent set forth in Section 2.6.1 , each Lender with a Revolving Loan Commitment, shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. The Issuer (except to the extent of its own gross negligence or willful misconduct) shall not be responsible for:

(a) the form, validity, sufficiency, accuracy, genuineness or legal effect of any Letter of Credit or any document submitted by any party in connection with the application for and issuance of a Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged;

(b) the form, validity, sufficiency, accuracy, genuineness or legal effect of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or the proceeds thereof in whole or in part, which may prove to be invalid or ineffective for any reason;

(c) failure of the beneficiary to comply fully with conditions required in order to demand payment under a Letter of Credit;

(d) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise; or

(e) any loss or delay in the transmission or otherwise of any document or draft required in order to make a Disbursement under a Letter of Credit.

None of the foregoing shall affect, impair or prevent the vesting of any of the rights or powers granted to the Issuer or any Lender with a Revolving Loan Commitment hereunder. In furtherance and extension and not in limitation or derogation of any of the foregoing, any action taken or omitted to be taken by the Issuer in good faith (and not constituting gross negligence or willful misconduct) shall be binding upon the Borrower, each Obligor and each such Lender, and shall not put the Issuer under any resulting liability to the Borrower, any Obligor or any such Lender, as the case may be.

SECTION 2.7 . Notes . Each Lender's Loans under a Commitment for a Loan shall be evidenced, if such Lender shall request, by a Note payable to the order of such Lender in a maximum principal amount equal to such Lender's Percentage of the original applicable Commitment Amount. All Swing Line Loans made by the Swing Line Lender shall be evidenced by a Swing Line Note payable to the order of the Swing Line Lender in a maximum principal amount equal to the Swing Line Loan Commitment Amount. The Borrower hereby irrevocably authorizes each Lender to make (or cause to be made) appropriate notations on the grid attached to such Lender's Notes (or on any continuation of such grid), which notations, if made, shall evidence, inter alia , the date of, the outstanding principal of, and the interest rate and Interest Period applicable to the Loans evidenced thereby. Such notations shall be conclusive and binding on the Borrower absent manifest error; provided , however , that the failure of any Lender to make any such notations shall not limit or otherwise affect any Obligations of the Borrower or any other Obligor.

SECTION 2.8 . Registered Notes . (a) Any Non-U.S. Lender that could become completely exempt from withholding of any taxes in respect of payment of any interest due to such Non-U.S. Lender under this Agreement if the Notes held by such Lender were in registered form for U.S. Federal income tax purposes may request the Borrower (through the Administrative Agent), and the Borrower agrees (i) to exchange for any Notes held by such Lender, or (ii) to issue to such Lender on the date it becomes a Lender, promissory notes(s)

registered as provided in clause (b) of this Section 2.8 (each a Registered Note). Registered Notes may not be exchanged for Notes that are not Registered Notes.

(b) The Administrative Agent shall enter, in the Register, the name of the registered owner of the Non-U.S. Lender Obligation(s) evidenced by a Registered Note.

(c) The Register shall be available for inspection by the Borrower and any Lender at any reasonable time upon reasonable prior notice.

ARTICLE III

REPAYMENTS, PREPAYMENTS, INTEREST AND FEES

SECTION 3.1 . Repayments and Prepayments; Application .

SECTION 3.1.1 . Repayments and Prepayments . The Borrower shall repay in full the unpaid principal amount of each Loan, as applicable, upon the Stated Maturity Date therefor. Prior thereto,

(a) the Borrower may, from time to time on any Business Day, make a voluntary prepayment, in whole or in part, of the outstanding principal amount of any

(i) Loan (other than Swing Line Loans), provided , however , that

(A) any such prepayment of the Term Loans and Designated New Term Loans shall be made pro rata among such Term Loans and Designated New Term Loans of the same type and if applicable, having the same Interest Period as all Lenders that have made such Term Loans or Designated New Term Loans, and any such prepayment of Revolving Loans shall be made pro rata among the Revolving Loans of the same type and, if applicable, having the same Interest Period as all Lenders that have made such Revolving Loans;

(B) the Borrower shall comply with Section 4.4 in the event that any LIBO Rate Loan is prepaid on any day other than the last day of the Interest Period for such Loan;

(C) all such voluntary prepayments shall require at least three but no more than five Business Days' prior written notice to the Administrative Agent; and

(D) all such voluntary partial prepayments shall be, in the case of LIBO Rate Loans, in an aggregate minimum amount of $2,000,000 and an integral multiple of $500,000 and, in the case of Base Rate Loans, in an aggregate minimum amount of $500,000 and an integral multiple thereof; or

(ii) Swing Line Loans, provided that all such voluntary prepayments shall require prior telephonic notice to the Swing Line Lender on or before 1:00 p.m., New York time, on the day of such prepayment (such notice to be confirmed in writing within 24 hours thereafter);

(b) the Borrower shall no later than one Business Day following the receipt by the Borrower or any of its Subsidiaries of any Net Disposition Proceeds, deliver to the Administrative Agent a calculation of the amount of such Net Disposition Proceeds and, subject to the following proviso , make a mandatory prepayment of the Term Loans in an amount equal to 100% of such Net Disposition Proceeds, to be applied as set forth in Section 3.1.2 ; provided , however , that, at the option of the Borrower and so long as no Default shall have occurred and be continuing, the Borrower may use or cause the appropriate Subsidiary to use the Net Disposition Proceeds to purchase assets useful in the business of the Borrower and its Subsidiaries or to purchase a majority controlling interest in a Person owning such assets or to increase any such controlling interest already maintained by it; provided , that if such Net Disposition Proceeds arise from or are related to a Disposition of assets of a Guarantor then any such reinvestment must either be made by or in a Guarantor or a Person which upon the making of such reinvestment becomes a Guarantor (with such assets or interests collectively referred to as " Qualified Assets ") within 365 days after the consummation (and with the Net Disposition Proceeds) of such sale, conveyance or disposition, and in the event the Borrower elects to exercise its right to purchase Qualified Assets with the Net Disposition Proceeds pursuant to this clause, the Borrower shall deliver a certificate of an Authorized Officer of the Borrower to the Administrative Agent within 30 days following the receipt of Net Disposition Proceeds setting forth the amount of the Net Disposition Proceeds which the Borrower expects to use to purchase Qualified Assets during such 365 day period; provided further , that the Borrower and its Subsidiaries shall only be permitted to reinvest Net Disposition Proceeds in Qualified Assets to the extent permitted by Section 7.2.5 over the term of this Agreement. If and to the extent that the Borrower has elected to reinvest Net Disposition Proceeds as permitted above, then on the date which is 365 days (in the case of clause (b)(i) below) and 370 days (in the case of clause (b)(ii) below) after the relevant sale, conveyance or disposition, the Borrower shall (i) deliver a certificate of an Authorized Officer of the Borrower to the Administrative Agent certifying as to the amount and use of such Net Disposition Proceeds actually used to purchase Qualified Assets and (ii) deliver to the Administrative Agent, for application in accordance with this clause and Section 3.1.2 , an amount equal to the remaining unused Net Disposition Proceeds;

(c) [INTENTIONALLY OMITTED];

(d) [INTENTIONALLY OMITTED];

(e) the Borrower shall, on each date when any reduction in the Revolving Loan Commitment Amount shall become effective, including pursuant to Section 2.2 or Section 3.1.2 , make a mandatory prepayment of Revolving Loans and (if necessary) Swing Line Loans, and (if necessary) deposit with the Administrative Agent cash collateral for Letter of Credit Outstandings) in an aggregate amount equal to the excess, if

any, of the aggregate outstanding principal amount of all Revolving Loans, Swing Line Loans and Letters of Credit Outstanding over the Revolving Loan Commitment Amount as so reduced;

(f) the Borrower shall, on the Stated Maturity Date and on each Quarterly Payment Date occurring on or during any period set forth below, make a scheduled repayment of the aggregate outstanding principal amount, if any, of all Term B Loans in an amount equal to the amount set forth below opposite the Stated Maturity Date or such Quarterly Payment Date (as such amounts may have otherwise been reduced pursuant to this Agreement), as applicable:

03/31/04 through (and including) 03/31/09	$	375,000.00
6/30/09 through (and including) Stated Maturity Date	$	35,531,250.00;

provided , that each remaining amortization amount of Term B Loans occurring after the date of the making of a Designated Additional Term B Loan will be increased pro rata by the aggregate principal amount of any Designated Additional Term B Loan.

(g) [INTENTIONALLY OMITTED]

(h) [INTENTIONALLY OMITTED]

(i) the Borrower shall, immediately upon any acceleration of the Stated Maturity Date of any Loans or Obligations pursuant to Section 9.2 or Section 9.3 , repay all Loans and provide the Administrative Agent with cash collateral in an amount equal to the Letter of Credit Outstandings, unless, pursuant to Section 9.3 , only a portion of all Loans and Obligations are so accelerated (in which case the portion so accelerated shall be so prepaid or cash collateralized with the Administrative Agent); and

(j) [INTENTIONALLY OMITTED]

(k) the Borrower shall pay the principal amount of the Designated New Term Loans at such times and in such amounts as determined pursuant to Section 2.1.6 .

Each prepayment of any Loans made pursuant to this Section shall be without premium or penalty, except as may be required by Section 4.4 . No prepayment of principal of any Revolving Loans or Swing Line Loans pursuant to clauses (a) of Section 3.1.1 shall cause a reduction in the Revolving Loan Commitment Amount or the Swing Line Loan Commitment Amount, as the case may be.

SECTION 3.1.2 . Application .

(a) Subject to clause (b) , each prepayment or repayment of the principal of the Loans shall be applied, to the extent of such prepayment or repayment, first , to the principal amount thereof being maintained as Base Rate Loans or bearing interest with

reference to the Base Rate, as the case may be, and second , to the principal amount thereof being maintained as LIBO Rate Loans or bearing interest with reference to the LIBO Rate, as the case may be.

(b) Each voluntary prepayment of Term Loans and each prepayment of Term Loans made pursuant to clause (b) of Section 3.1.1 shall be applied pro rata to a mandatory prepayment of the outstanding principal amount of all Term Loans (with the amount of such prepayment of the Term Loans being applied to the remaining Term Loan amortization payments, as the case may be, required pursuant to clauses (f) and (k) of Section 3.1.1 , in each case pro rata in accordance with the amount of each such remaining amortization payment), until all such Term Loans have been paid in full.

SECTION 3.2 . Interest Provisions . Interest on the outstanding principal amount of Loans shall accrue and be payable in accordance with this Section 3.2 .

SECTION 3.2.1 . Rates . Pursuant to an appropriately delivered Borrowing Request or Continuation/Conversion Notice, the Borrower may elect that Loans comprising a Borrowing accrue interest at a rate per annum:

(a) on that portion maintained from time to time as a Base Rate Loan, equal to the sum of the Alternate Base Rate from time to time in effect plus the Applicable Margin for such Loans; and

(b) on that portion maintained as a LIBO Rate Loan, during each Interest Period applicable thereto, equal to the sum of the LIBO Rate (Reserve Adjusted) for such Interest Period plus the Applicable Margin for such Loans.

All LIBO Rate Loans shall bear interest from and including the first day of the applicable Interest Period to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such LIBO Rate Loan.

SECTION 3.2.2 . Post-Maturity Rates . After the date any principal amount of any Loan shall have become due and payable (whether on the Stated Maturity Date, upon acceleration or otherwise), or any other monetary Obligation (other than overdue Reimbursement Obligations which shall bear interest as provided in Section 2.6.2) of the Borrower shall have become due and payable, the Borrower shall pay, but only to the extent permitted by law, interest (after as well as before judgment) on such amounts at a rate per annum equal to:

(a) in the case of any overdue principal amount of Loans, overdue interest thereon, overdue commitment fees or other overdue amounts owing in respect of Loans or other obligations (or the related Commitments) under a particular Tranche, the rate that would otherwise be applicable to Base Rate Loans under such Tranche pursuant to Section 3.2.1 plus 2%; and

(b) in the case of overdue monetary Obligations (other than as described in clause (a)), the Alternate Base Rate plus 4%.

SECTION 3.2.3 . Payment Dates . Interest accrued on each Loan shall be payable, without duplication:

(a) on the Stated Maturity Date therefor;

(b) on the date of any payment or prepayment, in whole or in part, of principal outstanding on such Loan;

(c) with respect to Base Rate Loans, in arrears on each Quarterly Payment Date occurring after the date of the initial Borrowing hereunder;

(d) with respect to LIBO Rate Loans, the last day of each applicable Interest Period (and, if such Interest Period shall exceed three months, on the third month anniversary of such Interest Period);

(e) with respect to any Base Rate Loans converted into LIBO Rate Loans on a day when interest would not otherwise have been payable pursuant to clause (c) , on the date of such conversion; and

(f) on that portion of any Loans the Stated Maturity Date of which is accelerated pursuant to Section 9.2 or Section 9.3 , immediately upon such acceleration.

Interest accrued on Loans, Reimbursement Obligations or other monetary Obligations arising under this Agreement or any other Loan Document after the date such amount is due and payable (whether on the Stated Maturity Date, upon acceleration or otherwise) shall be payable upon demand.

SECTION 3.3 . Fees . The Borrower agrees to pay the fees set forth in this Section 3.3 . All such fees shall be non-refundable.

SECTION 3.3.1 . Commitment Fee . The Borrower agrees to pay to the Administrative Agent for the account of each Lender that has a Revolving Loan Commitment, for the period (including any portion thereof when any of the Lender's Commitments are suspended by reason of the Borrower's inability to satisfy any condition of Article V) commencing on the Effective Date and continuing through the Revolving Loan Commitment Termination Date, a commitment fee at the rate of .375% per annum of the average daily unused portion of the Revolving Loan Commitment Amount. Such commitment fees shall be payable by the Borrower in arrears on each Quarterly Payment Date, and on the Revolving Loan Commitment Termination Date. The making of Swing Line Loans by the Swing Line Lender shall constitute the usage of the Revolving Loan Commitment with respect to the Swing Line Lender only and the commitment fees to be paid by the Borrower to the Lenders (other than the Swing Line Lender) shall be calculated and paid accordingly.

SECTION 3.3.2 . Administrative Agent's Fee . The Borrower agrees to pay to the Administrative Agent, for its own account, the non-refundable fees in the amounts and on the dates set forth in the applicable Fee Letter.

SECTION 3.3.3 . Letter of Credit Fee . The Borrower agrees to pay to the Administrative Agent, for the pro rata account of the Issuer and each other Lender that has a Revolving Loan Commitment, a Letter of Credit fee in an amount equal to the Applicable Margin per annum for Revolving Loans that are maintained as LIBO Rate Loans, multiplied by the aggregate Stated Amount of all outstanding Letters of Credit, such fees being payable quarterly in arrears on each Quarterly Payment Date. The Borrower further agrees to pay to the Issuer for its own account an issuance fee in an amount as agreed to by the Borrower and the Issuer.

ARTICLE IV

CERTAIN LIBO RATE AND OTHER PROVISIONS

SECTION 4.1 . LIBO Rate Lending Unlawful . If any Lender shall determine (which determination shall, upon notice thereof to the Borrower and the Lenders, be conclusive and binding on the Borrower) that the introduction of or any change in or in the interpretation of any law makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender to make, continue or maintain any Loan as, or to convert any Loan into, a LIBO Rate Loan, the obligations of such Lender to make, continue, maintain or convert any Loans as LIBO Rate Loans shall, upon such determination, forthwith be suspended until such Lender shall notify the Administrative Agent that the circumstances causing such suspension no longer exist (with the date of such notice being the " Reinstatement Date "), and (i) all LIBO Rate Loans previously made by such Lender shall automatically convert into Base Rate Loans at the end of the then current Interest Periods with respect thereto or sooner, if required by such law or assertion and (ii) all Loans thereafter made by such Lender and outstanding prior to the Reinstatement Date shall be made as Base Rate Loans, with interest thereon being payable on the same date that interest is payable with respect to corresponding Borrowing of LIBO Rate Loans made by Lenders not so affected.

SECTION 4.2 . Deposits Unavailable . If the Administrative Agent shall have determined that

(a) U.S. Dollar deposits in the relevant amount and for the relevant Interest Period are not available to the Administrative Agent in its relevant market; or

(b) by reason of circumstances affecting the Administrative Agent's relevant market, adequate means do not exist for ascertaining the interest rate applicable hereunder to LIBO Rate Loans,

then, upon notice from the Administrative Agent to the Borrower and the Lenders, the obligations of all Lenders under Section 2.3 and Section 2.4 to make or continue any Loans as, or to convert any Loans into, LIBO Rate Loans shall forthwith be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 4.3 . Increased LIBO Rate Loan Costs, etc. The Borrower agrees to reimburse each Lender for any increase in the cost to such Lender of, or any reduction in the amount of any sum receivable by such Lender in respect of, making, continuing or maintaining (or of its

obligation to make, continue or maintain) any Loans as, or of converting (or of its obligation to convert) any Loans into, LIBO Rate Loans (excluding any amounts, whether or not constituting taxes, referred to in Section 4.6) arising after the date of any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other Governmental Authority that results in such increase in cost or reduction in amounts receivable, except for such changes with respect to increased capital costs and taxes which are governed by Sections 4.5 and 4.6 , respectively. Such Lender shall promptly notify the Administrative Agent and the Borrower in writing of the occurrence of any such event, such notice to state, in reasonable detail, the reasons therefor and the additional amount required fully to compensate such Lender for such increased cost or reduced amount. Such additional amounts shall be payable by the Borrower directly to such Lender within five days of its receipt of such notice, and such notice shall, in the absence of manifest error, be conclusive and binding on the Borrower.

SECTION 4.4 . Funding Losses . In the event any Lender shall incur any loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to make, continue or maintain any portion of the principal amount of any Loan as, or to convert any portion of the principal amount of any Loan into, a LIBO Rate Loan) as a result of

(a) any conversion or repayment or prepayment of the principal amount of any LIBO Rate Loans on a date other than the scheduled last day of the Interest Period applicable thereto, whether pursuant to Section 3.1 or otherwise;

(b) any Loans not being made as LIBO Rate Loans in accordance with the Borrowing Request therefor; or

(c) any Loans not being continued as, or converted into, LIBO Rate Loans in accordance with the Continuation/Conversion Notice therefor,

then, upon the written notice of such Lender to the Borrower (with a copy to the Administrative Agent), the Borrower shall, within five days of its receipt thereof, pay directly to such Lender such amount as will (in the reasonable determination of such Lender) reimburse such Lender for such loss or expense. Such written notice (which shall include calculations in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Borrower.

SECTION 4.5 . Increased Capital Costs . If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other Governmental Authority affects or would affect the amount of capital required or expected to be maintained by any Lender or any Person controlling such Lender, and such Lender determines (in its sole and absolute discretion) that the rate of return on its or such controlling Person's capital as a consequence of its Commitments, participation in Letters of Credit or the Loans made or continued by such Lender is reduced to a level below that which such Lender or such controlling Person could have achieved but for the occurrence of any such circumstance, then, in any such case upon notice from time to time by such Lender to the

Borrower shall immediately pay directly to such Lender additional amounts sufficient to compensate such Lender or such controlling Person for such reduction in rate of return. A statement of such Lender as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Borrower. In determining such amount, such Lender may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

SECTION 4.6 . Taxes . The Borrower covenants and agrees as follows with respect to taxes:

(a) Unless required by law, any and all payments made by the Borrower under this Agreement and each other Loan Document shall be made without setoff, counterclaim or other defense, and free and clear of, and without deduction or withholding for or on account of, any taxes. In the event that any taxes are required by law to be deducted or withheld from any payment required to be made by the Borrower to or on behalf of any Secured Party under any Loan Document, then:

(i) subject to clause (f) below, if such taxes are Non-Excluded Taxes, the relevant Borrower shall together with such payment pay an additional amount so that each Secured Party receives free and clear of any Non-Excluded Taxes, the full amount which it would have received if no such deduction or withholding of such Non-Excluded Taxes had been required; and

(ii) the relevant Borrower shall pay to the relevant Governmental Authority imposing such taxes the full amount of the deduction or withholding made by it.

(b) In addition, the Borrower shall pay any and all Other Taxes imposed to the relevant Governmental Authority imposing such Other Taxes in accordance with applicable law.

(c) As promptly as practicable after the payment of any taxes or Other Taxes, and in any event within 45 days of any such payment being due, the Borrower shall furnish to the Administrative Agent a copy of an official receipt (or a certified copy thereof), evidencing the payment of such taxes or Other Taxes. The Administrative Agent shall make copies thereof available to any Lender upon request therefor.

