

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF EXTREME FITNESS, INC.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**MOTION RECORD
(returnable March 27, 2013)**

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TAB 1

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**NOTICE OF MOTION
(returnable March 27, 2013)**

Extreme Fitness, Inc. (the "**Applicant**") will make a motion to a judge presiding over the Commercial List on Wednesday, March 27, 2013 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

1. **THE MOTION IS FOR** an Order, among other things:
 - (a) abridging the time for service and filing of this notice of motion and the motion record and dispensing with further service thereof;
 - (b) approving the Asset Purchase Agreement between the Applicant and GoodLife Fitness Centres Inc. ("**GoodLife**") dated March 19, 2013 (the "**APA**"), and vesting the Applicant's right, title and interest in and to the Purchased Assets (as defined in the APA) to GoodLife;
 - (c) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Campbell granted on February 7, 2013 in these proceedings (the "**Initial Order**")) to and including May 10, 2013;

- (d) approving the Second Report of FTI Consulting Canada Inc., in its capacity as the Court-appointed monitor of the Applicant (in such capacity, the “**Monitor**”), dated March 22, 2013 (the “**Second Report**”), and approving the actions of the Monitor described therein;
- (e) sealing the Confidential Supplement to the Second Report and the Confidential Exhibit “B” to the affidavit of Alan Hutchens sworn March 22, 2013 (the “**Hutchens Affidavit**”) until further order of this Court;
- (f) approving the assignment of certain leases (collectively and as the same may have been amended, restated, supplemented or replaced from time to time, the “**Leases**”) to GoodLife pursuant to the APA;
- (g) authorizing the Monitor to make interim distributions from the proceeds of the APA to:
 - (i) Golub Capital Incorporated, as agent for the benefit of itself and three lenders (collectively, in such capacity, the “**DIP Lender**”) in the amounts advanced to the Applicant under the DIP Credit Agreement (as defined in the Initial Order), plus interest and costs;
 - (ii) the Applicant, an amount agreed to by the Monitor as is required to satisfy the Applicant’s post-filing obligations, including, without limitation, the liabilities intended to be protected by the Administration Charge and the D&O Charge (as those terms are defined in the Initial Order) and any monetary defaults under the Leases at the time of their assignment, other than monetary defaults arising by reason only of the Applicant’s insolvency, the commencement of proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) or the Applicant’s failure to perform a non-monetary obligation; and

- (iii) to Golub Capital Incorporated, as agent for the benefit of itself and the lenders (in such capacity, “**Golub**”) described in the Priority Credit Agreement, as defined in the affidavit of Alan Hutchens sworn on February 7, 2013 in support of the Initial Order (the “**February 7 Affidavit**”), filed, and National Bank of Canada, as agent (in such capacity, “**NBC**”), on account of the Applicant’s outstanding indebtedness for principal, interest and costs; and
- (h) such further and other relief as counsel may advise and this Court may permit.

2. **THE GROUNDS FOR THE MOTION ARE:**

- (a) the Applicant is a leading operator of fitness clubs in the greater Toronto area and surrounding region;
- (b) on February 7, 2013, the Applicant made an application under the CCAA seeking court protection from its creditors, which protection was granted pursuant to the Initial Order;
- (c) on March 7, 2013, upon a motion by the Applicant, this Court granted an order, among other things: (i) extending the Stay Period to and including April 5, 2013; (ii) approving the key employee retention plan (the “**KERP**”) offered by the Applicant to certain employees deemed critical to complete the proposed transaction with GoodLife; and (iii) approving the First Report of the Monitor dated February 26, 2013 (the “**First Report**”), and approving the actions of the Monitor described therein;
- (d) prior to the Initial Order, the Applicant entered into a Letter of Intent with GoodLife dated January 18, 2013 (the “**LOI**”) under which the Applicant agreed to sell, and GoodLife agreed to purchase, substantially all of the Applicant’s assets, properties and undertakings subject to, among other things, the execution of a binding asset purchase agreement;

- (e) pursuant to an Amending Agreement between the Applicant and GoodLife dated March 19, 2013, the LOI was amended to provide for the execution of the APA on or before March 19, 2013;
- (f) the Applicant and GoodLife have been working diligently towards satisfying the conditions set out in the LOI and negotiating the form of the APA;
- (g) the conditions set out in the LOI have been satisfied or waived by the Applicant and GoodLife, and the APA was executed by the Applicant and GoodLife, and acknowledged by the Monitor in respect of certain specified provisions of the APA, on March 19, 2013;
- (h) the consummation of the transaction under the APA (the “**Transaction**”) will result in the preservation of approximately 70% of the jobs of the Applicant’s employees, and will provide for continued supplier relationships and continued business activity at the locations subject to the Purchased Assets, including the Leases;
- (i) pursuant to paragraph 14 of the Initial Order, the Stay Period expires on April 5, 2013;
- (j) the Applicant requires an extension of the Stay Period to and including May 10, 2013 in order to permit it to complete the proposed transaction with GoodLife under the terms of the APA and to wind-up the business affairs of the Applicant;
- (k) the eight-week cash flow projection, reviewed with the Monitor and attached to the Hutchens Affidavit, projects that the Applicant has sufficient funding complete the Transaction and the wind-up of the business affairs of the Applicant;
- (l) based on the information available, creditors of the Applicant will not be materially prejudiced by an extension of the Stay Period to and including May 10, 2013;

