

## EXTREME FITNESS

### FREQUENTLY ASKED QUESTIONS - MEMBERS

**Re: Extreme Fitness, Inc. (“Extreme” or the “Company”)**

#### 1. What is CCAA?

- The *Companies’ Creditors Arrangement Act* or “CCAA” is a federal statute that enables companies to restructure their financial affairs under the supervision of the courts.
- As part of the CCAA proceedings, the court grants a “stay of proceedings” in favour of the companies which prevents creditors, such as lenders, suppliers, etc., from taking action against the companies, giving them the time and stability to enable them to restructure themselves in an orderly manner while continuing their day-to-day operations.

#### 2. Why did the Company file under CCAA?

- The Company has entered into a letter of intent (the “**LOI**”) with GoodLife Fitness Centres Inc. (“**GoodLife**”) dated January 18, 2013. The LOI contemplates GoodLife’s purchase of substantially all of Extreme’s assets and fitness facilities, which transaction would involve the retention of most of Extreme’s staff.
- We ultimately decided that a CCAA filing was the best option available to better serve our members, address the Company’s financial performance that has been adversely affected by a number of factors and facilitate an expeditious sale of our fitness facilities to GoodLife.
- The Company has the support of its lenders for these proceedings and has a commitment for financing that is projected to be sufficient to support the usual business costs of the operations during the CCAA process.
- The GoodLife transaction is subject to execution of an asset purchase agreement and certain other conditions, including approval by the court. Management is optimistic that the GoodLife transaction will be successfully completed and is committed to providing additional details and updates as they become available.

#### 3. Is the Company bankrupt?

- No. Insolvency law provides that “bankruptcy” is a separate type of proceeding under which an insolvent company’s operations are terminated and its assets sold or “liquidated”.
- CCAA proceedings, among other things, prevent creditors from forcing the Company into bankruptcy. For this reason, CCAA proceedings are sometimes referred to as “bankruptcy protection”.

#### 4. What happens in these proceedings?

- The Company is given time to pursue the sale to GoodLife or develop and propose a “plan of arrangement” under which the financial affairs of the Company are restructured. During that time, a “stay of proceedings” is in place to prevent creditors from taking actions that could destabilize the Company or force it into bankruptcy.
- The court appoints a Monitor under the CCAA to oversee the activities of the Company and to assist the stakeholders with the CCAA process. FTI Consulting Canada Inc. (“**FTI**”) has been appointed as the Monitor. The Monitor can be contacted by phone at 416-649-8062 or by email at [extremefitness@fticonsulting.com](mailto:extremefitness@fticonsulting.com). The Monitor also makes all publicly available documents and information available online on its website at <http://cfcanada.fticonsulting.com/extreme>.

- Subject to the oversight of the court and the court-appointed Monitor, the Company remains in control of its business and operations and can take steps to pursue a sale transaction or develop a plan of arrangement, with a view to preserving operations.

**5. How long will these proceedings take to complete?**

- At this time, it is not possible to say how long the proceedings will take to complete, however, the Company is working towards a closing of the sale of the business to GoodLife on or around March 31, 2013.
- The court has granted an initial stay of proceedings of 30 days, which may be extended with approval from the court.

**6. What is the Monitor?**

- The Monitor is a court-appointed officer whose responsibilities include assisting the Company with its restructuring, reporting to the court from time to time on the progress of the proceedings and, ultimately, providing a recommendation on a sale or plan of arrangement. FTI has been appointed as the Monitor.

**7. Who is now in charge of the Company?**

- The Board of Directors and the executive management team remain in control of the Company and its operations, subject to any orders issued by the court in the CCAA proceedings.

**8. What does the filing mean for the Company's operations?**

- For the most part, it will be business as usual.
- Extreme will remain open for business.

**9. Does the Company have sufficient funds to continue operations?**

- Yes. As mentioned above, the Company has the full support of its lenders and has arranged and obtained court approval for a specialized type of financing called "Debtor-in-Possession" ("DIP") financing to provide additional liquidity. This, together with cash generated from ongoing operations, is projected to be sufficient to fund continued operations, including continuing to pay our employees in the ordinary course.

**10. What impact will the proceedings have on my gym membership?**

- We intend to continue to operate "business as usual". Extreme's members will continue to enjoy the high quality fitness facilities they have come to know over the years, with, subject to completion of the GoodLife transaction, the added benefit of becoming part of a larger organization with fitness facilities across Canada.

**11. How will I be kept informed of developments during the proceedings?**

- We will provide periodic updates on the progress of the restructuring and any key developments via email, phone calls and in person meetings. In addition, court materials, including Monitor reports, will be available at the following website:  
<http://cfcanada.fticonsulting.com/extreme>

**12. What do I do if I have other questions?**

- For regular business questions, you should continue to speak to your regular contact.

- For questions relating to the CCAA proceedings, you can contact the Monitor by phone at 416-649-8062 or by email at [extremefitness@fticonsulting.com](mailto:extremefitness@fticonsulting.com).