(d) Subject to clause (f) below, the Borrower shall indemnify each Secured Party for any Non-Excluded Taxes and Other Taxes levied, imposed or assessed on (and whether or not paid directly by) such Secured Party that have not been paid previously by the Borrower (whether or not such Non-Excluded Taxes or Other Taxes are correctly or legally asserted by the relevant Governmental Authority). Promptly upon having knowledge that any such Non-Excluded Taxes or Other Taxes have been levied, imposed or assessed, and promptly upon notice thereof by any Secured Party, the Borrower shall pay such Non-Excluded Taxes or Other Taxes directly to the relevant Governmental Authority (provided , however , that no Secured Party shall be under any obligation to provide any such notice to the Borrower). In addition, provided that the Borrower have

been notified promptly by a relevant Secured Party which has determined in its sole discretion that a Non-Excluded Tax or Other Tax has been levied, imposed or assessed against such Secured Party, each Borrower shall indemnify each Secured Party for any incremental taxes that may become payable by such Secured Party as a result of any failure of the Borrower to pay any taxes when due to the appropriate Governmental Authority or to deliver to the Administrative Agent, pursuant to clause (c) above, documentation evidencing the payment of taxes or Other Taxes. With respect to indemnification for Non-Excluded Taxes and Other Taxes actually paid by any Secured Party or the indemnification provided in the immediately preceding sentence, such indemnification shall be made within 30 days after the date such Secured Party makes written demand therefor. Each Borrower acknowledges that any payment made to any Secured Party or to any Governmental Authority in respect of the indemnification obligations of the Borrower provided in this clause shall constitute a payment in respect of which the provisions of clause (a) above and this clause shall apply.

(e) Each Non-U.S. Lender, on or prior to the date on which such Non-U.S. Lender becomes a Lender hereunder (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only for so long as such Non-U.S. Lender is legally entitled to do so), shall deliver to the Borrower and the Administrative Agent either

(i) two duly completed copies of either (x) Internal Revenue Service Form W-8BEN or (y) Internal Revenue Service Form W-8EC1, or in either case an applicable successor form, establishing, in either case, a complete exemption from United States federal withholding taxes; or

(ii) in the case of a Non-U.S. Lender that is not legally entitled to deliver either form listed in clause (e)(i)(x) above, (x) a certificate of a duly authorized officer of such Non-U.S. Lender to the effect that such Non-U.S. Lender is not (A) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or (C) a controlled foreign corporation receiving interest from a related person within the meaning of Section 881(c)(3)(C) of the Code (such certificate, an " Exemption Certificate ") and (y) two duly completed copies of Internal Revenue Service Form W-8 or applicable successor form.

(f) The Borrower shall not be obligated to gross up any payments to any Lender pursuant to clause (a) above, or to indemnify any Lender pursuant to clause (d) above, in respect of United States federal withholding taxes to the extent imposed as a result of (i) the failure of such Lender to deliver to the Borrower the form or forms and/or an Exemption Certificate, as applicable to such Lender, pursuant to clause (e) , (ii) such form or forms and/or Exemption Certificate not establishing a complete exemption from U.S. federal withholding tax or the information or certifications made therein by the Lender being untrue or inaccurate on the date delivered in any material respect, or (iii) the Lender designating a successor lending office at which it maintains its Loans which has the effect of causing such Lender to become obligated for tax payments in excess of

those in effect immediately prior to such designation; provided , however , that a Borrower shall be obligated to gross up any payments to any such Lender pursuant to clause (a) above, and to indemnify any such Lender pursuant to clause (d) above, in respect of United States federal withholding taxes if (i) any such failure to deliver a form or forms or an Exemption Certificate or the failure of such form or forms or Exemption Certificate to establish a complete exemption from U.S. federal withholding tax or inaccuracy or untruth contained therein resulted from a change in any applicable statute, treaty, regulation or other applicable law or any interpretation of any of the foregoing occurring after the date hereof, which change rendered such Lender no longer legally entitled to deliver such form or forms or Exemption Certificate or otherwise ineligible for a complete exemption from U.S. federal withholding tax, or rendered the information or certifications made in such form or forms or Exemption Certificate untrue or inaccurate in a material respect, (ii) the redesignation of the Lender's lending office was made at the request of any of the Borrower or (iii) the obligation to gross up payments to any such Lender pursuant to clause (a) above or to indemnify any such Lender pursuant to clause (d) is with respect to an Assignee Lender that becomes an Assignee Lender as a result of an assignment made at the request of the Borrower.

(g) If a Secured Party determines in its sole discretion that it has received a refund in respect of Non-Excluded Taxes that were paid by the Borrower, it shall pay the amount of such refund, together with any other amounts paid by the Borrower in connection with such refunded Non-Excluded Taxes, to the Borrower, net of any out-of-pocket expenses incurred by such Secured Party in obtaining such refund, provided , however , that the Borrower agrees to promptly return the amount of such refund to such Secured Party to the extent that such Secured Party is required to repay such refund to the IRS or any other tax authority.

SECTION 4.7 . Payments, Computations, etc. Unless otherwise expressly provided, all payments by or on behalf of the Borrower pursuant to this Agreement, the Notes, each Letter of Credit or any other Loan Document shall be made by the Borrower to the Administrative Agent for the pro rata account of the Lenders entitled to receive such payment. All such payments required to be made to the Administrative Agent shall be made, without setoff, deduction or counterclaim, not later than 12:00 noon, New York time, on the date due, in same day or immediately available funds, to such account as the Administrative Agent shall specify from time to time by notice to the Borrower. Funds received after that time shall be deemed to have been received by the Administrative Agent on the next succeeding Business Day. The Administrative Agent shall promptly remit in same day funds to each Lender its share, if any, of such payments received by the Administrative Agent for the account of such Lender. All interest and fees shall be computed on the basis of the actual number of days (including the first day but excluding the last day) occurring during the period for which such interest or fee is payable over a year comprised of 360 days (or, in the case of interest on a Base Rate Loan, 365 days or, if appropriate, 366 days). Whenever any payment to be made shall otherwise be due on a day which is not a Business Day, such payment shall (except as otherwise required by clause (c) of the definition of the term "Interest Period") be made on the next succeeding Business Day and such extension of time shall be included in computing interest and fees, if any, in connection with such payment.

SECTION 4.8. Sharing of Payments . If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of setoff or otherwise) on account of any Loan or Reimbursement Obligation (other than pursuant to the terms of Sections 4.3 , 4.4 and 4.5) in excess of its pro rata share of payments then or therewith obtained by all Lenders entitled thereto, such Lender shall purchase from the other Lenders such participation in Credit Extensions made by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided , however , that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and each Lender which has sold a participation to the purchasing Lender shall repay to the purchasing Lender the purchase price to the ratable extent of such recovery together with an amount equal to such selling Lender's ratable share (according to the proportion of

(a) the amount of such selling Lender's required repayment to the purchasing Lender

to

(b) the total amount so recovered from the purchasing Lender)

of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section may, to the fullest extent permitted by law, exercise all its rights of payment (including pursuant to Section 4.9) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section to share in the benefits of any recovery on such secured claim.

SECTION 4.9. Setoff . Each Lender shall, upon the occurrence of any Default described in clauses (a) through (d) of Section 9.1.9 or, with the consent of the Required Lenders, upon the occurrence of any other Event of Default, have the right to appropriate and apply to the payment of the Obligations owing to it (whether or not then due), and (as security for such Obligations) each Borrower hereby grants to each Lender a continuing security interest in, any and all balances, credits, deposits, accounts or moneys of the Borrower then or thereafter maintained with or otherwise held by such Lender; provided , however , that any such appropriation and application shall be subject to the provisions of Section 4.8 . Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender; provided , however , that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff under applicable law or otherwise) which such Lender may have.

SECTION 4.10. Mitigation . Each Lender agrees that if it makes any demand for payment under Sections 4.3 , 4.4 , 4.5 , or 4.6 , or if any adoption or change of the type described in

Section 4.1 shall occur with respect to it, it will use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, as determined in its sole discretion) to designate a different lending office if the making of such a designation would reduce or obviate the need for the Borrower to make payments under Sections 4.3 , 4.4 , 4.5 , or 4.6 , or would eliminate or reduce the effect of any adoption or change described in Section 4.1 .

ARTICLE V

CONDITIONS TO EFFECTIVENESS AND TO FUTURE CREDIT EXTENSIONS

SECTION 5.1. Conditions Precedent to the Effectiveness of this Agreement and Making of Credit Extensions . The conditions to effectiveness of this Agreement and the obligations of the Lenders to make Loans under this Agreement shall be subject to the prior or concurrent satisfaction of each of the conditions set forth in this Article.

SECTION 5.1.1. Resolutions, etc . The Administrative Agent shall have received from the Borrower and SP1 a certificate, dated the Effective Date, of its Secretary or Assistant Secretary (or Authorized Officer serving a similar function, in the case of other than a corporation) as to:

(a) resolutions of the Borrower's and SP1's Board of Directors (or other similar governing body) then in full force and effect authorizing, as applicable, the execution, delivery and performance of this Agreement, the Notes and each other Loan Document to be executed by the Borrower and SP1, as applicable; and

(b) the incumbency and signatures of the Borrower's and SP1's Authorized Officers authorized to execute and deliver this Agreement and each other Loan Document to be executed by the Borrower and SP1, as applicable;

upon which certificate each Lender may conclusively rely until each such Lender shall have received a further certificate of the Borrower canceling or amending the prior certificate.

SECTION 5.1.2. Effective Date Certificate . The Administrative Agent shall have received a certificate substantially in the form of Exhibit F hereto, dated the Effective Date and duly executed and delivered by the chief executive, financial or accounting (or equivalent) Authorized Officer of the Borrower.

SECTION 5.1.3. Delivery of Notes . The Administrative Agent shall have received, for the account of each Lender that has requested a Note, if any, such Lender's Note, duly executed and delivered by an Authorized Officer of the Borrower.

SECTION 5.1.4. Affirmation and Consent . The Administrative Agent shall have received an affirmation and consent, dated as of the Effective Date and duly executed by an Authorized Officer of each Guarantor, in form and substance satisfactory to the Administrative Agent.

SECTION 5.1.5. Opinions of Counsel . The Administrative Agent shall have received opinions, dated the Effective Date and addressed to the Administrative Agent and all Lenders, from:

(a) Simpson Thacher & Bartlett LLP, special New York counsel to the Borrower, SP1 and each other Obligor, in form and substance satisfactory to the Administrative Agent; and

(b) Hunton & Williams, special Virginia counsel to the Borrower, in form and substance satisfactory to the Administrative Agent.

SECTION 5.1.6. Required Approvals . The Administrative Agent shall be satisfied that all material governmental and third party approvals necessary or advisable in connection with the financing contemplated hereby and the continuing operations of the Borrower and its Subsidiaries have been duly obtained and are in full force and effect, and that all applicable waiting periods have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the financing hereof.

SECTION 5.1.7. Litigation; Proceedings . The Administrative Agent shall be satisfied that there does not exist any restraining order, injunction or other pending or threatened litigation, proceedings or investigations which (i) contests any aspect of any of the transactions contemplated by any Loan Documents or (ii) could reasonably be expected to have a material adverse effect on any of the consolidated business, financial conditions or results of operations of the Borrower and its Subsidiaries, taken as a whole.

SECTION 5.1.8. Subsidiary Guaranty Supplement . The Administrative Agent shall have received a supplement to the Subsidiary Guaranty, dated as of the Effective Date, executed and delivered by SP1.

SECTION 5.2. All Credit Extensions . The obligation of each Lender and the Issuer to make any Credit Extension (but subject to clauses (b) and (c) of Section 2.3.2) shall be subject to the satisfaction of each of the conditions precedent set forth in this Section 5.2 .

SECTION 5.2.1. Compliance with Warranties, No Default, etc. Both before and after giving effect to any Credit Extension the following statements shall be true and correct:

(a) the representations and warranties set forth in Article VI and in each other Loan Document shall, in each case, be true and correct in all material respects with the same effect as if then made (unless stated to relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date);

(b) no material adverse development shall have occurred in any litigation, action, proceeding, labor controversy, arbitration or governmental investigation disclosed pursuant to Section 6.7 ;

(c) the sum of (x) the aggregate outstanding principal amount of all Revolving Loans and Swing Line Loans and (y) all Letter of Credit Outstandings does not exceed the Revolving Loan Commitment Amount; and

(d) no Default shall have then occurred and be continuing.

SECTION 5.2.2. Credit Extension Request . The Administrative Agent shall have received a Borrowing Request, if Loans (other than Swing Line Loans) are being requested, or an Issuance Request, if a Letter of Credit is being issued or extended. Each of the delivery of a Borrowing Request or an Issuance Request and the acceptance by the Borrower of the proceeds of such Credit Extension shall constitute a representation and warranty by the Borrower that on the date of such Credit Extension (both immediately before and after giving effect to such Credit Extension and the application of the proceeds thereof) the statements made in Section 5.2.1 are true and correct.

SECTION 5.2.3. Satisfactory Legal Form . All documents executed or submitted pursuant hereto by or on behalf of the Borrower or any of its Subsidiaries or any other Obligors shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel; the Administrative Agent and its counsel shall have received all information, as the Administrative Agent or its counsel may reasonably request.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders, the Issuer and the Administrative Agent to enter into this Agreement, continue the Existing Letters of Credit as Letters of Credit hereunder and to make Credit Extensions hereunder, the Borrower represents and warrants unto the Administrative Agent, the Issuer and each Lender as set forth in this Article VI .

SECTION 6.1. Organization, etc. The Borrower and each of its Subsidiaries (a) is a corporation validly organized and existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the nature of its business requires such qualification, except to the extent that the failure to qualify would not reasonably be expected to result in a Material Adverse Effect, and (b) has full power and authority and holds all requisite governmental licenses, permits and other approvals to (x) enter into and perform its Obligations under this Agreement, the Notes and each other Loan Document to which it is a party and (y) own and hold under lease its property and to conduct its business substantially as currently conducted by it except, in the case of this clause (b)(y) , where the failure could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.2. Due Authorization, Non-Contravention, etc. The execution, delivery and performance by the Borrower of this Agreement, the Notes and each other Loan Document executed or to be executed by it, and the execution, delivery and performance by each other Obligor of each Loan Document executed or to be executed by it and the Borrower are within

each such Obligor's corporate powers, have been duly authorized by all necessary corporate action, and do not

(a) contravene any such Obligor's Organic Documents;

(b) contravene any contractual restriction, law or governmental regulation or court decree or order binding on or affecting any such Obligor, where such contravention, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; or

(c) result in, or require the creation or imposition of, any Lien on any of the Obligor's properties, except pursuant to the terms of a Loan Document.

SECTION 6.3. Government Approval, Regulation, etc. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other Person, is required for the due execution, delivery or performance by any Obligor of this Agreement, the Notes or any other Loan Document to which it is a party, except as have been duly obtained or made and are in full force and effect or those which the failure to obtain or make could not reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 6.4. Validity, etc. This Agreement constitutes, and the Notes and each other Loan Document executed by any Obligor will, on the due execution and delivery thereof, constitute, the legal, valid and binding obligations of such Obligor enforceable in accordance with their respective terms; in each case with respect to this Section 6.4 subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

SECTION 6.5. [INTENTIONALLY OMITTED]

SECTION 6.6. No Material Adverse Change . Since December 28, 2002, there has been no material adverse change in the financial condition, operations, assets, business or properties of the Borrower and its Subsidiaries, taken as a whole.

SECTION 6.7. Litigation, Labor Controversies, etc. There is no pending or, to the knowledge of the Borrower, threatened litigation, action, proceeding, labor controversy arbitration or governmental investigation affecting any Obligor, or any of their respective properties, businesses, assets or revenues, which (a) could reasonably be expected to result in a Material Adverse Effect, or (b) purports to affect the legality, validity or enforceability of the issuance of the Senior Subordinated Notes, this Agreement, the Notes or any other Loan Document, except as disclosed in Item 6.7 ("Litigation") of the Disclosure Schedule.

SECTION 6.8. Subsidiaries . The Borrower has no Subsidiaries, except those Subsidiaries

(a) which are identified in Item 6.8 ("Existing Subsidiaries") of the Disclosure Schedule; or

(b) which are permitted to have been acquired in accordance with Section 7.2.5 or 7.2.8 .

SECTION 6.9. Ownership of Properties . The Borrower and each of its Subsidiaries own good title to all of their properties and assets (other than insignificant properties and assets), real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, trade names, service marks and copyrights), free and clear of all Liens or material claims (including material infringement claims with respect to patents, trademarks, copyrights and the like) except as permitted pursuant to Section 7.2.3 .

SECTION 6.10. Taxes . The Borrower and each of its Subsidiaries has filed all Federal, State, foreign and other material tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes or charges which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

SECTION 6.11. Pension and Welfare Plans . No Pension Plan has been terminated that has resulted in a liability to the Borrower of more than $5,000,000, and no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a Lien under section 302(f) of ERISA in excess of $5,000,000. No condition exists or event or transaction has occurred with respect to any Pension Plan which could reasonably be expected to result in the incurrence by the Borrower of any material liability, fine or penalty other than such condition, event or transaction which would not reasonably be expected to have a Material Adverse Effect. Except as disclosed in Item 6.11 (" Employee Benefit Plans ") of the Disclosure Schedule, since the date of the last financial statement of the Borrower, the Borrower has not materially increased any contingent liability with respect to any post-retirement benefit under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Subtitle B of Title I of ERISA.

SECTION 6.12. Environmental Warranties . Except as set forth in Item 6.12 (" Environmental Matters ") of the Disclosure Schedule or as, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

(a) all facilities and property (including underlying groundwater) owned or leased by the Borrower or any of its Subsidiaries have been, and continue to be, owned or leased by the Borrower and its Subsidiaries in compliance with all Environmental Laws;

(b) there have been no past, and there are no pending or threatened

(i) written claims, complaints, notices or requests for information received by the Borrower or any of its Subsidiaries with respect to any alleged violation of any Environmental Law, or

(ii) written complaints, notices or inquiries to the Borrower or any of its Subsidiaries regarding potential liability under any Environmental Law;

(c) to the best knowledge of the Borrower, there have been no Releases of Hazardous Materials at, on or under any property now or previously owned or leased by the Borrower or any of its Subsidiaries;

(d) the Borrower and its Subsidiaries have been issued and are in compliance with all permits, certificates, approvals, licenses and other authorizations relating to environmental matters and necessary or desirable for their businesses;

(e) no property now or previously owned or leased by the Borrower or any of its Subsidiaries is listed or, to the knowledge of the Borrower or any of its Subsidiaries, proposed for listing (with respect to owned property only) on the National Priorities List pursuant to CERCLA, on the CERCLIS or on any similar state list of sites requiring investigation or clean-up;

(f) to the best knowledge of the Borrower, there are no underground storage tanks, active or abandoned, including petroleum storage tanks, on or under any property now or previously owned or leased by the Borrower or any of its Subsidiaries;

(g) the Borrower and its Subsidiaries have not directly transported or directly arranged for the transportation of any Hazardous Material to any location (i) which is listed or to the knowledge of the Borrower or any of its Subsidiaries, proposed for listing on the National Priorities List pursuant to CERCLA, on the CERCLIS or on any similar state list, or (ii) which is the subject of federal, state or local enforcement actions or other investigations;

(h) to the best knowledge of the Borrower, there are no polychlorinated biphenyls or friable asbestos present in a manner or condition at any property now or previously owned or leased by the Borrower or any of its Subsidiaries; and

(i) to the best knowledge of the Borrower, no conditions exist at, on or under any property now or previously owned or leased by the Borrower or any of its Subsidiaries which, with the passage of time, or the giving of notice or both, would give rise to liability under any Environmental Law.

SECTION 6.13. Regulations U and X . No Obligor is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, and no proceeds of any Credit Extensions will be used to purchase or carry margin stock or otherwise for a purpose which violates, or would be inconsistent with, F.R.S. Board Regulation U or Regulation X. Terms for which meanings are provided in F.R.S. Board Regulation U or Regulation X or any regulations substituted therefor, as from time to time in effect, are used in this Section with such meanings.

SECTION 6.14. Accuracy of Information . All material factual information concerning the financial condition, operations or prospects of the Borrower and its Subsidiaries heretofore or contemporaneously furnished by or on behalf of the Borrower in writing to the Administrative

Agent, the Issuer or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all other such factual information hereafter furnished by or on behalf of the Borrower to the Administrative Agent, the Issuer or any Lender will be, true and accurate in every material respect on the date as of which such information is dated or certified and such information is not, or shall not be, as the case may be, incomplete by omitting to state any material fact necessary to make such information not misleading.

Any term or provision of this Section to the contrary notwithstanding, insofar as any of the factual information described above includes assumptions, estimates, projections or opinions, no representation or warranty is made herein with respect thereto; provided , however , that to the extent any such assumptions, estimates, projections or opinions are based on factual matters, the Borrower has reviewed such factual matters and nothing has come to its attention in the context of such review which would lead it to believe that such factual matters were not or are not true and correct in all material respects or that such factual matters omit to state any material fact necessary to make such assumptions, estimates, projections or opinions not misleading in any material respect.

SECTION 6.15. Seniority of Obligations, etc. The Borrower has the power and authority to incur the Subordinated Debt as provided for under the Senior Subordinated Note Indenture or any other indenture applicable thereto and has duly authorized, executed and delivered the Senior Subordinated Note Indenture and such other indentures applicable thereto. The Borrower has issued, pursuant to due authorization, the Senior Subordinated Notes under the Senior Subordinated Note Indenture and any other Subordinated Debt under the indenture applicable thereto. The Senior Subordinated Note Indenture and each other indenture applicable to any other Subordinated Debt constitutes the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its respective terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing. The subordination provisions of the Senior Subordinated Notes and any other Subordinated Debt and contained in the Senior Subordinated Note Indenture and any other indenture applicable to any other Subordinated Debt are enforceable against the holders of the Senior Subordinated Notes and any other Subordinated Debt by the holder of any Senior Debt (or similar term referring to the Obligations, as applicable) in the Senior Subordinated Note Indenture and such other Indenture, which has not effectively waived the benefits thereof. All monetary Obligations, including those to pay principal of and interest (including post-petition interest, whether or not permitted as a claim) on the Loans and Reimbursement Obligations, and fees and expenses in connection therewith, constitute "Senior Debt" (or similar term referring to the Obligations, as applicable) in the Senior Subordinated Note Indenture and any other indenture applicable to any other Subordinated Debt, and all such Obligations are entitled to the benefits of the subordination created by the Senior Subordinated Note Indenture and any other indenture applicable to any other Subordinated Debt. The Borrower acknowledges that the Administrative Agent and each Lender is entering into this Agreement, and is extending its Commitments, in reliance upon the subordination provisions of (or to be contained in) the Senior Subordinated Note Indenture, the Senior Subordinated Notes and this Section.