- (m) the Applicant has acted, and continues to act, in good faith and with due diligence, and circumstances exist that make granting an extension of the Stay Period to and including May 10, 2013 appropriate;
- (n) the Applicant holds title to the Leases relating to the Applicant's fitness facility operations;
- (o) pursuant to sections 2.07 and 4.01 of the APA, the Applicant is obligated to request the consents of all of the lessors under the leases which form part of the Purchased Assets (collectively, the "**Purchased Leases**") which, by their terms, require the consent of the lessors to any assignment, prior to the Closing Date (as defined in the APA) (collectively, the "**Consents**");
- (p) in respect of the Purchased Leases which, by their terms, require consent to assignment, the Applicant has used commercially reasonable efforts to obtain the Consents;
- (q) as a result of those efforts, as of the date hereof, the Applicant has obtained Consents or made other arrangements satisfactory to GoodLife for 8 of the Purchased Leases which, by their terms, require consent to assignment;
- (r) as of the date hereof, GoodLife is still negotiating with the landlords for 2 of the locations, which negotiations will conclude on Monday, March 25, 2013, at which point the leases for those locations will either form part of the Purchased Leases or will be repudiated by the Applicant;
- (s) despite its commercially reasonable efforts, as of the date hereof, the Applicant was unable to obtain Consents for the balance of the Purchased Leases, which constitute the Leases the Applicant is seeking this Court's approval to assign to GoodLife;
- (t) the assignment of the Leases to GoodLife is important to the restructuring efforts of the Applicant and necessary to ensure maximum realization of value by the

Applicant pursuant to the APA, which proceeds will be distributed to the Applicant's stakeholders in accordance with their entitlement thereto;

- (u) GoodLife is ready and able to perform the obligations under the Leases upon approval by this Court of their assignment;
- (v) GoodLife has the financial wherewithal to consummate the Transaction and the ability to perform the obligations under the Leases upon approval by the Court of their assignment;
- (w) GoodLife intends to carry out substantially the same business and use of the locations subject to the Leases;
- (x) the proposed Transaction provides a fair price in the circumstances for the Purchased Assets, which includes the Leases;
- (y) the Transaction was negotiated at all times in good faith and with a view to the best interests of the Applicant and its stakeholders;
- (z) in order for the Applicant to ensure the realization of maximum value under the APA, it is necessary that the Applicant obtain the relief sought herein to assign the Leases;
- (aa) the interests of the lessors under the Leases are not anticipated to be materially prejudiced;
- (bb) provided the interim distribution to the Applicant is approved by this Court, the Applicant will be in good standing under the Leases and there will be no monetary defaults thereunder;
- (cc) the proposed interim distributions accords with the priority of claims against the Applicant;

- (dd) the Applicant's senior secured creditors, Golub and NBC, support the relief being sought by the Applicant;
- (ee) a sealing order is required because the unredacted copy of the APA, which is included in the Confidential Supplement to the Second Report, and Confidential Appendix "B" to the Hutchens Affidavit contain commercially sensitive information, the release of which could prejudice the stakeholders of the Applicant;
- (ff) the Monitor has filed with the Court its Second Report outlining, among others things: (i) the actions of the Monitor since the date of its First Report; (ii) the Applicant's financial situation; and (iii) the APA and the transactions contemplated therein;
- (gg) the Monitor supports the APA and of the Applicant consummating the Transaction, the assignment of the Leases to GoodLife and the extension of the Stay Period being sought by the Applicant;
- (hh) the Monitor's counsel is completing its review of the security held by each of Golub and NBC in respect of the Applicant's assets and will advise the Court of the results of same prior to the Applicant's motion regarding the interim distributions of the proceeds of the Transaction;
- (ii) the other grounds set out in the Second Report;
- (jj) sections 11.02, 11.3 and 36 of the CCAA and the inherent and equitable jurisdiction of this Court;
- (kk) section 137 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
- (ll) rules 1.04, 2.03, 3.02, 16.08 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (mm) such further and other grounds as counsel may advise and this Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) the Hutchens Affidavit;
- (b) the Second Report; and
- (c) such further and other material as counsel may submit and this Court may permit.