SECTION 6.16. Solvency . The incurrence of the Credit Extensions hereunder, the incurrence by the Borrower of the Indebtedness represented by the Notes and the execution and delivery of the Guaranties by the Obligors parties thereto, will not involve or result in any fraudulent transfer or fraudulent conveyance under the provisions of Section 548 of the Bankruptcy Code (11 U.S.C. §101 et seq ., as from time to time hereafter amended, and any successor or similar statute) or any applicable state law respecting fraudulent transfers or fraudulent conveyances. The Borrower and each of its Subsidiaries is Solvent.

ARTICLE VII

COVENANTS

SECTION 7.1. Affirmative Covenants . The Borrower agrees with the Administrative Agent, the Issuer and each Lender that, until all Commitments have terminated, all Letters of Credit have terminated or expired and all Obligations have been paid and performed in full, the Borrower will perform its obligations set forth below.

SECTION 7.1.1. Financial Information, Reports, Notices, etc. The Borrower will furnish to each Lender, the Issuer and the Administrative Agent copies of the following financial statements, reports, notices and information:

(a) as soon as available and in any event within 60 days after the end of each Fiscal Quarter of each Fiscal Year of the Borrower (or, if the Borrower is required to file such information on a Form 10-Q with the Securities and Exchange Commission, promptly following such filing), a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter, together with the related consolidated statement of earnings and cash flow for such Fiscal Quarter and for the period commencing at the end of the previous Fiscal Year and ending with the end of such Fiscal Quarter (it being understood that the foregoing requirement may be satisfied by delivery of the Borrower's report to the Securities and Exchange Commission on Form 10-Q), certified by the chief financial Authorized Officer of the Borrower;

(b) as soon as available and in any event within 120 days after the end of each Fiscal Year of the Borrower (or, if the Borrower is required to file such information on a Form 10-K with the Securities and Exchange Commission, promptly following such filing), a copy of the annual audit report for such Fiscal Year for the Borrower and its Subsidiaries, including therein a consolidated balance sheet for the Borrower and its Subsidiaries as of the end of such Fiscal Year, together with the related consolidated statement of earnings and cash flow of the Borrower and its Subsidiaries for such Fiscal Year (it being understood that the foregoing requirement may be satisfied by delivery of the Borrower's report to the Securities and Exchange Commission on Form 10-K), in each case certified (without any Impermissible Qualification) by PricewaterhouseCoopers LLP or another "Big Four" firm, together with a certificate from such accountants to the effect that, in making the examination necessary for the signing of such annual report by such accountants, they have not become aware of any Default that has occurred and is

continuing, or, if they have become aware of such Default, describing such Default and the steps, if any, being taken to cure it;

(c) together with the delivery of the financial information required pursuant to clauses (a) and (b) , a Compliance Certificate, in substantially the form of Exhibit E , executed by the chief financial Authorized Officer of the Borrower, showing (in reasonable detail and with appropriate calculations and computations in all respects satisfactory to the Administrative Agent) compliance with the financial covenants set forth in Section 7.2.4 ;

(d) as soon as possible and in any event within three Business Days after obtaining knowledge of the occurrence of each Default, a statement of the chief financial Authorized Officer of the Borrower setting forth details of such Default and the action which the Borrower has taken and proposes to take with respect thereto;

(e) as soon as possible and in any event within five Business Days after (x) the occurrence of any material adverse development with respect to any litigation, action, proceeding, or labor controversy described in Section 6.7 and the action which the Borrower has taken and proposes to take with respect thereto or (y) the commencement of any labor controversy, litigation, action, proceeding of the type described in Section 6.7 , notice thereof and of the action which the Borrower has taken and proposes to take with respect thereto;

(f) promptly after the sending or filing thereof, copies of all reports and registration statements which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange or any foreign equivalent;

(g) as soon as practicable after the chief financial officer or the chief executive officer of the Borrower or a member of the Borrower's Controlled Group becomes aware of (i) formal steps in writing to terminate any Pension Plan or (ii) the occurrence of any event with respect to a Pension Plan which, in the case of (i) or (ii), could reasonably be expected to result in a contribution to such Pension Plan by (or a liability to) the Borrower or a member of the Borrower's Controlled Group in excess of $5,000,000, (iii) the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to a Lien under section 302 (f) of ERISA, (iv) the taking of any action with respect to a Pension Plan which could reasonably be expected to result in the requirement that the Borrower furnish a bond to the PBGC or such Pension Plan or (v) any material increase in the contingent liability of the Borrower with respect to any post-retirement Welfare Plan benefit, notice thereof and copies of all documentation relating thereto;

(h) promptly following the delivery or receipt, as the case may be, of any material written notice or communication pursuant to or in connection with the Senior Subordinated Note Indenture or any of the Senior Subordinated Notes, a copy of such notice or communication; and

(i) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender or the Issuer may from time to time reasonably request.

SECTION 7.1.2. Compliance with Laws, etc. The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include:

(a) the maintenance and preservation of its corporate existence and qualification as a foreign corporation, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect; and

(b) the payment, before the same become delinquent, of all material taxes, assessments and governmental charges imposed upon it or upon its property except to the extent being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

SECTION 7.1.3. Maintenance of Properties . The Borrower will, and will cause each of its Subsidiaries to, maintain, preserve, protect and keep its properties (other than insignificant properties) in good repair, working order and condition (ordinary wear and tear excepted), and make necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times unless the Borrower determines in good faith that the continued maintenance of any of its properties is no longer economically desirable.

SECTION 7.1.4. Insurance . The Borrower will, and will cause each of its Subsidiaries to,

(a) maintain insurance on its property with financially sound and reputable insurance companies against loss and damage in at least the amounts (and with only those deductibles) customarily maintained, and against such risks as are typically insured against in the same general area, by Persons of comparable size engaged in the same or similar business as the Borrower and its Subsidiaries; and

(b) maintain all worker's compensation, employer's liability insurance or similar insurance as may be required under the laws of any state or jurisdiction in which it may be engaged in business.

Without limiting the foregoing, all insurance policies required pursuant to this Section shall (i) name the Administrative Agent on behalf of Secured Parties as mortgagee (in the case of property insurance) or additional insured (in the case of liability insurance), as applicable, and provide that no cancellation or modification of the policies will be made without thirty days' prior written notice to the Administrative Agent and (ii) be in addition to any requirements to maintain specific types of insurance contained in the other Loan Documents.

SECTION 7.1.5. Books and Records . The Borrower will, and will cause each of its Subsidiaries to, keep books and records which accurately reflect in all material respects all of its business affairs and transactions and permit the Administrative Agent, the Issuer and each

Lender or any of their respective representatives, at reasonable times and intervals, and upon reasonable notice, to visit all of its offices, to discuss its financial matters with its officers and independent public accountant (and the Borrower hereby authorizes such independent public accountant to discuss the Borrower's financial matters with the Issuer and each Lender or its representatives whether or not any representative of the Borrower is present) and to examine, and photocopy extracts from, any of its books or other corporate records.

SECTION 7.1.6. Environmental Covenant . The Borrower will, and will cause each of its Subsidiaries to,

(a) use and operate all of its facilities and properties in compliance with all Environmental Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in compliance therewith, and handle all Hazardous Materials in compliance with all applicable Environmental Laws, in each case except where the failure to comply with the terms of this clause could not reasonably be expected to have a Material Adverse Effect;

(b) promptly notify the Administrative Agent and provide copies of all written claims, complaints, notices or inquiries relating to the condition of its facilities and properties or compliance with Environmental Laws which relate to environmental matters which would have, or would reasonably be expected to have, a Material Adverse Effect, and promptly cure and have dismissed with prejudice any material actions and proceedings relating to compliance with Environmental Laws, except to the extent being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP have been set aside on their books; and

(c) provide such information and certifications which the Administrative Agent may reasonably request from time to time to evidence compliance with this Section 7.1.6 .

SECTION 7.1.7. Future Subsidiaries . Upon any Person becoming a Subsidiary of the Borrower, or upon the Borrower or any of its Subsidiaries acquiring additional Capital Securities of any existing Subsidiary, the Borrower shall notify the Administrative Agent of such acquisition, and

(a) the Borrower shall promptly cause such Subsidiary to execute and deliver to the Administrative Agent, with counterparts for each Lender, (i) if such Subsidiary is a U.S. Subsidiary or a U.K. Subsidiary, a supplement to the Subsidiary Guaranty or, if such Subsidiary is an Australian Subsidiary, a supplement to the Australian Guaranty, (ii) if such a Subsidiary is a U.S. Subsidiary, a supplement to the WWI Security Agreement or, if such Subsidiary is an Australian Subsidiary, a supplement to the Australian Security Agreement or if such Subsidiary is a U.K. Subsidiary, a security agreement substantially in the form of the U.K. Security Agreement and (iii) if such Subsidiary is a U.S. Subsidiary, a U.K. Subsidiary or an Australian Subsidiary and owns any real property having a value as determined in good faith by the Administrative Agent in excess of $2,000,000, a Mortgage, together with acknowledgment copies of Uniform Commercial Code financing statements (form UCC-1) executed and delivered by the Subsidiary

naming the Subsidiary as the debtor and the Administrative Agent as the secured party, or other similar instruments or documents, filed under the Uniform Commercial Code and any other applicable recording statutes, in the case of real property, of all jurisdictions as may be necessary or, in the opinion of the Administrative Agent, desirable to perfect the security interest of the Administrative Agent pursuant to the applicable Security Agreement or a Mortgage, as the case may be; and

(b) the Borrower shall promptly deliver, or cause to be delivered, to the Administrative Agent under a supplement to the WWI Pledge Agreement (or, if such Subsidiary is an Australian Subsidiary, a supplement to the Australian Pledge Agreement or if such Subsidiary is a U.K. Subsidiary, a pledge agreement substantially in the form of the U.K. Pledge Agreement), certificates (if any) representing all of the issued and outstanding shares of Capital Securities of such Subsidiary (to the extent required to be delivered pursuant to the applicable Pledge Agreement) owned by the Borrower or any of its Subsidiaries, as the case may be, along with undated stock powers for such certificates, executed in blank, or, if any securities subject thereto are uncertificated securities, confirmation and evidence satisfactory to the Administrative Agent that appropriate book entries have been made in the relevant books or records of a financial intermediary or the issuer of such securities, as the case may be, under applicable law resulting in the perfection of the security interest granted in favor of the Administrative Agent pursuant to the terms of the applicable Pledge Agreement; provided , that notwithstanding anything to the contrary herein or in any Loan Document, in no event shall more than 65% of the Capital Securities of any non-Guarantor Subsidiary be required to be pledged and in no event shall non-Guarantor Subsidiaries (other than SP1) be required to pledge Capital Securities of its Subsidiaries, together, in each case, with such opinions, in form and substance and from counsel satisfactory to the Administrative Agent, as the Administrative Agent may reasonably require.

SECTION 7.1.8. Future Leased Property and Future Acquisitions of Real Property .

(a) Prior to entering into any new lease of real property or renewing any existing lease of real property, the Borrower shall, and shall cause each of its U.S. Subsidiaries and each of the other Guarantor's to, use its (and their) best efforts (which shall not require the expenditure of cash or the making of any material concessions under the relevant lease) to deliver to the Administrative Agent a Waiver executed by the lessor of any real property that is to be leased by the Borrower or any of its U.S. Subsidiaries or any of the other Guarantors for a term in excess of one year in any state which by statute grants such lessor a "landlord's" (or similar) Lien which is superior to the Administrative Agent's, to the extent the value of any personal property of the Borrower or its U.S. Subsidiaries or any of the other Guarantors to be held at such leased property exceeds (or it is anticipated that the value of such personal property will, at any point in time during the term of such leasehold term, exceed) $5,000,000.

(b) In the event that the Borrower or any of its U.S. Subsidiaries or any of the other Guarantors shall acquire any real property having a value as determined in good faith by the Administrative Agent in excess of $2,000,000, the Borrower or the applicable

Subsidiary shall, promptly after such acquisition, execute a Mortgage and provide the Administrative Agent with

(i) evidence of the completion (or satisfactory arrangements for the completion) of all recordings and filings of such Mortgage as may be necessary or, in the reasonable opinion of the Administrative Agent, desirable effectively to create a valid, perfected first priority Lien, subject to Liens permitted by Section 7.2.3 , against the properties purported to be covered thereby;

(ii) mortgagee's title insurance policies in favor of the Administrative Agent and the Lenders in amounts and in form and substance and issued by insurers, reasonably satisfactory to the Administrative Agent, with respect to the property purported to be covered by such Mortgage, insuring that title to such property is marketable and that the interests created by the Mortgage constitute valid first Liens thereon free and clear of all defects and encumbrances other than as approved by the Administrative Agent, and such policies shall also include a revolving credit endorsement and such other endorsements as the Administrative Agent shall request and shall be accompanied by evidence of the payment in full of all premiums thereon; and

(iii) such other approvals, opinions, or documents as the Administrative Agent may reasonably request.

SECTION 7.1.9. Use of Proceeds, etc. The proceeds of the Credit Extensions shall be applied by the Borrower as follows:

(a) the proceeds of the Term B Loans and Revolving Loans shall be applied by the Borrower (i) to fund the Current Refinancing and (ii) to finance the payment of the fees and expenses related to the Current Refinancing; and

(b) the proceeds of all other Revolving Loans, Swing Line Loans and any Term Loans incurred pursuant to Section 2.1.6 , and the issuance of Letters of Credit from time to time, shall be used for working capital and general corporate purposes of the Borrower and its U.S. Subsidiaries including the redemption or repurchase of Senior Subordinated Notes.

SECTION 7.2 . Negative Covenants . The Borrower agrees with the Administrative Agent, the Issuer and each Lender that, until all Commitments have terminated, all Letters of Credit have terminated or expired and all Obligations have been paid and performed in full, the Borrower will perform the obligations set forth in this Section 7.2 .

SECTION 7.2.1. Business Activities . The Borrower will not, and will not permit any of its Subsidiaries to, engage in any business activity, except business activities of the type in which the Borrower and its Subsidiaries are engaged on the Effective Date and such activities as may be incidental, similar or related thereto.

SECTION 7.2.2. Indebtedness . The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist or otherwise become or be liable in respect of any Indebtedness, other than, without duplication, the following:

(a) Indebtedness in respect of the Credit Extensions and other Obligations;

(b) [INTENTIONALLY OMITTED];

(c) Indebtedness identified in Item 7.2.2(c) ("Ongoing Indebtedness") of the Disclosure Schedule, and any Refinancing Indebtedness;

(d) to the extent not prohibited in whole or in part by the terms of the Senior Subordinated Note Indenture, Indebtedness incurred by the Borrower or any of its Subsidiaries (other than SP1) (i) (x) to any Person providing financing for the acquisition of any assets permitted to be acquired pursuant to Section 7.2.8 to finance its acquisition of such assets and (y) in respect of Capitalized Lease Liabilities (but only to the extent otherwise permitted by Section 7.2.7) in an aggregate amount for clauses (x) and (y) not to exceed $5,000,000 at any time and (ii) from time to time for general corporate purposes in a maximum aggregate amount of all Indebtedness incurred pursuant to this clause (ii) not at any time to exceed $15,000,000 less the then aggregate outstanding Indebtedness of Subsidiaries which are not Guarantors permitted under clause (f)(iii) below;

(e) Hedging Obligations of the Borrower or any of its Subsidiaries;

(f) intercompany Indebtedness of the Borrower owing to any of its Subsidiaries or any Subsidiary of the Borrower (other than SP1 or the Designated Subsidiary) owing to the Borrower or any other Subsidiary of the Borrower or of the Borrower to any Subsidiary of the Borrower, which Indebtedness

(i) if between Guarantors shall be evidenced by one or more promissory notes in form and substance satisfactory to the Administrative Agent which have been duly executed and delivered to (and endorsed to the order of) the Administrative Agent in pledge pursuant to a supplement to the applicable Pledge Agreement;

(ii) if between Guarantors (other than Indebtedness incurred by the Borrower) shall, except in the case of Indebtedness of the Borrower owing to any of its Subsidiaries, not be forgiven or otherwise discharged for any consideration other than payment in cash in the currency in which such Indebtedness was loaned or advanced unless the Administrative Agent otherwise consents; and

(iii) owing by Subsidiaries which are not Guarantors to Guarantors shall not exceed $15,000,000 in the aggregate at any time outstanding;

(g) unsecured Subordinated Debt of the Borrower in an initial aggregate outstanding principal amount not to exceed the sum of $200,000,000;

(h) Indebtedness of Non-Guarantor Subsidiaries to Guarantors to the extent permitted as Investments under clause (h) of Section 7.2.5 ;

(i) each Subordinated Guaranty;

(j) (i) guarantees by the Borrower or any Guarantor of any Indebtedness of the Borrower or any Guarantor and (ii) guarantees by any Subsidiary that is not a Guarantor of any Indebtedness of any other Subsidiary that is not a Guarantor and (iii) guarantees by the Borrower or any Guarantor of any unsecured Indebtedness of any Subsidiary that is not a Guarantor incurred pursuant to clause (d)(ii) of this Section; provided , that in each case, the Indebtedness being guaranteed is otherwise permitted by this Section; and

(k) Indebtedness incurred or assumed in connection with a Franchise Acquisition in an amount not to exceed $30,000,000 per Franchise Acquisition;

provided , however , that no Indebtedness otherwise permitted by clause (d) , (f) (as such clause relates to Loans made by the Borrower to its Subsidiaries) or (g) may be incurred if, after giving effect to the incurrence thereof, any Default shall have occurred and be continuing.

SECTION 7.2.3. Liens . The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its property, revenues or assets, whether now owned or hereafter acquired, except:

(a) Liens securing payment of the Obligations, granted pursuant to any Loan Document;

(b) [INTENTIONALLY OMITTED];

(c) Liens to secure payment of Indebtedness of the type permitted and described in clause (c) of Section 7.2.2 ;

(d) Liens granted by the Borrower or any of its Subsidiaries (other than SP1) to secure payment of Indebtedness of the type permitted and described in (x) clause (d)(i) of Section 7.2.2 ; provided , that the obligations secured thereby do not exceed in the aggregate $5,000,000 at any time outstanding and (y) clause (d)(ii) of Section 7.2.2 owed by Subsidiaries which are not Guarantors to non-Affiliates; provided that the obligations secured thereby do not exceed $7,500,000 in the aggregate at any one time outstanding;

(e) Liens for taxes, assessments or other governmental charges or levies, including Liens pursuant to Section 107(l) of CERCLA or other similar law, not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(f) Liens of carriers, warehousemen, mechanics, repairmen, materialmen and landlords or other like liens incurred by the Borrower or any of its Subsidiaries (other than SP1) in the ordinary course of business for sums not overdue for a period of more

than 30 days or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(g) Liens incurred by the Borrower or any of its Subsidiaries (other than SP1) in the ordinary course of business in connection with workmen's compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, insurance obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(h) judgment Liens in existence less than 30 days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered in full by a bond or (subject to a customary deductible) by insurance maintained with responsible insurance companies;

(i) Liens with respect to recorded minor imperfections of title and easements, rights-of-way, restrictions, reservations, permits, servitudes and other similar encumbrances on real property and fixtures which do not materially detract from the value or materially impair the use by the Borrower or any such Subsidiary in the ordinary course of their business of the property subject thereto;

(j) leases or subleases granted by the Borrower or any of its Subsidiaries (other than SP1) to any other Person in the ordinary course of business; and

(k) Liens in the nature of trustees' Liens granted pursuant to any indenture governing any Indebtedness permitted by Section 7.2.2 , in each case in favor of the trustee under such indenture and securing only obligations to pay compensation to such trustee, to reimburse its expenses and to indemnify it under the terms thereof.

SECTION 7.2.4. Financial Condition .

(a) Net Debt to EBITDA Ratio . The Borrower will not permit the Net Debt to EBITDA Ratio as of the end of any Fiscal Quarter to be greater than 3.00 to 1.00.

(b) Interest Coverage Ratio . The Borrower will not permit the Interest Coverage Ratio as of the end of any Fiscal Quarter to be less than 3.00 to 1.00.

SECTION 7.2.5. Investments . The Borrower will not, and will not permit any of its Subsidiaries to, make, incur, assume or suffer to exist any Investment in any other Person, except:

(a) Investments existing on the date hereof and identified in Item 7.2.5(a) (" Ongoing Investments ") of the Disclosure Schedule;

(b) Cash Equivalent Investments;

(c) without duplication, Investments permitted as Indebtedness pursuant to Section 7.2.2 ;

(d) without duplication, Investments permitted as Capital Expenditures pursuant to Section 7.2.7 ;

(e) Investments by the Borrower in any of its Subsidiaries which have executed Guaranties, or by any such Subsidiary (other than SP1) in any of its Subsidiaries, by way of contributions to capital;

(f) Investments made by the Borrower or any of its Subsidiaries (other than SP1), solely with proceeds which have been contributed, directly or indirectly, to such Subsidiary as cash equity from holders of the Borrower's common stock for the purpose of making an Investment identified in a notice to the Administrative Agent on or prior to the date that such capital contribution is made;

(g) Investments by the Borrower or any of its Subsidiaries (other than SP1) to the extent the consideration received pursuant to clause (b)(i) of Section 7.2.9 is not all cash;

(h) Investments by the Borrower or any of its Subsidiaries in Weight Watchers Sweden AB Vikt-Vaktarna and Weight Watchers Suomi Oy to the extent that such Investments are for the purpose of acquiring any Capital Securities of such Subsidiaries not owned by the Borrower and its Subsidiaries on the Effective Date, in an aggregate amount not to exceed $10,000,000;

(i) other Investments (not constituting Capital Expenditures attributable to the expenditure of Base Amounts) made by the Borrower or any of the Guarantors (other than SP1) in an aggregate amount not to exceed $30,000,000;

(j) other Investments made by any Non-Guarantor Subsidiary in another Non-Guarantor Subsidiary;

(k) other Investments made by the Borrower or any Subsidiary in Qualified Assets, to the extent permitted under clause (b) of Section 3.1.1 ;

(l) Investments made by the Borrower in the Designated Subsidiary in an aggregate amount not to exceed $1,500,000;

(m) Investments permitted under Section 7.2.6 ; and

(n) Investments by the Borrower or any Subsidiary constituting Permitted Acquisitions;

provided , however , that

(i) any Investment which when made complies with the requirements of the definition of the term "Cash Equivalent Investment" may continue to be

held notwithstanding that such Investment if made thereafter would not comply with such requirements;

(ii) the Investments permitted above shall only be permitted to be made to the extent not prohibited in whole or in part by the terms of the Senior Subordinated Note Indenture or any other Subordinated Debt;

(iii) no Investment otherwise permitted by clause (e) , (f) , (g) or (i) shall be permitted to be made if, immediately before or after giving effect thereto, any Default shall have occurred and be continuing; and

(iv) except as permitted under clause (a) above, no more than $2,000,000 of Investments may be made in the Designated Subsidiary unless the Designated Subsidiary shall have taken the actions set forth in Section 7.1.7 .

SECTION 7.2.6. Restricted Payments, etc. On and at all times after the Effective Date,

(a) subject to clause (b)(ii) , the Borrower will not declare, pay or make any dividend or distribution (in cash, property or obligations) on any shares of any class of Capital Securities (now or hereafter outstanding) of the Borrower or on any warrants, options or other rights with respect to any shares of any class of Capital Securities (now or hereafter outstanding) of the Borrower (other than dividends or distributions payable in its common stock or warrants to purchase its common stock or splits or reclassifications of its stock into additional or other shares of its common stock) or apply, or permit any of its Subsidiaries to apply, any of its funds, property or assets to the purchase, redemption, sinking fund or other retirement of, or agree or permit any of its Subsidiaries to purchase or redeem, any shares of any class of Capital Securities (now or hereafter outstanding) of the Borrower, or warrants, options or other rights with respect to any shares of any class of Capital Securities (now or hereafter outstanding) of the Borrower (collectively, " Restricted Payments "); provided , that:

(i) the Borrower may make Restricted Payments of dividends on the Borrower's Capital Securities or to repurchase the Borrower's Capital Securities in an amount up to $20,000,000 plus 66.67% of Net Income from December 2, 2001, so long as (i) both before and after giving effect to such Restricted Payment no Default has occurred and is continuing and (ii) the Borrower shall have at least $30,000,000 of unused Revolving Loan Commitments; and

(ii) the Borrower may repurchase its stock held by employees constituting management, in an amount not to exceed $5,000,000 in any Fiscal Year and an aggregate amount of $20,000,000 (amounts unused in any Fiscal Year may be used in the immediately succeeding Fiscal Year);

(b) the Borrower will not, and will not permit any of its Subsidiaries to

(i) make any payment or prepayment of principal of, or interest on, any Subordinated Debt other than (A) in the case of interest only, on the stated, scheduled date for such payment of interest set forth in the applicable

Subordinated Debt or in the indenture governing such Subordinated Debt, (B) as permitted by clause (b)(ii) or (C) which would violate the terms of this Agreement or the subordination provisions of the indenture governing such Subordinated Debt; or

(ii) make any payment or prepayment of principal of, or interest on, redeem, purchase or defease, any of the Senior Subordinated Notes unless no Default has occurred and is continuing or would result therefrom; and

(c) the Borrower will not, and will not permit any Subsidiary to, make any deposit for any of the foregoing purposes (except in connection with any permitted expenditure described in clauses (a) and (b) above).

SECTION 7.2.7. Capital Expenditures, etc. The Borrower will not, and will not permit any of its Subsidiaries to, make or commit to make Capital Expenditures (other than (w) Permitted Acquisitions, (x) investments under (1) clause (j) of Section 7.2.5 and (2) clause (i) of Section 7.2.5 to the extent, in the case of this clause (2) , that the aggregate amount of such investments does not exceed $30,000,000 (it being understood that Capital Expenditures may be made pursuant to this clause (x) whether or not constituting "Investments", but shall be treated as such for the purposes of said Sections), (y) nonrecurring restructuring costs and Weighco Acquisition related expenses and (z) proceeds of capital contributions used for Capital Expenditures in any Fiscal Year by the Borrower and its Subsidiaries (other than SP1), except, to the extent not prohibited in whole or in part by the terms of the Senior Subordinated Note Indenture, Capital Expenditures which do not aggregate in excess of the amount set forth below opposite such Fiscal Year:

Fiscal Year	Maximum Capital Expenditures
2004	$ 20,000,000
2005	$ 22,000,000
2006	$ 24,000,000
2007	$ 26,000,000
2008	$ 28,000,000
2009	$ 30,000,000
2010 and thereafter	$ 32,000,000

provided , however , that (i) to the extent the amount of Capital Expenditures permitted to be made in any Fiscal Year pursuant to the table set forth above without giving effect to this clause (i) (the " Base Amount ") exceeds the aggregate amount of Capital Expenditures actually made during such Fiscal Year, such excess amount may be carried forward to (but only to) the next succeeding Fiscal Year (any such amount to be certified by the Borrower to the Administrative Agent in the Compliance Certificate delivered for the last Fiscal Quarter of such Fiscal Year, and any such amount carried forward to a succeeding Fiscal Year shall be deemed to

be used prior to the Borrower and its Subsidiaries using the Base Amount for such succeeding Fiscal Year, without giving effect to such carry-forward).

SECTION 7.2.8. Consolidation, Merger, etc. The Borrower will not, and will not permit any of its Subsidiaries to, liquidate or dissolve, consolidate with, or merge into or with, any other corporation, or purchase or otherwise acquire all or substantially all of the assets of any Person (or of any division thereof) except

(a) any such Subsidiary (other than SP1) may liquidate or dissolve voluntarily into, and may merge with and into, the Borrower (so long as the Borrower is the surviving corporation of such combination or merger) or any other Subsidiary (other than SP1), and the assets or stock of any Subsidiary may be purchased or otherwise acquired by the Borrower or any other Subsidiary (other than SP1); provided , that notwithstanding the above, (i) a Subsidiary may only liquidate or dissolve into, or merge with and into, another Subsidiary of the Borrower (other than SP1) if, after giving effect to such combination or merger, the Borrower continues to own (directly or indirectly), and the Administrative Agent continues to have pledged to it pursuant to a supplement to the WWI Pledge Agreement, a percentage of the issued and outstanding shares of Capital Securities (on a fully diluted basis) of the Subsidiary surviving such combination or merger that is equal to or in excess of the percentage of the issued and outstanding shares of Capital Securities (on a fully diluted basis) of the Subsidiary that does not survive such combination or merger that was (immediately prior to the combination or merger) owned by the Borrower or pledged to the Administrative Agent and (ii) if such Subsidiary is a Guarantor the surviving corporation must be a Guarantor;

(b) so long as no Default has occurred and is continuing or would occur after giving effect thereto, the Borrower or any of its Subsidiaries (other than SP1) may make Investments permitted under Section 7.2.5 (including any Permitted Acquisition); and

(c) a Subsidiary may merge with another Person in a transaction permitted by clause (b) of Section 7.2.9 .

SECTION 7.2.9. Asset Dispositions, etc. Subject to the definition of Change of Control, the Borrower will not, and will not permit any of its Subsidiaries to, Dispose of all or any part of its assets, whether now owned or hereafter acquired (including accounts receivable and Capital Securities of Subsidiaries) to any Person, unless

(a) such Disposition is made by the Borrower or any of its Subsidiaries (other than SP1) and is (i) in the ordinary course of its business (and does not constitute a Disposition of all or a substantial part of the Borrower or such Subsidiary's assets) or is of obsolete or worn out property or (ii) permitted by clause (a) or (b) of Section 7.2.8 ;

(b) (i) such Disposition (other than of Capital Securities) is made by the Borrower or any of its Subsidiaries (other than SP1) and is for fair market value and the consideration consists of no less than 75% in cash, (ii) the Net Disposition Proceeds received from such Disposition, together with the Net Disposition Proceeds of all other assets sold, transferred, leased, contributed or conveyed pursuant to this clause (b) since

the Effective Date, does not exceed (individually or in the aggregate) $20,000,000 over the term of this Agreement and (iii) the Net Disposition Proceeds generated from such Disposition not theretofore reinvested in Qualified Assets in accordance with clause (b) of Section 3.1.1 (with the amount permitted to be so reinvested in Qualified Assets in any event not to exceed $7,500,000 over the term of this Agreement) is applied as Net Disposition Proceeds to prepay the Loans pursuant to the terms of clause (b) of Section 3.1.1 and Section 3.1.2 ; or

(c) such Disposition is made pursuant to a Local Management Plan.

SECTION 7.2.10. Modification of Certain Agreements .

(a) The Borrower will not, and will not permit any of its Subsidiaries to, consent to any amendment, supplement, amendment and restatement, waiver or other modification of any of the terms or provisions contained in, or applicable to, the Recapitalization Agreement or any schedules, exhibits or agreements related thereto, in each case which would adversely affect the rights or remedies of the Lenders, or the Borrower's or any Subsidiary's ability to perform hereunder or under any Loan Document.

(b) Except as otherwise permitted pursuant to the terms of this Agreement, without the prior written consent of the Required Lenders, the Borrower will not consent to any amendment, supplement or other modification of any of the terms or provisions contained in, or applicable to, any Subordinated Debt (including the Senior Subordinated Note Indenture or any of the Senior Subordinated Notes), or any guarantees delivered in connection with any Subordinated Debt (including any Subordinated Guaranty) (collectively, the " Restricted Agreements "), or make any payment in order to obtain an amendment thereof or change thereto, if the effect of such amendment, supplement, modification or change is to (i) increase the principal amount of, or increase the interest rate on, or add or increase any fee with respect to such Subordinated Debt or any such Restricted Agreement, advance any dates upon which payments of principal or interest are due thereon or change any of the covenants with respect thereto in a manner which is more restrictive to the Borrower or any of its Subsidiaries or (ii) change any event of default or condition to an event of default with respect thereto, change the redemption, prepayment or defeasance provisions thereof, change the subordination provisions thereof, or change any collateral therefor (other than to release such collateral), if (in the case of this clause (b)(ii)), the effect of such amendment or change, individually or together with all other amendments or changes made, is to increase the obligations of the obligor thereunder or to confer any additional rights on the holders of such Subordinated Debt, or any such Restricted Agreement (or a trustee or other representative on their behalf).

SECTION 7.2.11. Transactions with Affiliates . The Borrower will not, and will not permit any of its Subsidiaries to, enter into, or cause, suffer or permit to exist any arrangement or contract with any of their other Affiliates (other than any Obligor)

(a) unless (i) such arrangement or contract is fair and equitable to the Borrower or such Subsidiary and is an arrangement or contract of the kind which would be entered into by a prudent Person in the position of the Borrower or such Subsidiary with a Person which is not one of their Affiliates; and (ii) if such arrangement or contract involves an amount in excess of $5,000,000, the terms of such arrangement or contract are set forth in writing and a majority of directors of the Borrower have determined in good faith that the criteria set forth in clause (i) are satisfied and have approved such arrangement or contract as evidenced by appropriate resolutions of the board of directors of the Borrower or the relevant Subsidiary; or (iii) such arrangement is set forth on Item 7.2.11 of the Disclosure Schedule; and

(b) except that, so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the Borrower and its Subsidiaries may pay (i) annual management, consulting, monitoring and advisory fees to The Invus Group, Ltd. in an aggregate total amount in any Fiscal Year not to exceed the greater of (x) $1,000,000 and (y) 1.0% of EBITDA for the relevant period, and any related out-of-pocket expenses and (ii) fees to The Invus Group, Ltd. and its Affiliates in connection with any acquisition or divestiture transaction entered into by the Borrower or any Subsidiary; provided , however , that the aggregate amount of fees paid to The Invus Group, Ltd. and its Affiliates in respect of any acquisition or divestiture transaction shall not exceed 1% of the total amount of such transaction.

SECTION 7.2.12. Negative Pledges, Restrictive Agreements, etc. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any agreement (excluding (i) any restrictions existing under the Loan Documents or, in the case of clauses (a)(i) and (b) , any other agreements in effect on the date hereof, (ii) in the case of clauses (a)(i) and (b) , any restrictions with respect to a Subsidiary imposed pursuant to an agreement which has been entered into in connection with the sale or disposition of all or substantially all of the Capital Securities or assets of such Subsidiary pursuant to a transaction otherwise permitted hereby, (iii) in the case of clause (a) , restrictions in respect of Indebtedness secured by Liens permitted by Section 7.2.3 , but only to the extent such restrictions apply to the assets encumbered thereby, (iv) in the case of clause (a) , restrictions under the Senior Subordinated Note Indenture or (v) any restrictions existing under any agreement that amends, refinances or replaces any agreement containing the restrictions referred to in clause (i) , (ii) or (iii) above; provided , that the terms and conditions of any such agreement referred to in clause (i) , (ii) or (iii) are not materially less favorable to the Lenders or materially more restrictive to any Obligor a party thereto than those under the agreement so amended, refinanced or replaced) prohibiting

(a) the (i) creation or assumption of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired, or (ii) ability of the Borrower or any other Obligor to amend or otherwise modify this Agreement or any other Loan Document; or

(b) the ability of any Subsidiary to make any payments, directly or indirectly, to the Borrower by way of dividends, advances, repayments of loans or advances, reimbursements of management and other intercompany charges, expenses and accruals or other returns on investments, or any other agreement or arrangement which restricts

the ability of any such Subsidiary to make any payment, directly or indirectly, to the Borrower.

SECTION 7.2.13. Stock of Subsidiaries . The Borrower will not (other than in connection with a Permitted Acquisition or an Investment), and will not permit any of its Subsidiaries to issue any Capital Securities (whether for value or otherwise) to any Person other than the Borrower or another Wholly-owned Subsidiary of the Borrower except in connection with a Local Management Plan; provided , that, WW Australia shall at all times be the record and beneficial direct owner of all of the issued and outstanding Capital Securities of SP1.

SECTION 7.2.14. Sale and Leaseback . The Borrower will not, and will not permit any of its Subsidiaries to, enter into any agreement or arrangement with any other Person providing for the leasing by the Borrower or any of its Subsidiaries of real or personal property which has been or is to be sold or transferred by the Borrower or any of its Subsidiaries to such other Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower or any of its Subsidiaries.

SECTION 7.2.15. Fiscal Year . The Borrower will not and will not permit any of its Subsidiaries to change its Fiscal Year.

SECTION 7.2.16. Designation of Senior Indebtedness . The Borrower will not designate any Indebtedness as "Designated Senior Indebtedness" pursuant to clause (1) of the definition of such term in the Senior Subordinated Note Indenture.

ARTICLE VIII

[INTENTIONALLY OMITTED]

ARTICLE IX

EVENTS OF DEFAULT

SECTION 9.1. Listing of Events of Default . Each of the following events or occurrences described in this Section 9.1 shall constitute an " Event of Default ".

SECTION 9.1.1. Non-Payment of Obligations . The Borrower shall default in the payment or prepayment of any Reimbursement Obligation (including pursuant to Sections 2.6 and 2.6.2) on the applicable Disbursement Due Date or any deposit of cash for collateral purposes on the date required pursuant to Section 2.6.4 or any principal of any Loan when due, or any Obligor (including the Borrower and SP1) shall default (and such default shall continue unremedied for a period of three Business Days) in the payment when due of any interest or commitment fee or of any other monetary Obligation.

SECTION 9.1.2. Breach of Warranty . Any representation or warranty of the Borrower or any other Obligor made or deemed to be made hereunder or in any other Loan Document executed by it or any other writing or certificate furnished by or on behalf of the Borrower or any

other Obligor to the Administrative Agent, the Issuer or any Lender for the purposes of or in connection with this Agreement or any such other Loan Document (including any certificates delivered pursuant to Article V) is or shall be incorrect when made in any material respect.

SECTION 9.1.3. Non-Performance of Certain Covenants and Obligations . Any Borrower shall default in the due performance and observance of any of its obligations under Section 7.1.9 or Section 7.2 .

SECTION 9.1.4. Non-Performance of Other Covenants and Obligations . Any Obligor shall default in the due performance and observance of any other agreement contained herein or in any other Loan Document executed by it, and such default shall continue unremedied for a period of 30 days after notice thereof shall have been given to the Borrower by the Administrative Agent at the direction of the Required Lenders.

SECTION 9.1.5. Default on Other Indebtedness . A default shall occur (i) in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Indebtedness, other than Indebtedness described in Section 9.1.1 , of the Borrower or any of its Subsidiaries or any other Obligor having a principal amount, individually or in the aggregate, in excess of $1,000,000, or (ii) a default shall occur in the performance or observance of any obligation or condition with respect to such Indebtedness having a principal amount, individually or in the aggregate, in excess of $5,000,000 if the effect of such default is to accelerate the maturity of any such Indebtedness or such default shall continue unremedied for any applicable period of time sufficient to permit the holder or holders of such Indebtedness, or any trustee or agent for such holders, to cause such Indebtedness to become due and payable prior to its expressed maturity.

SECTION 9.1.6. Judgments . Any judgment or order for the payment of money in excess of $1,000,000 (not covered by insurance from a responsible insurance company that is not denying its liability with respect thereto) shall be rendered against the Borrower or any of its Subsidiaries or any other Obligor and remain unpaid and either

(a) enforcement proceedings shall have been commenced by any creditor upon such judgment or order; or

(b) there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

SECTION 9.1.7. Pension Plans . Any of the following events shall occur with respect to any Pension Plan:

(a) the termination of any Pension Plan if, as a result of such termination, the Borrower or any Subsidiary would be required to make a contribution to such Pension Plan, or would reasonably expect to incur a liability or obligation to such Pension Plan, in excess of $5,000,000; or

(b) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under section 302(f) of ERISA in an amount in excess of $5,000,000.

SECTION 9.1.8. Change in Control . Any Change in Control shall occur.

SECTION 9.1.9. Bankruptcy, Insolvency, etc. The Borrower or any of its Subsidiaries (other than any Immaterial Subsidiary or the Designated Subsidiary) or any other Obligor shall

(a) become insolvent or generally fail to pay, or admit in writing its inability or unwillingness to pay, debts as they become due;

(b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower or any of its Subsidiaries or any other Obligor or any property of any thereof, or make a general assignment for the benefit of creditors;

(c) in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower or any of its Subsidiaries or any other Obligor or for a substantial part of the property of any thereof, and such trustee, receiver, sequestrator or other custodian shall not be discharged within 60 days, provided that the Borrower or each Subsidiary and each other Obligor hereby expressly authorizes the Administrative Agent, the Issuer and each Lender to appear in any court conducting any relevant proceeding during such 60-day period to preserve, protect and defend their rights under the Loan Documents;

(d) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Borrower or any of its Subsidiaries or any other Obligor, and, if any such case or proceeding is not commenced by the Borrower or such Subsidiary or such other Obligor, such case or proceeding shall be consented to or acquiesced in by the Borrower or such Subsidiary or such other Obligor or shall result in the entry of an order for relief or shall remain for 60 days undismissed, provided that the Borrower, each Subsidiary and each other Obligor hereby expressly authorizes the Administrative Agent, the Issuer and each Lender to appear in any court conducting any such case or proceeding during such 60-day period to preserve, protect and defend their rights under the Loan Documents; or

(e) take any action (corporate or otherwise) authorizing, or in furtherance of, any of the foregoing.

SECTION 9.1.10. Impairment of Security, etc. Any Loan Document, or any Lien granted thereunder, shall (except in accordance with its terms), in whole or in part, terminate, cease to be in full force and effect or cease to be the legally valid, binding and enforceable obligation of any Obligor party thereto; the Borrower or any other Obligor shall, directly or indirectly, contest in any manner the effectiveness, validity, binding nature or enforceability thereof; or any Lien securing any Obligation shall, in whole or in part, cease to be a perfected first priority Lien, subject only to those exceptions expressly permitted by such Loan Document, except to the extent any event referred to above (a) results from the failure of the Administrative Agent to maintain possession of certificates representing securities pledged under the WWI Pledge Agreement or to file continuation statements under the Uniform Commercial Code of any

applicable jurisdiction or (b) is covered by a lender's title insurance policy and the relevant insurer promptly after the occurrence thereof shall have acknowledged in writing that the same is covered by such title insurance policy.

SECTION 9.1.11. Subordinated Debt . The subordination provisions relating to any Subordinated Debt (the " Subordination Provisions ") shall fail to be enforceable by the Lenders (which have not effectively waived the benefits thereof) in accordance with the terms thereof, or the principal or interest on any Loan, Reimbursement Obligation or other monetary Obligations shall fail to constitute Senior Debt, or the same (or any other similar term) used to define the monetary Obligations.

SECTION 9.1.12. Redemption . Any holder of any Subordinated Debt shall file an action seeking the rescission thereof or damages or injunctive relief relating thereto; or any event shall occur which, under the terms of any agreement or indenture relating to Subordinated Debt, shall require the Borrower or any of its Subsidiaries to purchase, redeem or otherwise acquire or offer to purchase, redeem or otherwise acquire all or any portion of the principal amount of the Subordinated Debt (other than as provided under Section 7.2.6); or the Borrower or any of its Subsidiaries shall for any other reason purchase, redeem or otherwise acquire or offer to purchase, redeem or otherwise acquire, or make any other payments in respect of the principal amount of any such Subordinated Debt (other than as provided under Section 7.2.6).

SECTION 9.2. Action if Bankruptcy, etc. If any Event of Default described in clauses (a) through (d) of Section 9.1.9 shall occur with respect to the Borrower, any Subsidiary or any other Obligor, the Commitments (if not theretofore terminated) shall automatically terminate and the outstanding principal amount of all outstanding Loans and all other Obligations shall automatically be and become immediately due and payable, without notice or demand.

SECTION 9.3. Action if Other Event of Default . If any Event of Default (other than any Event of Default described in clauses (a) through (d) of Section 9.1.9 with respect to the Borrower or any Subsidiary or any other Obligor) shall occur for any reason, whether voluntary or involuntary, and be continuing, the Administrative Agent, upon the direction of the Required Lenders, shall by notice to the Borrower declare all or any portion of the outstanding principal amount of the Loans and other Obligations to be due and payable, require the Borrower to provide cash collateral to be deposited with the Administrative Agent in an amount equal to the Stated Amount of all issued Letters of Credit and/or declare the Commitments (if not theretofore terminated) to be terminated, whereupon the full unpaid amount of such Loans and other Obligations which shall be so declared due and payable shall be and become immediately due and payable, without further notice, demand or presentment, the Borrower shall deposit with the Administrative Agent cash collateral in an amount equal to the Stated Amount of all issued Letters of Credit and/or, as the case may be, the Commitments shall terminate.

ARTICLE X

THE AGENTS

SECTION 10.1. Actions . Each Lender hereby appoints Scotia Capital as its Administrative Agent and as a Lead Agent and Book Manager under and for purposes of this Agreement, the Notes and each other Loan Document. Each Lender authorizes the Administrative Agent to act on behalf of such Lender under this Agreement, the Notes, and each other Loan Document and, in the absence of other written instructions from the Required Lenders received from time to time by the Administrative Agent (with respect to which the Administrative Agent agrees that it will comply, except as otherwise provided in this Section or as otherwise advised by counsel), to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Administrative Agent by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. Each Lender hereby appoints CSFB as the Syndication Agent and as a Lead Agent and Book Manager. Each Lender hereby indemnifies (which indemnity shall survive any termination of this Agreement) each Agent, ratably in accordance with their respective Term Loans outstanding and Commitments (or, if no Term Loans or Commitments are at the time outstanding and in effect, then ratably in accordance with the principal amount of Term Loans and their respective Commitments as in effect in each case on the date of the termination of this Agreement), from and against any and all liabilities, obligations, losses, damages, claims, costs or expenses of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against, the Agents in any way relating to or arising out of this Agreement, the Notes and any other Loan Document, including reasonable attorneys' fees, and as to which any Agent is not reimbursed by the Borrower or any other Obligor (and without limiting the obligation of the Borrower or any other Obligor to do so); provided , however , that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, claims, costs or expenses which are determined by a court of competent jurisdiction in a final proceeding to have resulted solely from an Agent's gross negligence or willful misconduct. The Agents shall not be required to take any action hereunder, under the Notes or under any other Loan Document, or to prosecute or defend any suit in respect of this Agreement, the Notes or any other Loan Document, unless it is indemnified hereunder to its satisfaction. If any indemnity in favor of the Agents shall be or become, in any Agent's determination, inadequate, any Agent may call for additional indemnification from the Lenders and cease to do the acts indemnified against hereunder until such additional indemnity is given. Notwithstanding the foregoing, the Lead Arrangers and Book Managers shall have no duties, obligations or liabilities under any Loan Document.

SECTION 10.2. Funding Reliance, etc. Unless the Administrative Agent shall have been notified by telephone, confirmed in writing, by any Lender by 5:00 p.m., New York time, on the day prior to a Borrowing that such Lender will not make available the amount which would constitute its Percentage of such Borrowing on the date specified therefor, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent and, in reliance upon such assumption, make available to the Borrower a corresponding amount. If and to the extent that such Lender shall not have made such amount available to the Administrative Agent, such Lender severally agrees and the Borrower agrees to repay the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date the Administrative Agent made such amount

available to the Borrower to the date such amount is repaid to the Administrative Agent, at the interest rate applicable at the time to Loans comprising such Borrowing (in the case of the Borrower) and (in the case of a Lender), at the Federal Funds Rate (for the first two Business Days after which such amount has not been repaid, and thereafter at the interest rate applicable to Loans comprising such Borrowing.

SECTION 10.3. Exculpation . Neither any Agent nor any of their respective directors, officers, employees or agents shall be liable to any Lender for any action taken or omitted to be taken by it under this Agreement or any other Loan Document, or in connection herewith or therewith, except for its own willful misconduct or gross negligence, nor responsible for any recitals or warranties herein or therein, nor for the effectiveness, enforceability, validity or due execution of this Agreement or any other Loan Document, nor for the creation, perfection or priority of any Liens purported to be created by any of the Loan Documents, or the validity, genuineness, enforceability, existence, value or sufficiency of any collateral security, nor to make any inquiry respecting the performance by the Borrower of its obligations hereunder or under any other Loan Document. Any such inquiry which may be made by any Agent shall not obligate it to make any further inquiry or to take any action. The Agents shall be entitled to rely upon advice of counsel concerning legal matters and upon any notice, consent, certificate, statement or writing which the Agents believe to be genuine and to have been presented by a proper Person.

SECTION 10.4. Successor . The Syndication Agent may resign as such upon one Business Day's notice to the Borrower and the Administrative Agent. The Administrative Agent may resign as such at any time upon at least 30 days prior notice to the Borrower and all Lenders. If the Administrative Agent at any time shall resign, the Required Lenders may, with the prior consent of the Borrower (which consent shall not be unreasonably withheld), appoint another Lender as a successor Administrative Agent which shall thereupon become the Administrative Agent hereunder. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be one of the Lenders or a commercial banking institution organized under the laws of the U.S. (or any State thereof) or a U.S. branch or agency of a commercial banking institution, and having a combined capital and surplus of at least $250,000,000; provided , however , that if, such retiring Administrative Agent is unable to find a commercial banking institution which is willing to accept such appointment and which meets the qualifications set forth in above, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor as provided for above. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall be entitled to receive from the retiring Administrative Agent such documents of transfer and assignment as such successor Administrative Agent may reasonably request, and shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation hereunder as the Administrative Agent, the provisions of

(a) this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent under this Agreement; and

(b) Section 11.3 and Section 11.4 shall continue to inure to its benefit.

SECTION 10.5. Credit Extensions by each Agent . Each Agent shall have the same rights and powers with respect to (x) the Credit Extensions made by it or any of its Affiliates, and (y) the Notes held by it or any of its Affiliates as any other Lender and may exercise the same as if it were not an Agent. Each Agent and its respective Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or Affiliate of the Borrower, as if such Agent were not an Agent hereunder.

SECTION 10.6. Credit Decisions . Each Lender acknowledges that it has, independently of each Agent and each other Lender, and based on such Lender's review of the financial information of the Borrower, this Agreement, the other Loan Documents (the terms and provisions of which being satisfactory to such Lender) and such other documents, information and investigations as such Lender has deemed appropriate, made its own credit decision to extend its Commitments. Each Lender also acknowledges that it will, independently of each Agent and each other Lender, and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any other Loan Document.

SECTION 10.7. Copies, etc. The Administrative Agent shall give prompt notice to each Lender of each notice or request required or permitted to be given to the Administrative Agent by the Borrower pursuant to the terms of this Agreement (unless concurrently delivered to the Lenders by the Borrower). The Administrative Agent will distribute to each Lender each document or instrument received for its account and copies of all other communications received by the Administrative Agent from the Borrower for distribution to the Lenders by the Administrative Agent in accordance with the terms of this Agreement.

SECTION 10.8. Reliance by the Administrative Agent . The Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopy, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Administrative Agent. As to any matters not expressly provided for by this Agreement or any other Loan Document, the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions given by the Required Lenders or all of the Lenders as is required in such circumstance, and such instructions of such Lenders and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. For purposes of applying amounts in accordance with this Section, the Administrative Agent shall be entitled to rely upon any Secured Party that has entered into a Rate Protection Agreement with any Obligor for a determination (which such Secured Party agrees to provide or cause to be provided upon request of the Administrative Agent) of the outstanding Secured Obligations owed to such Secured Party under any Rate Protection Agreement. Unless it has actual knowledge evidenced by way of written notice from any such Secured Party and the Borrower to

the contrary, the Administrative Agent, in acting hereunder and under each other Loan Document, shall be entitled to assume that no Rate Protection Agreements or Obligations in respect thereof are in existence or outstanding between any Secured Party and any Obligor.

SECTION 10.9. Defaults . The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default unless the Administrative Agent has received notice from a Lender or the Borrower specifying such Default and stating that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall (subject to Section 11.1) take such action with respect to such Default as shall be directed by the Required Lenders; provided , that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interest of the Lenders except to the extent that this Agreement expressly requires that such action be taken, or not be taken, only with the consent or upon the authorization of the Required Lenders or all Lenders.

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1. Waivers, Amendments, etc. The provisions of this Agreement and of each other Loan Document may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Borrower and the Required Lenders; provided , however , that no such amendment, modification or waiver shall:

(a) modify this Section 11.1 without the consent of all Lenders;

(b) increase the aggregate amount of any Lender's Percentage of any Commitment Amount, increase the aggregate amount of any Loans to be made by a Lender pursuant to its Commitments, extend the Revolving Commitment Termination Date of Credit Extensions made (or participated in) by a Lender or reduce any fees described in Article III payable to any Lender without the consent of such Lender;

(c) extend the final Stated Maturity Date for any Lender's Loan, or reduce the principal amount of or rate of interest on any Lender's Loan or extend the date on which scheduled payments of principal, or payments of interest or fees are payable in respect of any Lender's Loans, in each case, without the consent of such Lender (it being understood and agreed, however, that any vote to rescind any acceleration made pursuant to Section 9.2 and Section 9.3 of amounts owing with respect to the Loans and other Obligations shall only require the vote of the Required Lenders);

(d) reduce the percentage set forth in the definition of "Required Lenders" or any requirement hereunder that any particular action be taken by all Lenders without the consent of all Lenders;

(e) increase the Stated Amount of any Letter of Credit or extend the Stated Expiry Date of any Letter of Credit to a date which is subsequent to the Revolving Loan Commitment Termination Date, in each case, unless consented to by the Issuer of such Letter of Credit;

(f) except as otherwise expressly provided in this Agreement or another Loan Document, release (i) any Guarantor from its obligations under a Guaranty other than in connection with a Disposition of all or substantially all of the Capital Securities of such Guarantor in a transaction permitted by Section 7.2.9 as in effect from time to time or (ii) all or substantially all of the collateral under the Loan Documents, in either case without the consent of all Lenders;

(g) change any of the terms of clause (c) of Section 2.1.4 or Section 2.3.2 without the consent of the Swing Line Lender; or

(h) affect adversely the interests, rights or obligations of the Administrative Agent (in its capacity as the Administrative Agent), the Syndication Agent (in its capacity as the Syndication Agent) or any Issuer (in its capacity as Issuer), unless consented to by the Administrative Agent, the Syndication Agent or such Issuer, as the case may be.

No failure or delay on the part of the Administrative Agent, the Syndication Agent, any Issuer or any Lender in exercising any power or right under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Borrower or any other Obligor in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Administrative Agent, the Syndication Agent, any Issuer or any Lender under this Agreement or any other Loan Document shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

SECTION 11.2. Notices . All notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by facsimile and addressed, delivered or transmitted to such party at its address or facsimile number set forth on Schedule III hereto or set forth in the Lender Assignment Agreement or at such other address or facsimile number as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by pre-paid courier service, shall be deemed given when received; any notice, if transmitted by facsimile, shall be deemed given when transmitted (telephonic confirmation in the case of facsimile).

SECTION 11.3. Payment of Costs and Expenses . The Borrower agrees to pay on demand all reasonable expenses of the Administrative Agent (including the reasonable fees and out-of-pocket expenses of Mayer, Brown, Rowe & Maw LLP, special New York counsel to the Administrative Agent and of local counsel, if any, who may be retained by counsel to the Administrative Agent) in connection with:

(a) the syndication by the Agents of the Loans, the negotiation, preparation, execution and delivery of this Agreement and of each other Loan Document, including schedules and exhibits, and any amendments, waivers, consents, supplements or other modifications to this Agreement or any other Loan Document as may from time to time hereafter be required, whether or not the transactions contemplated hereby are consummated;

(b) the filing, recording, refiling or rerecording of each Mortgage, each Pledge Agreement and each Security Agreement and/or any Uniform Commercial Code financing statements or other instruments relating thereto and all amendments, supplements and modifications to any thereof and any and all other documents or instruments of further assurance required to be filed or recorded or refiled or rerecorded by the terms hereof or of such Mortgage, Pledge Agreement or Security Agreement; and

(c) the preparation and review of the form of any document or instrument relevant to this Agreement or any other Loan Document.

The Borrower further agrees to pay, and to save each Agent, the Issuer and the Lenders harmless from all liability for, any stamp or other similar taxes which may be payable in connection with the execution or delivery of this Agreement, the Credit Extensions made hereunder, or the issuance of the Notes and Letters of Credit or any other Loan Documents. The Borrower also agrees to reimburse the Administrative Agent, the Issuer and each Lender upon demand for all reasonable out-of-pocket expenses (including attorneys' fees and legal expenses) incurred by the Administrative Agent, the Issuer or such Lender in connection with (x) the negotiation of any restructuring or "work-out", whether or not consummated, of any Obligations and (y) the enforcement of any Obligations.

SECTION 11.4. Indemnification . In consideration of the execution and delivery of this Agreement by each Lender and the extension of the Commitments, the Borrower hereby indemnifies, exonerates and holds the Administrative Agent, the Syndication Agent, the Issuer and each Lender and each of their respective Affiliates, and each of their respective partners, officers, directors, employees and agents, and each other Person controlling any of the foregoing within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the " Indemnified Parties "), free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses actually incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements (collectively, the " Indemnified Liabilities "), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to

(a) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Credit Extension;

(b) the entering into and performance of this Agreement and any other Loan Document by any of the Indemnified Parties (including any action brought by or on

behalf of the Borrower as the result of any determination by the Required Lenders pursuant to Article V not to make any Credit Extension);

(c) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by the Borrower or any of its Subsidiaries of all or any portion of the stock or assets of any Person, whether or not the Administrative Agent, the Syndication Agent, the Issuer or such Lender is party thereto;

(d) any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to the protection of the environment or the Release by the Borrower or any of its Subsidiaries of any Hazardous Material;

(e) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any real property owned or operated by the Borrower or any Subsidiary thereof of any Hazardous Material present on or under such property in a manner giving rise to liability at or prior to the time the Borrower or such Subsidiary owned or operated such property (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, the Borrower or such Subsidiary; or

(f) each Lender's Environmental Liability (the indemnification herein shall survive repayment of the Notes and any transfer of the property of the Borrower or any of its Subsidiaries by foreclosure or by a deed in lieu of foreclosure for any Lender's Environmental Liability, regardless of whether caused by, or within the control of, the Borrower or such Subsidiary);

except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the relevant Indemnified Party's gross negligence or willful misconduct. The Borrower and its permitted successors and assigns hereby waive, release and agree not to make any claim, or bring any cost recovery action against, the Administrative Agent, the Syndication Agent, the Issuer or any Lender under CERCLA or any state equivalent, or any similar law now existing or hereafter enacted, except to the extent arising out of the gross negligence or willful misconduct of any Indemnified Party. It is expressly understood and agreed that to the extent that any of such Persons is strictly liable under any Environmental Laws, the Borrower's obligation to such Person under this indemnity shall likewise be without regard to fault on the part of the Borrower with respect to the violation or condition which results in liability of such Person. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

SECTION 11.5. Survival . The obligations of the Borrower under Sections 4.3 , 4.4 , 4.5 , 4.6 , 11.3 and 11.4 , and the obligations of the Lenders under Sections 4.8 and 10.1 , shall in each case survive any termination of this Agreement, the payment in full of all Obligations, the termination or expiration of all Letters of Credit and the termination of all Commitments. The representations and warranties made by the Borrower and each other Obligor in this Agreement

and in each other Loan Document shall survive the execution and delivery of this Agreement and each such other Loan Document.

SECTION 11.6. Severability . Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 11.7. Headings . The various headings of this Agreement and of each other Loan Document are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or such other Loan Document or any provisions hereof or thereof.

SECTION 11.8. Execution in Counterparts; Effectiveness . This Agreement may be executed by the parties hereto in several counterparts each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. This Agreement shall become effective when counterparts hereof executed on behalf of the Borrower, the Agents and each Lender (or notice thereof satisfactory to the Administrative Agent), shall have been received by the Administrative Agent.

SECTION 11.9. Governing Law; Entire Agreement . THIS AGREEMENT, THE NOTES AND EACH OTHER LOAN DOCUMENT (OTHER THAN THE LETTERS OF CREDIT, TO THE EXTENT SPECIFIED BELOW AND EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN A LOAN DOCUMENT), INCLUDING PROVISIONS WITH RESPECT TO INTEREST, LOAN CHARGES AND COMMITMENT FEES, SHALL EACH BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK). EACH LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OR RULES DESIGNATED IN SUCH LETTER OF CREDIT, OR IF NO LAWS OR RULES ARE DESIGNATED, THE INTERNATIONAL STANDBY PRACTICES (ISP98—INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NUMBER 590 (THE " ISP RULES ")) AND, AS TO MATTERS NOT GOVERNED BY THE ISP RULES, THE INTERNAL LAWS OF THE STATE OF NEW YORK. This Agreement and the other Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 11.10. Successors and Assigns . This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided , however , that:

(a) the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of the Administrative Agent and all Lenders; and

(b) the rights of sale, assignment and transfer of the Lenders are subject to Section 11.11 .

SECTION 11.11. Sale and Transfer of Loans and Notes; Participations in Loans and Notes . Each Lender may assign, or sell participations in, its Loans, Letters of Credit and Commitments to one or more other Persons, on a non pro rata basis, in accordance with this Section 11.11 .

SECTION 11.11.1. Assignments . Any Lender,

(a) with the written consents of the Borrower and the Administrative Agent (which consents shall not be unreasonably delayed or withheld and which consent, in the case of the Borrower, shall be deemed to have been given in the absence of a written notice delivered by the Borrower to the Administrative Agent, on or before the fifth Business Day after receipt by the Borrower of such Lender's request for such consent), may at any time assign and delegate to one or more commercial banks or other financial institutions; and

(b) with notice to the Borrower and the Administrative Agent, but without the consent of the Borrower or the Administrative Agent, may assign and delegate to any of its Affiliates, Related Fund or to any other Lender,

(each Person described in either of the foregoing clauses as being the Person to whom such assignment and delegation is to be made, being hereinafter referred to as an " Assignee Lender "), all or any fraction of such Lender's total Loans, participations in Letters of Credit and Letter of Credit Outstandings with respect thereto and Commitments in a minimum aggregate amount of $1,000,000 or the then remaining amount of a Lender's type of Loan or Commitment; provided , however , that (i) with respect to assignments of Revolving Loans, the assigning Lender must assign a pro rata portion of each of its Revolving Loan Commitments, Revolving Loans and interest in Letters of Credit Outstandings, (ii) the Administrative Agent, in its own discretion, or by instruction from the Issuer, may refuse acceptance of an assignment of Revolving Loans and Revolving Loan Commitments to a Person not satisfying long-term certificate of deposit ratings published by S&P or Moody's, of at least BBB- or Baa3, respectively, or (unless otherwise agreed to by the Issuer), if such assignment would, pursuant to any applicable laws, rules or regulations, be binding on the Issuer, result in a reduced rate of return to the Issuer or require the Issuer to set aside capital in an amount that is greater than that which is required to be set aside for other Lenders participating in the Letters of Credit, and (iii) such minimum assignment amounts shall not apply to assignments among Lenders, their Affiliates and Related Funds; provided , further , that any such Assignee Lender will comply, if applicable, with the provisions contained in Section 4.6 and the Borrower, each other Obligor and the Administrative Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned and delegated to an Assignee Lender until

(i) written notice of such assignment and delegation, together with payment instructions, addresses and related information with respect to such Assignee Lender, shall have been given to the Borrower and the Administrative Agent by such Lender and such Assignee Lender;

(ii) such Lender and such Assignee Lender shall have executed and delivered to the Borrower and the Administrative Agent a Lender Assignment Agreement, accepted by the Administrative Agent; and

(iii) the processing fees described below shall have been paid.

From and after the date that the Administrative Agent accepts such Lender Assignment Agreement and records the information contained therein in the Register pursuant to Section 11.11.3, (x) the Assignee Lender thereunder shall be deemed automatically to have become a party hereto and to the extent that rights and obligations hereunder have been assigned and delegated to such Assignee Lender in connection with such Lender Assignment Agreement shall have the rights and obligations of a Lender hereunder and under the other Loan Documents, and (y) the assignor Lender, to the extent that rights and obligations hereunder have been assigned and delegated by it in connection with such Lender Assignment Agreement, shall be released from its obligations hereunder and under the other Loan Documents. Within ten Business Days after its receipt of notice that the Administrative Agent has received an executed Lender Assignment Agreement, the Borrower shall execute and deliver to the Administrative Agent (for delivery to the relevant Assignee Lender), to the extent required by the Assignee Lender, new Notes evidencing such Assignee Lender's assigned Loans and Commitments and, if the assignor Lender has retained Loans and Commitments hereunder, replacement Notes in the principal amount of the Loans and Commitments, as the case may be, retained by the assignor Lender hereunder (such Notes to be in exchange for, but not in payment of, those Notes, then held by such assignor Lender). Each such Note shall be dated the date of the predecessor Notes. The assignor Lender shall mark the predecessor Notes "exchanged" and deliver them to the Borrower. Accrued interest on that part of the predecessor Notes evidenced by the new Notes and accrued fees, shall be paid as provided in the Lender Assignment Agreement. Accrued interest on that part of the predecessor Notes evidenced by the replacement Notes shall be paid to the assignor Lender. Accrued interest and accrued fees shall be paid at the same time or times provided in the predecessor Notes and in this Agreement. Such assignor Lender or such Assignee Lender must also pay a processing fee to the Administrative Agent upon delivery of any Lender Assignment Agreement, in the amount of $3,500, unless such assignment and delegation is by a Lender to its Affiliate or if such assignment and delegation is by a Lender to the Federal Reserve Bank or other creditor, as provided below; provided however that for purposes of paying such processing fee, same-day assignments to Affiliates and/or Related Funds of a Lender shall be treated as a single assignment. Any attempted assignment and delegation not made in accordance with this Section 11.11.1 shall be null and void.

Notwithstanding any other term of this Section 11.11.1 , the agreement of the Swing Line Lender to provide the Swing Line Loan Commitment shall not impair or otherwise restrict in any manner the ability of the Swing Line Lender to make any assignment of its Loans or Commitments, it being understood and agreed that the Swing Line Lender may terminate its Swing Line Loan Commitment, to the extent such Swing Line Commitment would exceed its Revolving Loan Commitment after giving effect to such assignment, in connection with the making of any assignment. Nothing contained in this Section 11.11.1 shall restrict or prohibit any Lender from pledging its rights (but not its obligations to make Loans) under this Agreement and/or its Loans and/or its Notes hereunder to a Federal Reserve Bank (or in the case of a Lender which is a fund, to the trustee of, or other Eligible Institution affiliated with, such fund for the

benefit of its investors) or other creditor in support of borrowings made by such Lender from such Federal Reserve Bank or other creditor.

In the event that S&P or Moody's shall, after the date that any Lender with a Commitment to make Revolving Loans or participate in Letters of Credit or Swing Line Loans becomes a Lender, downgrade the long-term certificate of deposit rating or long-term senior unsecured debt rating of such Lender, and the resulting rating shall be below BBB- or Baa3, then each of the Issuer and (if different) the Swing Line Lender shall have the right, but not the obligation, upon notice to such Lender and the Administrative Agent, to replace such Lender with an Assignee Lender in accordance with and subject to the restrictions contained in this Section, and such Lender hereby agrees to transfer and assign without recourse (in accordance with and subject to the restrictions contained in this Section) all its interests, rights and obligations in respect of its Revolving Loan Commitment under this Agreement to such Assignee Lender; provided , however , that (i) no such assignment shall conflict with any law, rule and regulation or order of any governmental authority and (ii) such Assignee Lender shall pay to such Lender in immediately available funds on the date of such assignment the principal of and interest and fees (if any) accrued to the date of payment on the Loans made, and Letters of Credit participated in, by such Lender hereunder and all other amounts accrued for such Lender's account or owed to it hereunder.

SECTION 11.11.2. Participations .

(a) Any Lender may at any time sell to one or more commercial banks or other Persons (each of such commercial banks and other Persons being herein called a " Participant ") participating interests in any of the Loans, Commitments, or other interests of such Lender hereunder; provided , however , that

(i) no participation contemplated in this Section shall relieve such Lender from its Commitments or its other obligations hereunder or under any other Loan Document;

(ii) such Lender shall remain solely responsible for the performance of its Commitments and such other obligations;

(iii) each Borrower and each other Obligor and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and each of the other Loan Documents;

(iv) no Participant, unless such Participant is an Affiliate of such Lender, or Related Fund or is itself a Lender, shall be entitled to require such Lender to take or refrain from taking any action hereunder or under any other Loan Document, except that such Lender may agree with any Participant that such Lender will not, without such Participant's consent, take any action of the type described in clause (a) , (b) , (f) or, to the extent requiring the consent of each Lender, clause (c) of Section 11.1 ; and

(v) the Borrower shall not be required to pay any amount under this Agreement that is greater than the amount which it would have been required to pay had no participating interest been sold.

The Borrower acknowledges and agrees, subject to clause (v) above, that each Participant, for purposes of Sections 4.3 , 4.4 , 4.5 , 4.6 , 4.8 , 4.9 , 11.3 and 11.4 , shall be considered a Lender. Each Participant shall only be indemnified for increased costs pursuant to Section 4.3 , 4.5 or 4.6 if and to the extent that the Lender which sold such participating interest to such Participant concurrently is entitled to make, and does make, a claim on the Borrower for such increased costs. Any Lender that sells a participating interest in any Loan, Commitment or other interest to a Participant under this Section shall indemnify and hold harmless each Borrower and the Administrative Agent from and against any taxes, penalties, interest or other costs or losses (including reasonable attorneys' fees and expenses) incurred or payable by the Borrower or the Administrative Agent as a result of the failure of the Borrower or the Administrative Agent to comply with its obligations to deduct or withhold any taxes from any payments made pursuant to this Agreement to such Lender or the Administrative Agent, as the case may be, which taxes would not have been incurred or payable if such Participant had been a Non-U.S. Lender that was entitled to deliver to the Borrower, the Administrative Agent or such Lender, and did in fact so deliver, a duly completed and valid Form 1001 or 4224 (or applicable successor form) entitling such Participant to receive payments under this Agreement without deduction or withholding of any United States federal taxes.

SECTION 11.11.3. Register . The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, and the Administrative Agent hereby accepts such designation, solely for the purpose of this Section, to maintain a register (the " Register ") on which the Administrative Agent will record each Lender's Commitment, the Loans made by each Lender and the Notes evidencing such Loans, and each repayment in respect of the principal amount of the Loans of each Lender and annexed to which the Administrative Agent shall retain a copy of each Lender Assignment Agreement delivered to the Administrative Agent pursuant to this Section. Failure to make any recordation, or any error in such recordation, shall not affect the Borrower's or any other Obligor's Obligations in respect of such Loans or Notes. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person in whose name a Loan and related Note is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. A Lender's Commitment and the Loans made pursuant thereto and the Notes evidencing such Loans may be assigned or otherwise transferred in whole or in part only by registration of such assignment or transfer in the Register. Any assignment or transfer of a Lender's Commitment or the Loans or the Notes evidencing such Loans made pursuant thereto shall be registered in the Register only upon delivery to the Administrative Agent of a Lender Assignment Agreement duly executed by the assignor thereof. No assignment or transfer of a Lender's Commitment or Loans or the Notes evidencing such Loans shall be effective unless such assignment or transfer shall have been recorded in the Register by the Administrative Agent as provided in this Section. No Lender Assignment Agreement shall be effective until recorded in the Register. Upon its receipt of a Lender Assignment Agreement duly executed by the assigning Lender, the Assignee Lender and any other Person whose consent or acknowledgement is required pursuant to Section 11.11.1, the

Administrative Agent shall promptly (i) accept such Lender Assignment Agreement and (ii) record the information contained therein in the Register.

SECTION 11.12. Other Transactions . Nothing contained herein shall preclude the Administrative Agent, the Issuer or any other Lender from engaging in any transaction, in addition to those contemplated by this Agreement or any other Loan Document, the Borrower or any of its Affiliates in which the Borrower or such Affiliate is not restricted hereby from engaging with any other Person.

SECTION 11.13. Forum Selection and Consent to Jurisdiction . ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE SYNDICATION AGENT, THE LENDERS, ANY ISSUER OR THE BORROWER IN CONNECTION HEREWITH OR THEREWITH SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED , HOWEVER , THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE ADMINISTRATIVE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. THE BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS FOR NOTICES SPECIFIED IN SECTION 11.2 . THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

SECTION 11.14. Waiver of Jury Trial . THE ADMINISTRATIVE AGENT, THE SYNDICATION AGENT, EACH LENDER, EACH ISSUER AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE SYNDICATION AGENT, SUCH LENDER, SUCH ISSUER OR THE BORROWER IN

CONNECTION HEREWITH OR THEREWITH. THE BORROWER ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER LOAN DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE ADMINISTRATIVE AGENT, THE SYNDICATION AGENT, EACH LENDER AND EACH ISSUER ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER LOAN DOCUMENT.

SECTION 11.15. Confidentiality . The Lenders shall hold all non-public information obtained pursuant to or in connection with this Agreement or obtained by such Lender based on a review of the books and records of the Borrower or any of its Subsidiaries in accordance with their customary procedures for handling confidential information of this nature, but may make disclosure to any of their examiners, Affiliates, outside auditors, counsel and other professional advisors or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section) in connection with this Agreement or as reasonably required by any potential bona fide transferee, participant or assignee, or in connection with the exercise of remedies under a Loan Document, or as requested by any governmental agency or representative thereof or pursuant to legal process or to any quasi-regulatory authority (including the National Association of Insurance Commissioners); provided , however , that

(a) unless specifically prohibited by applicable law or court order, each Lender shall notify the Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such non-public information prior to disclosure of such information;

(b) prior to any such disclosure pursuant to this Section 11.15 , each Lender shall require any such potential transferee, participant and assignee receiving a disclosure of non-public information to agree in writing

(i) to be bound by this Section 11.15 ; and

(ii) to require such Person to require any other Person to whom such Person discloses such non-public information to be similarly bound by this Section 11.15 ; and

(c) except as may be required by an order of a court of competent jurisdiction and to the extent set forth therein, no Lender shall be obligated or required to return any materials furnished by the Borrower or any Subsidiary.

Notwithstanding the foregoing paragraphs of this Section, any party to this Agreement (and each Affiliate, director, officer, employee, agent or representative of the foregoing or such Affiliate) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to such tax treatment or

tax structure . The foregoing language is not intended to waive any confidentiality obligations otherwise applicable under this Agreement except with respect to the information and materials specifically referenced in the preceding sentence. This authorization does not extend to disclosure of any other information, including (a) the identity of participants or potential participants in the transactions contemplated herein, (b) the existence or status of any negotiations, or (c) any financial, business, legal or personal information of or regarding a party or its affiliates, or of or regarding any participants or potential participants in the transactions contemplated herein (or any of their respective affiliates), in each case to the extent such other information is not related to the tax treatment or tax structure of the transactions contemplated herein.

SECTION 11.16. Judgment Currency . If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder, under any Note or under any other Loan Document in another currency into U.S. Dollars or into a Foreign Currency, as the case may be, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, the applicable Secured Party could purchase such other currency with U.S. Dollars or with such Foreign Currency, as the case may be, in New York City, at the close of business on the Business Day immediately preceding the day on which final judgment is given, together with any premiums and costs of exchange payable in connection with such purchase.

SECTION 11.17. Release of Security Interests .

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender except as expressly required by Section 11.1) to take any action requested by the Borrower having the effect of releasing any collateral or guarantee obligations (i) to the extent necessary to permit consummation of any transaction expressly permitted by any Loan Document or that has been consented to in accordance with Section 11.1 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Loans, the Reimbursement Obligations and the other obligations under the Loan Documents shall have been paid in full, the Commitments have been terminated and no letters of Credit shall be outstanding, the collateral shall be released from the Liens created by the Security Agreements, and the Security Agreements and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Obligor under the Security Agreements shall terminate, all without delivery of any instrument or performance of any act by any Person.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

WEIGHT WATCHERS INTERNATIONAL, INC.

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, as
Administrative Agent and as a Lender

By: _____
Name:
Title:

CREDIT SUISSE FIRST BOSTON, acting through its Cayman Islands Branch, as Syndication Agent and as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

LENDERS:

[INSERT NAME OF LENDER]

By: _____
Name:

DISCLOSURE SCHEDULE

ITEM 5.1.9 Lien Search Jurisdictions

ITEM 6.1 Good Standing .

ITEM 6.7 Litigation.

Description of Proceeding	**Action or Claim Sought**

ITEM 6.8 Existing Subsidiaries .

ITEM 6.11 Employee Benefit Plans .

ITEM 6.12 Environmental Matters .

ITEM 7.2.2(c) Ongoing Indebtedness .

Creditor	**Outstanding Principal Amount**

ITEM 7.2.5(a) Ongoing Investments .

ITEM 7.2.11 Affiliate Transactions.

SCHEDULE II

COMMITMENTS AND PERCENTAGES

SCHEDULE III

NOTICE INFORMATION,
DOMESTIC OFFICES AND LIBOR OFFICES

[On File with the Administrative Agent]

III-1

Exhibit 10.38

FORM OF CONTINUITY AGREEMENT

This Agreement (the " Agreement ") is dated as of October 10, 2003 by and between Weight Watchers International, Inc., a Virginia corporation (the " Company "), and (the " Executive ").

WHEREAS, the Company's Board of Directors (the " Board ") considers the continued services of key executives of the Company to be in the best interests of the Company and its stockholders; and

WHEREAS, the Board desires to assure, and has determined that it is appropriate and in the best interests of the Company and its stockholders to reinforce and encourage the continued attention and dedication of key executives of the Company to their duties of employment without personal distraction or conflict of interest in circumstances which could arise from the occurrence of a change in control of the Company; and

WHEREAS, the Board has authorized the Company to enter into continuity agreements with certain key executives of the Company, such agreements to set forth the severance compensation which the Company agrees to pay such executives under certain circumstances in connection with a change in control of the Company; and

WHEREAS, the Executive is a key executive of the Company and has been designated by the Compensation Committee of the Board (the " Committee ") as an executive to be offered such a continuity compensation agreement with the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

1. Term . This Agreement shall become effective on the date hereof and, subject to the Executive's continued employment by the Company, remain in effect until the third anniversary thereof; provided , however , that, on such third anniversary and on each successive one-year anniversary thereof (each, a " Renewal Date "), this Agreement shall automatically renew, unless the Company provides to the Executive, in writing, at least 180 days prior to any Renewal Date, notice that this Agreement shall not be renewed. Notwithstanding the foregoing, in the event that a Change in Control (as hereinafter defined) occurs at any time prior to the termination or expiration of this Agreement in accordance with the preceding sentence, this Agreement shall not terminate until the second anniversary of the Change in Control.

2. Change in Control . No compensation or other benefit shall be payable pursuant to Section 4 of this Agreement unless and until either (i) a Change in Control shall have occurred while the Executive is an employee of the Company and the Executive's employment by the Company thereafter shall have terminated in accordance with Section 3(a)(i) or (ii) hereof or (ii) the Executive's employment by the Company shall have terminated in accordance with Section 3(a)(ii) or (iii) hereof prior to the occurrence of a Change in Control and thereafter a Change in Control actually occurs. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred when:

(a) any “Person” or “Group,” in each case within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “ Exchange Act ”), (other than the Company or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the “Beneficial Owner,” within the meaning of Rule 13d-3 promulgated under the Exchange Act, of 25% or more of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of members of the Board; excluding , however , any circumstance in which such beneficial ownership resulted from any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or by any Person or Group controlling, controlled by or under common control with, the Company;

(b) a change in the composition of the Board since the date of this Agreement such that the individuals who, as of such date, constituted the Board (the “ Incumbent Board ”) cease for any reason to constitute at least a majority of such Board; provided , that any individual, who becomes a member of the Board subsequent to the date of this Agreement, whose election, or nomination for election by the Company’s stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board, shall be deemed a member of the Incumbent Board; and provided further , that any individual who was initially elected as a member of the Board as a result of an actual or threatened election contest, as such terms are used in Rule 14a-12 of Regulation 14A promulgated under the Exchange Act, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person or Group other than the Board shall not be deemed a member of the Incumbent Board;

(c) a reorganization, recapitalization, merger or consolidation (a “ Corporate Transaction ”) involving the Company, unless securities representing 51% or more of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company or the entity resulting from such Corporate Transaction (or the parent of such entity) are held subsequent to such transaction by the Person or Persons who were the beneficial holders of the outstanding voting securities entitled to vote generally in the election of directors of the Company immediately prior to such Corporate Transaction, in substantially the same proportions as their ownership immediately prior to such Corporate Transaction; or

(d) the sale, transfer or other disposition of all or substantially all of the assets of the Company or the liquidation or dissolution of the Company;

if and only if , as a result of the occurrence of any of the foregoing events in subsections (a) through (d) above, any Person or Group other than Artal Luxembourg S.A. or any of its affiliates is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of its then outstanding securities entitled to vote in the election of members of the Board.

3. Termination of Employment; Definitions .

(a) The Executive shall be entitled to the compensation provided for in Section 4 of this Agreement if:

(i) within two years following a Change in Control, the Executive's employment is terminated by the Company for any reason other than (A) the Executive's Disability, (B) the Executive's Retirement, (C) the Executive's death, or (D) for Cause (Disability, Retirement and Cause are hereinafter defined);

(ii) in the event that (A) within three months prior to, but in connection with, the anticipated occurrence of a Change in Control (and thereafter such Change in Control actually occurs, in which case Executive's date of Termination shall be deemed to have occurred immediately following the Change of Control) or (B) within two years following a Change in Control, the Executive terminates his or her employment for Good Reason (as defined in Section 3(e) below) after providing the Company with a Notice of Termination (as defined below) at least 60 days prior to such termination of employment; or

(iii) (A) an agreement is signed which, if consummated, would result in a Change in Control, (B) between the date on which such agreement is signed but prior to the actual occurrence of the Change in Control, in connection with such anticipated Change in Control the Executive's employment is terminated by the Company for any reason other than (x) the Executive's Disability, (y) the Executive's Retirement, (z) the Executive's death, or (D) for Cause and (C) such Change in Control actually occurs (in which case Executive's date of Termination shall be deemed to have occurred immediately following the Change of Control).

(b) Disability . For purposes of this Agreement, "Disability" shall mean the Executive's absence from the full-time performance of the Executive's duties (as such duties existed immediately prior to such absence), during the term of this Agreement, for 180 consecutive business days, when the Executive is disabled as a result of incapacity due to physical or mental illness, as determined by a physician selected by the Executive and approved by the Company for such purpose (such approval not to be unreasonably withheld).

(c) Retirement . For purposes of this Agreement, "Retirement" shall mean the Executive's voluntary termination of employment, during the term of this Agreement, pursuant to late, normal or early retirement under a pension plan sponsored by the Company, as defined in such plan, but only if such retirement occurs prior to a termination by the Company without Cause (and not in anticipation of a termination for Cause).

(d) Cause . For purposes of this Agreement, "Cause" shall mean the occurrence, during the term of this Agreement, of any of the following:

(i) the willful and continued failure of the Executive to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Executive by the Board, which specifically identifies the manner in which the Board believes the Executive has not substantially performed his or her duties;

(ii) dishonesty in the performance of the Executive's duties with the Company;

(iii) the Executive's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting (x) a felony or (y) a misdemeanor involving moral turpitude;

(iv) the Executive's willful malfeasance or willful misconduct in connection with the Executive's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or

(v) the Executive's breach of the provisions of Section 12 of this Agreement.

Termination of the Executive for Cause shall be made by delivery to the Executive of a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the non-employee members of the Board (or, after a Change in Control, of the ultimate parent of the entity which caused the Change in Control (if the Company has become a subsidiary) to have occurred), at a meeting of such members called and held for such purpose, which meeting shall be held not less than 30 days after the Company has provided prior written notice to the Executive specifying the basis for such termination and the particulars thereof and a reasonable opportunity for the Executive to cure or otherwise resolve the behavior in question prior to such meeting, finding that, in the reasonable judgment of such members, the conduct or event set forth in any of clauses (i) through (v) above has occurred and that such occurrence warrants the Executive's termination.

(e) Good Reason . For purposes of this Agreement, "Good Reason" shall mean the occurrence, during the term of this Agreement, of any of the following, without the Executive's express written consent:

(i) Any diminution in the Executive's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control (or in the event that the Executive alleges that Good Reason has occurred prior to but in connection with a Change in Control, from those in effect prior to the date that is three months prior to the Change in Control); provided , however , that no such diminution shall be deemed to exist solely because of changes in the Executive's duties, titles or responsibilities as a consequence of the Company ceasing to be a company with publicly traded securities or becoming a wholly owned subsidiary of another Person or Group;

(ii) Any reduction in the Executive's annual base salary and annual cash bonus percentage target established under the Company's annual incentive plan (the " Bonus Plan ") (together, the " Compensation ") from the Executive's Compensation in effect immediately prior to a Change in Control (or in the event that the Executive alleges that Good Reason has occurred prior to but in connection with a Change in Control, from such Compensation in effect prior to the date that is three months prior to the Change in Control);

(iii) any relocation of the Executive's principal work place to a location that is East of the Nassau County-Suffolk County border; or

(iv) any failure by the Company to obtain from any successor to the Company an agreement, reasonably satisfactory to the Executive, to assume and perform this Agreement, as contemplated by Section 10(a) hereof.

Notwithstanding the foregoing, in the event that the Executive provides the Company with a Notice of Termination (as defined below) referencing this Section 3(e) within 60 days after the occurrence of an event giving rise to Good Reason, the Company shall have 30 days thereafter in which to cure or resolve the behavior otherwise constituting Good Reason.

(f) Notice of Termination . Any purported termination of the Executive's employment (other than on account of the Executive's death) shall be communicated by a Notice of Termination to the Executive, if such termination is by the Company, or to the Company, if such termination is by the Executive. For purposes of this Agreement, " Notice of Termination " shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated. For purposes of this Agreement, no purported termination of Executive's employment with the Company shall be effective without such a Notice of Termination having been given.

4. Compensation Upon Termination of Employment . If the Executive's employment by the Company shall be terminated in accordance with Section 3(a) (the " Termination "), the Executive shall be entitled to the following payments and benefits:

(a) Severance . The Company shall pay, or cause to be paid, to the Executive a cash severance payment in an amount equal to the product of three times the sum of (i) the Executive's annual base salary on the date of the Change in Control (or, if higher, the annual base salary in effect immediately prior to the giving of the Notice of Termination) and (ii) the Executive's target annual bonus (" Target Bonus ") in respect of the fiscal year of the Company (a " Fiscal Year ") in which the Termination occurs (or, if higher, the average annual bonus actually earned by the Executive in respect of the three full Fiscal Years prior to the year in which the Notice of Termination is given) under the Bonus Plan. This cash severance amount shall be payable in a lump sum, calculated without any present value discount, within 10 business days after the Executive's date of Termination.

(b) Additional Payments and Benefits . The Executive shall also be entitled to:

(i) a lump sum cash payment equal to the sum of (A) the Executive's accrued but unpaid base salary through the date of Termination, (B) the unpaid portion, if any, of bonuses previously earned by the Executive pursuant to the Bonus Plan, (C) in respect of the Fiscal Year in which the date of Termination occurs, the higher of (x) the pro rata portion of the Executive's Target Bonus and (y) if the Company is exceeding the performance targets established under the Bonus Plan for such Fiscal Year as of the date of Termination, the Executive's actual annual bonus payable under the Bonus Plan based upon such achievement (such pro rata portion in either case calculated from January 1 of such year through the date of Termination) (such payment, the " Pro Rata Bonus "), and (D) any other compensation previously deferred (excluding qualified plan deferrals by the Executive under or into benefit plans of the Company), and (E) an amount

representing the Executive's accrued but unused vacation days, if any, in each case for subsections (A) through (E) above, in full satisfaction of the Executive's rights thereto;

(ii) continued medical, dental, vision, and life insurance coverage (excluding accidental death and disability insurance) (" Welfare Benefit Coverage ") for the Executive and the Executive's eligible dependents or, to the extent Welfare Benefit Coverage is not commercially available, such other Welfare Benefit Coverage reasonably acceptable to the Executive, on the same basis as in effect prior to the Executive's Termination, for a period ending on the earlier of (A) the third anniversary of the date of Termination (the " Continuation Period ") and (B) the commencement of comparable Welfare Benefit Coverage by the Executive with a subsequent employer;

(iii) continued provision of the perquisites the Executive enjoyed prior to the date of Termination for a period ending on the earlier of (A) the end of the Continuation Period and (B) the receipt by the Executive of comparable perquisites from a subsequent employer;

(iv) immediate 100% vesting of all outstanding stock options, stock appreciation rights, phantom stock units and restricted stock granted or issued by the Company prior to, on or upon the Change in Control (to the extent not previously vested on or following the Change in Control);

(v) additional Company contributions under the Company's qualified defined contribution plan and any other retirement plans in which the Executive participated prior to the date of Termination during the Continuation Period; provided , however , that where such contributions may not be provided without adversely affecting the qualified status of such plan or where such contributions are otherwise prohibited by any such plans, the Executive shall instead receive an additional lump sum payment equal to the contributions that would have been made during the Continuation Period if the Executive had remained employed with the Company during such period; and

(vi) all other accrued or vested benefits in accordance with the terms of any applicable Company plan, which vested benefits shall include the Executive's otherwise unvested account balances in the Company's qualified defined contribution plan, which shall become vested as of the date of Termination (the " Accrued Benefits ") (with an offset for any amounts paid under Section 4(b)(i)(D), above).

All lump sum payments under this Section 4(b) shall be paid within 10 business days after the Executive's date of Termination.

(c) Outplacement . If so requested by the Executive, outplacement services shall be provided by a professional outplacement provider selected by the Executive; provided , however , that such outplacement services shall be provided to the Executive at a cost to the Company of not more than $30,000.

(d) Legal Expenses . The Company shall pay or reimburse the Executive for reasonable legal fees (including without limitation, any and all court costs and attorneys' fees and expenses) incurred by the Executive in connection with or as a result of any claim, action or

proceeding brought by the Company or the Executive with respect to or arising out of this Agreement or any provision hereof; provided , however , that the Company shall have no obligation to pay or reimburse any such legal fees if (i) in the case of an action brought by the Executive, the Company is successful in establishing with the court that the Executive's action was taken in bad faith or was frivolous or otherwise without a reasonable legal or factual basis, or (ii) in the case of any action, the action is materially decided in favor of the Company.

5. Compensation Upon Termination for Death, Disability, Retirement. If the Executive's employment is terminated by reason of Death, Disability or Retirement prior to any other Termination (other than in anticipation of a termination for Cause by the Company), the Executive will receive:

(a) the sum of (i) the Executive's accrued but unpaid base salary through the date of Termination, (ii) the Pro Rata Bonus, and (iii) any compensation previously deferred (excluding any qualified plan deferrals) by the Executive under or into benefit plans of the Company and an amount representing the Executive's accrued but unused vacation days, if any, in each case, in full satisfaction of the Executive's rights thereto; and

(b) the Accrued Benefits (with an offset for any amounts paid under Section 5(a)(iii), above).

6. Compensation Upon Termination by the Company for Cause . If the Executive's employment is terminated by the Company for Cause, the Executive will receive the sum of the Executive's accrued but unpaid salary through the date of Termination and an amount representing the Executive's accrued but unused vacation days, if any, in each case, in full satisfaction of the Executive's rights thereto.

7. Excess Parachute Excise Tax . Notwithstanding any other provision of this Agreement,

(a) If it is determined (as provided in Section 7(c), below) that the payments and benefits provided under Section 4(a) and Sections 4(b)(i), (ii) and (iii), in the aggregate (a " Payment "), would be subject to the excise tax imposed under Section 4999 (or any successor provision thereto) of the Internal Revenue Code of 1986, as amended (the " Code ") by reason of being "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the " Excise Tax "), and the aggregate value of the Payment exceeds 3.0 times the Executive's "base amount," as defined in Section 280G(b)(3) of the Code (the (" Base Amount ") by five percent (5%) or less, then the Payment shall be reduced to the extent necessary so that the aggregate value of the Payment is equal to 2.99 times the Base Amount (the " Reduced Amount "); provided , however , that if the aggregate value of the Payment exceeds the Base Amount by more than five percent (5%), then the Executive shall be entitled to receive an additional payment or payments (a " Gross-Up Payment ") in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) If the determination made pursuant to Section 7(a) results in a reduction of the payments that would otherwise be paid to the Executive except for the application of Section 7(a)(i) hereof, the Executive may then elect, in his sole discretion, which and how much of any particular entitlement shall be eliminated or reduced and shall advise the Company in writing of his election within 10 days of the determination of the reduction in payments. If no such election is made by the Executive within such 10-day period, the Company may elect which and how much of any entitlement shall be eliminated or reduced and shall notify the Executive promptly of such election. Within 10 days following such determination and the elections hereunder, the Company shall pay to or distribute to or for the benefit of the Executive such amounts as are then due to the Executive under this Agreement and shall promptly pay to or distribute to or for the benefit of the Executive in the future such amounts as become due to the Executive under this Agreement.

(c) Subject to the provisions of Section 7(a) hereof, all determinations required to be made under this Section 7, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by the nationally recognized firm of certified public accountants (the " Accounting Firm ") used by the Company prior to the Change in Control (or, if such Accounting Firm declines to serve, the Accounting Firm shall be a nationally recognized firm of certified public accountants selected by the Executive). The Accounting Firm shall be directed by the Company or the Executive to submit its preliminary determination and detailed supporting calculations to both the Company and the Executive within 15 calendar days after the date of Termination, if applicable, and any other such time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that the aggregate value of the Payment exceeds the Base Amount by more than 5% such that an Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Executive with an opinion that he has substantial authority not to report any Excise Tax on his/her federal, state, local income or other tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive absent a contrary determination by the Internal Revenue Service or a court of competent jurisdiction; provided , however , that no such determination shall eliminate or reduce the Company's obligation to provide any Gross-Up Payment as a result of such contrary determination. As a result of the uncertainty in the application of Section 4999 of the Code (or any successors provision thereto) and the possibility of similar uncertainty regarding state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments that will not have been made by the Company should have been made (an " Underpayment "), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 7(e) hereof and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(d) The federal, state and local income or other tax returns filed by the Executive (or any filing made by a consolidated tax group that includes the Company) shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his/her federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If, prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within 10 business days pay to the Company the amount of such reduction.

(e) (i) In the event that the Internal Revenue Service claims that any payment or benefit received under this Agreement constitutes an "excess parachute payment," within the meaning of Section 280G(b)(1) of the Code (or any successor provision thereto), the Executive shall notify the Company in writing of such claim. Such notification shall be given as soon as practicable but no later than 10 business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30 day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company and reasonably satisfactory to the Executive; (iii) cooperate with the Company in good faith in order to effectively contest such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided , however , that the Company shall bear and pay directly all costs and expenses (including, but not limited to, additional interest and penalties and related legal, consulting or other similar fees) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for and against any Excise Tax or other tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

(ii) The Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided , however , that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or other tax (including interest and penalties with respect

thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided , further , that if the Executive is required to extend the statute of limitations to enable the Company to contest such claim, the Executive may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a corporate deduction would be disallowed pursuant to Section 280G of the Code and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. In addition, no position may be taken nor any final resolution be agreed to by the Company without the Executive's consent if such position or resolution could reasonably be expected to adversely affect the Executive (including any other tax position of the Executive unrelated to matters covered hereby).

(iii) If, after the receipt by the Executive of an amount advanced by the Company in connection with the contest of the Excise Tax claim, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto); provided , however , if the amount of that refund exceeds the amount advanced by the Company or it is otherwise determined for any reason that additional amounts could be paid to the Executive without incurring any Excise Tax, any such amount will be promptly paid by the Company to the named Executive. If, after the receipt by the Executive of an amount advanced by the Company in connection with an Excise Tax claim, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest the denial of such refund prior to the expiration of 30 days after such determination, such advance shall be forgiven and shall not be required to be repaid and shall be deemed to be in consideration for services rendered after the date of the Termination.

(f) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by Section 7 (c) hereof.

(g) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 7(c) hereof shall be borne by the Company. If such fees and expenses are initially advanced by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his or her payment thereof.

8. Obligations Absolute; Non-Exclusivity of Rights; Joint and Several Liability .

(a) The obligations of the Company to make the payment to the Executive, and to make the arrangements, provided for herein shall be absolute and unconditional and shall not be reduced by any circumstances, including without limitation any set-off, counterclaim,

recoupment, defense or other right which the Company may have against the Executive or any third party at any time.

(b) Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which the Executive may qualify (other than any change in control or other severance plan or policy), nor shall anything herein limit or reduce such rights as the Executive may have under any agreements with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

(c) Any successors or assigns of the Company shall be joint and severally liable with the Company under this Agreement.

9. Entire Agreement; Not an Employment Agreement; No Duplication of Payments or Benefits .

(a) This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior and contemporaneous agreements and understandings (including term sheets), both written and oral, between the parties hereto, or either of them, with respect to the subject matter hereof. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

(b) This Agreement is not, and nothing herein shall be deemed to create, a contract of employment between the Executive and the Company. The Company may terminate the employment of the Executive by the Company at any time, subject to the terms of this Agreement and/or any employment agreement or arrangement between the Company and the Executive that may then be in effect.

(c) To the extent, and only to the extent, a payment or benefit that is paid or provided under Section 4 would also be paid or provided under the terms of another Company plan, program or arrangement (a "Company Plan"), (i) in the event that such payment or benefit is first paid or provided under the terms of a Company Plan prior to the date such payment or benefit is paid or provided under Section 4, such payment or benefit shall offset any corresponding payment or benefit that is paid or provided under Section 4, and (ii) in the event that such payment or benefit is first paid or provided under Section 4, such Company Plan will be deemed to have been satisfied by the corresponding payment or benefit made or provided under Section 4.

10. Successors; Binding Agreement, Assignment .

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business of the Company, by agreement to expressly, absolutely and unconditionally assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement,

"Company" shall mean (i) the Company as hereinbefore defined, and (ii) any successor to all the stock of the Company or to all or substantially all of the Company's business or assets which executes and delivers an agreement provided for in this Section 10(a) or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law, including any parent or subsidiary of such a successor.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would be payable to the Executive hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's estate or designated beneficiary. Neither this Agreement nor any right arising hereunder may be assigned or pledged by the Executive.

11. Notice . For purpose of this Agreement, notices and all other communications provided for in this Agreement or contemplated hereby shall be in writing and shall be deemed to have been duly given when personally delivered, delivered by a nationally recognized overnight delivery service or when mailed United States certified or registered mail, return receipt requested, postage prepaid, and addressed, in the case of the Company, to the Company at:

Weight Watchers International, Inc.
175 Crossways Park West
Woodbury, New York 11797
Attention: Board of Directors

and in the case of the Executive, to the Executive at the address set forth on the execution page at the end hereof.

Either party may designate a different address by giving notice of change of address in the manner provided above, except that notices of change of address shall be effective only upon receipt.

12. Confidentiality . The Executive shall retain in confidence any and all confidential information concerning the Company, its shareholders, officers, directors and customers and its respective business which is now known or hereafter becomes known to the Executive, except as otherwise required by law and except information (i) ascertainable or obtained from public information, (ii) received by the Executive at any time after the Executive's employment by the Company shall have terminated, from a third party not employed by or otherwise affiliated with the Company or (iii) which is or becomes known to the public by any means other than a breach of this Section 12. Upon the Termination of employment, the Executive will not take or keep any proprietary or confidential information or documentation belonging to the Company.

13. Miscellaneous .

(a) Amendments . No provision of this Agreement may be amended, altered, modified, waived or discharged unless such amendment, alteration, modification, waiver or

discharge is agreed to in writing signed by the Executive and such officer of the Company as shall be specifically designated by the Committee or by the Board.

(b) Waivers . No waiver by either party, at any time, of any breach by the other party of, or of compliance by the other party with, any condition or provision of this Agreement to be performed or complied with by such other party shall be deemed a waiver of any similar or dissimilar provision or condition of this Agreement or any other breach of or failure to comply with the same condition or provision at the same time or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

14. Severability . If any one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby. To the extent permitted by applicable law, each party hereto waives any provision of law that renders any provision of this Agreement invalid, illegal or unenforceable in any respect.

15. Governing Law; Venue . The validity, interpretation, construction and performance of this Agreement shall be governed on a non-exclusive basis by the laws of the State of New York without giving effect to its conflict of laws rules. For purposes of jurisdiction and venue, the Company hereby consents to jurisdiction and venue in any suit, action or proceeding with respect to this Agreement in any court of competent jurisdiction in the state in which the Executive resides at the commencement of such suit, action or proceeding and waives any objection, challenge or dispute as to such jurisdiction or venue being proper.

16. Counterparts . This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which shall be deemed to constitute one and the same instrument.

[*Signatures on next page* .]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

WEIGHT WATCHERS INTERNATIONAL, INC.:

By: _____
Raymond Debbane
Title: Chairman of the Board

EXECUTIVE:

_____

Address:

Exhibit 10.39

FORM OF CONTINUITY AGREEMENT

This Agreement (the " Agreement ") is dated as of October 10, 2003 by and between Weight Watchers International, Inc., a Virginia corporation (the " Company "), and (the " Executive ").

WHEREAS, the Company's Board of Directors (the " Board ") considers the continued services of key executives of the Company to be in the best interests of the Company and its stockholders; and

WHEREAS, the Board desires to assure, and has determined that it is appropriate and in the best interests of the Company and its stockholders to reinforce and encourage the continued attention and dedication of key executives of the Company to their duties of employment without personal distraction or conflict of interest in circumstances which could arise from the occurrence of a change in control of the Company; and

WHEREAS, the Board has authorized the Company to enter into continuity agreements with certain key executives of the Company, such agreements to set forth the severance compensation which the Company agrees to pay such executives under certain circumstances in connection with a change in control of the Company; and

WHEREAS, the Executive is a key executive of the Company and has been designated by the Compensation Committee of the Board (the " Committee ") as an executive to be offered such a continuity compensation agreement with the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

1. Term . This Agreement shall become effective on the date hereof and, subject to the Executive's continued employment by the Company, remain in effect until the third anniversary thereof; provided , however , that, on such third anniversary and on each successive one-year anniversary thereof (each, a " Renewal Date "), this Agreement shall automatically renew, unless the Company provides to the Executive, in writing, at least 180 days prior to any Renewal Date, notice that this Agreement shall not be renewed. Notwithstanding the foregoing, in the event that a Change in Control (as hereinafter defined) occurs at any time prior to the termination or expiration of this Agreement in accordance with the preceding sentence, this Agreement shall not terminate until the second anniversary of the Change in Control.

2. Change in Control . No compensation or other benefit shall be payable pursuant to Section 4 of this Agreement unless and until either (i) a Change in Control shall have occurred while the Executive is an employee of the Company and the Executive's employment by the Company thereafter shall have terminated in accordance with Section 3(a)(i) or (ii) hereof or (ii) the Executive's employment by the Company shall have terminated in accordance with Section 3(a)(ii) or (iii) hereof prior to the occurrence of a Change in Control and thereafter a Change in Control actually occurs. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred when:

(a) any “Person” or “Group,” in each case within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “ Exchange Act ”), (other than the Company or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the “Beneficial Owner,” within the meaning of Rule 13d-3 promulgated under the Exchange Act, of 25% or more of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of members of the Board; excluding , however , any circumstance in which such beneficial ownership resulted from any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or by any Person or Group controlling, controlled by or under common control with, the Company;

(b) a change in the composition of the Board since the date of this Agreement such that the individuals who, as of such date, constituted the Board (the “ Incumbent Board ”) cease for any reason to constitute at least a majority of such Board; provided , that any individual, who becomes a member of the Board subsequent to the date of this Agreement, whose election, or nomination for election by the Company’s stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board, shall be deemed a member of the Incumbent Board; and provided further , that any individual who was initially elected as a member of the Board as a result of an actual or threatened election contest, as such terms are used in Rule 14a-12 of Regulation 14A promulgated under the Exchange Act, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person or Group other than the Board shall not be deemed a member of the Incumbent Board;

(c) a reorganization, recapitalization, merger or consolidation (a “ Corporate Transaction ”) involving the Company, unless securities representing 51% or more of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company or the entity resulting from such Corporate Transaction (or the parent of such entity) are held subsequent to such transaction by the Person or Persons who were the beneficial holders of the outstanding voting securities entitled to vote generally in the election of directors of the Company immediately prior to such Corporate Transaction, in substantially the same proportions as their ownership immediately prior to such Corporate Transaction; or

(d) the sale, transfer or other disposition of all or substantially all of the assets of the Company or the liquidation or dissolution of the Company;

if and only if , as a result of the occurrence of any of the foregoing events in subsections (a) through (d) above, any Person or Group other than Artal Luxembourg S.A. or any of its affiliates is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of its then outstanding securities entitled to vote in the election of members of the Board.

3. Termination of Employment; Definitions .

(a) The Executive shall be entitled to the compensation provided for in Section 4 of this Agreement if:

(i) within two years following a Change in Control, the Executive's employment is terminated by the Company for any reason other than (A) the Executive's Disability, (B) the Executive's Retirement, (C) the Executive's death, or (D) for Cause (Disability, Retirement and Cause are hereinafter defined);

(ii) in the event that (A) within three months prior to, but in connection with, the anticipated occurrence of a Change in Control (and thereafter such Change in Control actually occurs, in which case Executive's date of Termination shall be deemed to have occurred immediately following the Change of Control) or (B) within two years following a Change in Control, the Executive terminates his or her employment for Good Reason (as defined in Section 3(e) below) after providing the Company with a Notice of Termination (as defined below) at least 60 days prior to such termination of employment; or

(iii) (A) an agreement is signed which, if consummated, would result in a Change in Control, (B) between the date on which such agreement is signed but prior to the actual occurrence of the Change in Control, in connection with such anticipated Change in Control the Executive's employment is terminated by the Company for any reason other than (x) the Executive's Disability, (y) the Executive's Retirement, (z) the Executive's death, or (D) for Cause and (C) such Change in Control actually occurs (in which case Executive's date of Termination shall be deemed to have occurred immediately following the Change of Control).

(b) Disability . For purposes of this Agreement, "Disability" shall mean the Executive's absence from the full-time performance of the Executive's duties (as such duties existed immediately prior to such absence), during the term of this Agreement, for 180 consecutive business days, when the Executive is disabled as a result of incapacity due to physical or mental illness, as determined by a physician selected by the Executive and approved by the Company for such purpose (such approval not to be unreasonably withheld).

(c) Retirement . For purposes of this Agreement, "Retirement" shall mean the Executive's voluntary termination of employment, during the term of this Agreement, pursuant to late, normal or early retirement under a pension plan sponsored by the Company, as defined in such plan, but only if such retirement occurs prior to a termination by the Company without Cause (and not in anticipation of a termination for Cause).

(d) Cause . For purposes of this Agreement, "Cause" shall mean the occurrence, during the term of this Agreement, of any of the following:

(i) the willful and continued failure of the Executive to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Executive by the Board, which specifically identifies the manner in which the Board believes the Executive has not substantially performed his or her duties;

(ii) dishonesty in the performance of the Executive's duties with the Company;

(iii) the Executive's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting (x) a felony or (y) a misdemeanor involving moral turpitude;

(iv) the Executive's willful malfeasance or willful misconduct in connection with the Executive's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or

(v) the Executive's breach of the provisions of Section 12 of this Agreement.

Termination of the Executive for Cause shall be made by delivery to the Executive of a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the non-employee members of the Board (or, after a Change in Control, of the ultimate parent of the entity which caused the Change in Control (if the Company has become a subsidiary) to have occurred), at a meeting of such members called and held for such purpose, which meeting shall be held not less than 30 days after the Company has provided prior written notice to the Executive specifying the basis for such termination and the particulars thereof and a reasonable opportunity for the Executive to cure or otherwise resolve the behavior in question prior to such meeting, finding that, in the reasonable judgment of such members, the conduct or event set forth in any of clauses (i) through (v) above has occurred and that such occurrence warrants the Executive's termination.

(e) Good Reason . For purposes of this Agreement, "Good Reason" shall mean the occurrence, during the term of this Agreement, of any of the following, without the Executive's express written consent:

(i) Any diminution in the Executive's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control (or in the event that the Executive alleges that Good Reason has occurred prior to but in connection with a Change in Control, from those in effect prior to the date that is three months prior to the Change in Control); provided , however , that no such diminution shall be deemed to exist solely because of changes in the Executive's duties, titles or responsibilities as a consequence of the Company ceasing to be a company with publicly traded securities or becoming a wholly owned subsidiary of another Person or Group;

(ii) Any reduction in the Executive's annual base salary and annual cash bonus percentage target established under the Company's annual incentive plan (the " Bonus Plan ") (together, the " Compensation ") from the Executive's Compensation in effect immediately prior to a Change in Control (or in the event that the Executive alleges that Good Reason has occurred prior to but in connection with a Change in Control, from such Compensation in effect prior to the date that is three months prior to the Change in Control);

(iii) any relocation of the Executive's principal work place to a location that is more than 35 miles from the location at which the Executive was based immediately prior to a Change in Control (or in the event that the Executive alleges that Good Reason has occurred prior to but in connection with a Change in Control, from the location of

Executive's principal work place on the date that is three months prior to the Change in Control); or

(iv) any failure by the Company to obtain from any successor to the Company an agreement, reasonably satisfactory to the Executive, to assume and perform this Agreement, as contemplated by Section 10(a) hereof.

Notwithstanding the foregoing, in the event that the Executive provides the Company with a Notice of Termination (as defined below) referencing this Section 3(e) within 60 days after the occurrence of an event giving rise to Good Reason, the Company shall have 30 days thereafter in which to cure or resolve the behavior otherwise constituting Good Reason.

(f) Notice of Termination . Any purported termination of the Executive's employment (other than on account of the Executive's death) shall be communicated by a Notice of Termination to the Executive, if such termination is by the Company, or to the Company, if such termination is by the Executive. For purposes of this Agreement, " Notice of Termination " shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated. For purposes of this Agreement, no purported termination of Executive's employment with the Company shall be effective without such a Notice of Termination having been given.

4. Compensation Upon Termination of Employment . If the Executive's employment by the Company shall be terminated in accordance with Section 3(a) (the " Termination "), the Executive shall be entitled to the following payments and benefits:

(a) Severance . The Company shall pay, or cause to be paid, to the Executive a cash severance payment in an amount equal to the product of two times the sum of (i) the Executive's annual base salary on the date of the Change in Control (or, if higher, the annual base salary in effect immediately prior to the giving of the Notice of Termination) and (ii) the Executive's target annual bonus (" Target Bonus ") in respect of the fiscal year of the Company (a " Fiscal Year ") in which the Termination occurs (or, if higher, the average annual bonus actually earned by the Executive in respect of the three full Fiscal Years prior to the year in which the Notice of Termination is given) under the Bonus Plan. This cash severance amount shall be payable in a lump sum, calculated without any present value discount, within 10 business days after the Executive's date of Termination.

(b) Additional Payments and Benefits . The Executive shall also be entitled to:

(i) a lump sum cash payment equal to the sum of (A) the Executive's accrued but unpaid base salary through the date of Termination, (B) the unpaid portion, if any, of bonuses previously earned by the Executive pursuant to the Bonus Plan, (C) in respect of the Fiscal Year in which the date of Termination occurs, the higher of (x) the pro rata portion of the Executive's Target Bonus and (y) if the Company is exceeding the performance targets established under the Bonus Plan for such Fiscal Year as of the date of Termination, the Executive's actual annual bonus payable under the Bonus Plan based upon such achievement (such pro rata portion in either case calculated from January 1 of

such year through the date of Termination) (such payment, the " Pro Rata Bonus "), and (D) any other compensation previously deferred (excluding qualified plan deferrals by the Executive under or into benefit plans of the Company), and (E) an amount representing the Executive's accrued but unused vacation days, if any, in each case for subsections (A) through (E) above, in full satisfaction of the Executive's rights thereto;

(ii) continued medical, dental, vision, and life insurance coverage (excluding accidental death and disability insurance) (" Welfare Benefit Coverage ") for the Executive and the Executive's eligible dependents or, to the extent Welfare Benefit Coverage is not commercially available, such other Welfare Benefit Coverage reasonably acceptable to the Executive, on the same basis as in effect prior to the Executive's Termination, for a period ending on the earlier of (A) the second anniversary of the date of Termination (the " Continuation Period ") and (B) the commencement of comparable Welfare Benefit Coverage by the Executive with a subsequent employer;

(iii) continued provision of the perquisites the Executive enjoyed prior to the date of Termination for a period ending on the earlier of (A) the end of the Continuation Period and (B) the receipt by the Executive of comparable perquisites from a subsequent employer;

(iv) immediate 100% vesting of all outstanding stock options, stock appreciation rights, phantom stock units and restricted stock granted or issued by the Company prior to, on or upon the Change in Control (to the extent not previously vested on or following the Change in Control);

(v) additional Company contributions under the Company's qualified defined contribution plan and any other retirement plans in which the Executive participated prior to the date of Termination during the Continuation Period; provided , however , that where such contributions may not be provided without adversely affecting the qualified status of such plan or where such contributions are otherwise prohibited by any such plans, the Executive shall instead receive an additional lump sum payment equal to the contributions that would have been made during the Continuation Period if the Executive had remained employed with the Company during such period; and

(vi) all other accrued or vested benefits in accordance with the terms of any applicable Company plan, which vested benefits shall include the Executive's otherwise unvested account balances in the Company's qualified defined contribution plan, which shall become vested as of the date of Termination (the " Accrued Benefits ") (with an offset for any amounts paid under Section 4(b)(i)(D), above).

All lump sum payments under this Section 4(b) shall be paid within 10 business days after the Executive's date of Termination.

(c) Outplacement . If so requested by the Executive, outplacement services shall be provided by a professional outplacement provider selected by the Executive; provided , however , that such outplacement services shall be provided to the Executive at a cost to the Company of not more than $15,000.

(d) Legal Expenses . The Company shall pay or reimburse the Executive for reasonable legal fees (including without limitation, any and all court costs and attorneys' fees and expenses) incurred by the Executive in connection with or as a result of any claim, action or proceeding brought by the Company or the Executive with respect to or arising out of this Agreement or any provision hereof; provided , however , that the Company shall have no obligation to pay or reimburse any such legal fees if (i) in the case of an action brought by the Executive, the Company is successful in establishing with the court that the Executive's action was taken in bad faith or was frivolous or otherwise without a reasonable legal or factual basis, or (ii) in the case of any action, the action is materially decided in favor of the Company.

5. Compensation Upon Termination for Death, Disability, Retirement. If the Executive's employment is terminated by reason of Death, Disability or Retirement prior to any other Termination (other than in anticipation of a termination for Cause by the Company), the Executive will receive:

(a) the sum of (i) the Executive's accrued but unpaid base salary through the date of Termination, (ii) the Pro Rata Bonus, and (iii) any compensation previously deferred (excluding any qualified plan deferrals) by the Executive under or into benefit plans of the Company and an amount representing the Executive's accrued but unused vacation days, if any, in each case, in full satisfaction of the Executive's rights thereto; and

(b) the Accrued Benefits (with an offset for any amounts paid under Section 5(a)(iii), above).

6. Compensation Upon Termination by the Company for Cause . If the Executive's employment is terminated by the Company for Cause, the Executive will receive the sum of the Executive's accrued but unpaid salary through the date of Termination and an amount representing the Executive's accrued but unused vacation days, if any, in each case, in full satisfaction of the Executive's rights thereto.

7. Excess Parachute Excise Tax . Notwithstanding any other provision of this Agreement,

(a) If it is determined (as provided in Section 7(c), below) that the payments and benefits provided under Section 4(a) and Sections 4(b)(i), (ii) and (iii), in the aggregate (a " Payment "), would be subject to the excise tax imposed under Section 4999 (or any successor provision thereto) of the Internal Revenue Code of 1986, as amended (the " Code ") by reason of being "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the " Excise Tax "), and the aggregate value of the Payment exceeds 3.0 times the Executive's "base amount," as defined in Section 280G(b)(3) of the Code (the (" Base Amount ") by five percent (5%) or less, then the Payment shall be reduced to the extent necessary so that the aggregate value of the Payment is equal to 2.99 times the Base Amount (the " Reduced Amount "); provided , however , that if the aggregate value of the Payment exceeds the Base Amount by more than five percent (5%), then the Executive shall be entitled to receive an additional payment or payments (a " Gross-Up Payment ") in an amount such that, after payment by the Executive of all taxes

(including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) If the determination made pursuant to Section 7(a) results in a reduction of the payments that would otherwise be paid to the Executive except for the application of Section 7(a)(i) hereof, the Executive may then elect, in his sole discretion, which and how much of any particular entitlement shall be eliminated or reduced and shall advise the Company in writing of his election within 10 days of the determination of the reduction in payments. If no such election is made by the Executive within such 10-day period, the Company may elect which and how much of any entitlement shall be eliminated or reduced and shall notify the Executive promptly of such election. Within 10 days following such determination and the elections hereunder, the Company shall pay to or distribute to or for the benefit of the Executive such amounts as are then due to the Executive under this Agreement and shall promptly pay to or distribute to or for the benefit of the Executive in the future such amounts as become due to the Executive under this Agreement.

(c) Subject to the provisions of Section 7(a) hereof, all determinations required to be made under this Section 7, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by the nationally recognized firm of certified public accountants (the " Accounting Firm ") used by the Company prior to the Change in Control (or, if such Accounting Firm declines to serve, the Accounting Firm shall be a nationally recognized firm of certified public accountants selected by the Executive). The Accounting Firm shall be directed by the Company or the Executive to submit its preliminary determination and detailed supporting calculations to both the Company and the Executive within 15 calendar days after the date of Termination, if applicable, and any other such time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that the aggregate value of the Payment exceeds the Base Amount by more than 5% such that an Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Executive with an opinion that he has substantial authority not to report any Excise Tax on his/her federal, state, local income or other tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive absent a contrary determination by the Internal Revenue Service or a court of competent jurisdiction; provided , however , that no such determination shall eliminate or reduce the Company's obligation to provide any Gross-Up Payment as a result of such contrary determination. As a result of the uncertainty in the application of Section 4999 of the Code (or any successors provision thereto) and the possibility of similar uncertainty regarding state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments that will not have been made by the Company should have been made (an " Underpayment "), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 7(e) hereof and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the

Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(d) The federal, state and local income or other tax returns filed by the Executive (or any filing made by a consolidated tax group that includes the Company) shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his/her federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If, prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within 10 business days pay to the Company the amount of such reduction.

(e) (i) In the event that the Internal Revenue Service claims that any payment or benefit received under this Agreement constitutes an "excess parachute payment," within the meaning of Section 280G(b)(1) of the Code (or any successor provision thereto), the Executive shall notify the Company in writing of such claim. Such notification shall be given as soon as practicable but no later than 10 business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30 day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company and reasonably satisfactory to the Executive; (iii) cooperate with the Company in good faith in order to effectively contest such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided , however , that the Company shall bear and pay directly all costs and expenses (including, but not limited to, additional interest and penalties and related legal, consulting or other similar fees) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for and against any Excise Tax or other tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

(ii) The Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided , however , that if the Company directs the Executive to pay such claim and sue

for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or other tax (including interest and penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided , further , that if the Executive is required to extend the statute of limitations to enable the Company to contest such claim, the Executive may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a corporate deduction would be disallowed pursuant to Section 280G of the Code and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. In addition, no position may be taken nor any final resolution be agreed to by the Company without the Executive's consent if such position or resolution could reasonably be expected to adversely affect the Executive (including any other tax position of the Executive unrelated to matters covered hereby).

(iii) If, after the receipt by the Executive of an amount advanced by the Company in connection with the contest of the Excise Tax claim, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto); provided , however , if the amount of that refund exceeds the amount advanced by the Company or it is otherwise determined for any reason that additional amounts could be paid to the Executive without incurring any Excise Tax, any such amount will be promptly paid by the Company to the named Executive. If, after the receipt by the Executive of an amount advanced by the Company in connection with an Excise Tax claim, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest the denial of such refund prior to the expiration of 30 days after such determination, such advance shall be forgiven and shall not be required to be repaid and shall be deemed to be in consideration for services rendered after the date of the Termination.

(f) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by Section 7 (c) hereof.

(g) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 7(c) hereof shall be borne by the Company. If such fees and expenses are initially advanced by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his or her payment thereof.

8. Obligations Absolute; Non-Exclusivity of Rights; Joint and Several Liability .

(a) The obligations of the Company to make the payment to the Executive, and to make the arrangements, provided for herein shall be absolute and unconditional and shall not be reduced by any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or any third party at any time.

(b) Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which the Executive may qualify (other than any change in control or other severance plan or policy), nor shall anything herein limit or reduce such rights as the Executive may have under any agreements with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

(c) Any successors or assigns of the Company shall be joint and severally liable with the Company under this Agreement.

9. Entire Agreement; Not an Employment Agreement; No Duplication of Payments or Benefits .

(a) This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior and contemporaneous agreements and understandings (including term sheets), both written and oral, between the parties hereto, or either of them, with respect to the subject matter hereof. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

(b) This Agreement is not, and nothing herein shall be deemed to create, a contract of employment between the Executive and the Company. The Company may terminate the employment of the Executive by the Company at any time, subject to the terms of this Agreement and/or any employment agreement or arrangement between the Company and the Executive that may then be in effect.

(c) To the extent, and only to the extent, a payment or benefit that is paid or provided under Section 4 would also be paid or provided under the terms of another Company plan, program or arrangement (a "Company Plan"), (i) in the event that such payment or benefit is first paid or provided under the terms of a Company Plan prior to the date such payment or benefit is paid or provided under Section 4, such payment or benefit shall offset any corresponding payment or benefit that is paid or provided under Section 4, and (ii) in the event that such payment or benefit is first paid or provided under Section 4, such Company Plan will be deemed to have been satisfied by the corresponding payment or benefit made or provided under Section 4.

10. Successors; Binding Agreement, Assignment .

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business of the Company, by agreement to expressly, absolutely and unconditionally assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean (i) the Company as hereinbefore defined, and (ii) any successor to all the stock of the Company or to all or substantially all of the Company's business or assets which executes and delivers an agreement provided for in this Section 10(a) or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law, including any parent or subsidiary of such a successor.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would be payable to the Executive hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's estate or designated beneficiary. Neither this Agreement nor any right arising hereunder may be assigned or pledged by the Executive.

11. Notice . For purpose of this Agreement, notices and all other communications provided for in this Agreement or contemplated hereby shall be in writing and shall be deemed to have been duly given when personally delivered, delivered by a nationally recognized overnight delivery service or when mailed United States certified or registered mail, return receipt requested, postage prepaid, and addressed, in the case of the Company, to the Company at:

Weight Watchers International, Inc.
175 Crossways Park West
Woodbury, New York 11797
Attention: Board of Directors

and in the case of the Executive, to the Executive at the address set forth on the execution page at the end hereof.

Either party may designate a different address by giving notice of change of address in the manner provided above, except that notices of change of address shall be effective only upon receipt.

12. Confidentiality . The Executive shall retain in confidence any and all confidential information concerning the Company, its shareholders, officers, directors and customers and its respective business which is now known or hereafter becomes known to the Executive, except as otherwise required by law and except information (i) ascertainable or obtained from public information, (ii) received by the Executive at any time after the Executive's employment by the Company shall have terminated, from a third party not employed by or otherwise affiliated with the Company or (iii) which is or becomes known to the public by any means other than a breach of this Section 12. Upon the Termination of employment, the

Executive will not take or keep any proprietary or confidential information or documentation belonging to the Company.

13. Miscellaneous .

(a) Amendments . No provision of this Agreement may be amended, altered, modified, waived or discharged unless such amendment, alteration, modification, waiver or discharge is agreed to in writing signed by the Executive and such officer of the Company as shall be specifically designated by the Committee or by the Board.

(b) Waivers . No waiver by either party, at any time, of any breach by the other party of, or of compliance by the other party with, any condition or provision of this Agreement to be performed or complied with by such other party shall be deemed a waiver of any similar or dissimilar provision or condition of this Agreement or any other breach of or failure to comply with the same condition or provision at the same time or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

14. Severability . If any one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby. To the extent permitted by applicable law, each party hereto waives any provision of law that renders any provision of this Agreement invalid, illegal or unenforceable in any respect.

15. Governing Law; Venue . The validity, interpretation, construction and performance of this Agreement shall be governed on a non-exclusive basis by the laws of the State of New York without giving effect to its conflict of laws rules. For purposes of jurisdiction and venue, the Company hereby consents to jurisdiction and venue in any suit, action or proceeding with respect to this Agreement in any court of competent jurisdiction in the state in which the Executive resides at the commencement of such suit, action or proceeding and waives any objection, challenge or dispute as to such jurisdiction or venue being proper.

16. Counterparts . This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which shall be deemed to constitute one and the same instrument.

[*Signatures on next page* .]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

WEIGHT WATCHERS INTERNATIONAL, INC.

By: _____
Title: _____

EXECUTIVE:

_____

Address:

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EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-74066) of Weight Watchers International, Inc. and subsidiaries of our report dated February 16, 2004, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

Date: March 18, 2004

PricewaterhouseCoopers LLP
New York, New York

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CONSENT OF INDEPENDENT AUDITORS

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EXHIBIT 31.1

CERTIFICATIONS

I, Linda Huett, President and Chief Executive Officer of Weight Watchers International, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Weight Watchers International, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and

(c) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or in reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2004 Signature: /s/ LINDA HUETT

Linda Huett
President, Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Ann M. Sardini, Vice President and Chief Financial Officer of Weight Watchers International, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Weight Watchers International, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and

(c) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or in reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2004 Signature: /s/ ANN M. SARDINI

Ann M. Sardini
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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CERTIFICATIONS

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Weight Watchers International, Inc. (the "Company") on Form 10-K for the period ended January 3, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda Huett, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 18, 2004 Signature: /s/ LINDA HUETT

Linda Huett
President, Chief Executive
Officer and Director
(Principal Executive Officer)

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Weight Watchers International, Inc. (the "Company") on Form 10-K for the period ended January 3, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ann M. Sardini, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 18, 2004 Signature: /s/ ANN M. SARDINI

Ann M. Sardini
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)