Date: March 22, 2013

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TO: ATTACHED SERVICE LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF EXTREME FITNESS, INC.

Court File No. CV-13-10000-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF MOTION

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TAB 2

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COMMERCIAL LIST**

THE HONOURABLE) WEDNESDAY, THE 27TH DAY
)
JUSTICE) OF MARCH, 2013
)

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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APPROVAL AND VESTING ORDER

THIS MOTION, made by Extreme Fitness, Inc. (the "**Applicant**"), for an order, *inter alia*, approving the sale transaction (the "**Transaction**") contemplated by an asset purchase agreement between the Applicant and GoodLife Fitness Centres Inc. (the "**Purchaser**") dated March 19, 2013 (the "**APA**") and appended, in redacted form, to the affidavit of Alan Hutchens sworn March 22, 2013, filed (the "**Hutchens Affidavit**"), and included, in unredacted form, in the Confidential Supplement to the Second Report of FTI Consulting Canada Inc., in its capacity as the Court-appointed monitor of the Applicant (in such capacity, the "**Monitor**") dated March 22, 2013, filed (the "**Second Report**"), and vesting in the Purchaser the Applicant's right, title and interest in and to the Purchased Assets (as defined in the APA), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Hutchens Affidavit and the Second Report, and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, counsel for the Purchaser, counsel for Golub Capital Incorporated and counsel for National Bank of Canada, no one appearing for any other person on the service list, although duly served as appears from the affidavit of Eunice Baltkois sworn March 22, 2013, filed,

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the APA by the Applicant is hereby authorized and approved, with such minor amendments as the Applicant, with the consent of the Monitor, may deem necessary. The Applicant is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor's certificate to the Purchaser substantially in the form attached as **Schedule "A"** hereto (the "**Monitor's Certificate**"), all of the Applicant's right, title and interest in and to the Purchased Assets shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Orders of this Court in the within proceedings; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; but excluding the Permitted Encumbrances (as defined in the

APA) (all of which are collectively referred to as the “**Encumbrances**”) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall be paid to the Monitor and shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor’s Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

4. **THIS COURT ORDERS** that the Monitor may rely on written notice from the Applicant and the Purchaser regarding fulfillment of conditions to closing under the APA and shall incur no liability with respect to the delivery of the Monitor’s Certificate.

5. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor’s Certificate, forthwith after delivery thereof.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Applicant is authorized and permitted to disclose and transfer to the Purchaser: (i) all human resources and payroll information in the Applicant’s records pertaining to the Applicant’s Transferred Employees (as defined in the APA); and (ii) all personal information in the Applicant’s records pertaining to the Applicant’s Members and to Persons subject to Personal Training Contracts (as those terms are defined in the

APA). The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Applicant.

7. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Applicant,

the APA, the Transaction and the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give

effect to this Order and to assist the Applicant and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

Schedule "A"
Form of Monitor's Certificate

Court File No. CV-13-10000-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.

APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (the "**Court**") dated February 7, 2013, Extreme Fitness, Inc. (the "**Applicant**") was declared a company to which the *Companies' Creditors Arrangement Act* applied and FTI Consulting Canada Inc. was appointed as the Monitor of the Applicant (the "**Monitor**").

B. Pursuant to an Order of the Court dated March 27, 2013, the Court approved the asset purchase agreement between the Applicant and GoodLife Fitness Centres Inc. (the "**Purchaser**") dated March 19, 2013 (the "**APA**") and provided for the vesting in the Purchaser of the Applicant's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Purchaser of a certificate confirming: (i) the payment by the Purchaser of that portion of the Purchase Price for the Purchased Assets payable on the Closing; (ii) that the conditions to Closing as set out in

Article IV of the APA have been satisfied or waived by the Applicant and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals shall have the meanings ascribed to them in the APA.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and Monitor has received that portion of the Purchase Price for the Purchased Assets payable on Closing pursuant to the APA;
2. The conditions to Closing as set out in section Article IV of the APA have been satisfied or waived by the Applicant and the Purchaser;
3. The Transaction has been completed to the satisfaction of the Monitor; and
4. This Certificate was delivered by the Monitor at _____ on _____, 2013.

FTI Consulting Canada Inc., in its capacity as the Court-appointed Monitor of Extreme Fitness, Inc., and not in its personal or corporate capacity

Per: _____
Name: Steven Bissell
Title: Managing Director

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF EXTREME FITNESS, INC.

Court File No. CV-13-10000-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

APPROVAL AND VESTING ORDER

AIRD & BERLIS LLP
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Lawyers for Extreme Fitness, Inc.

TAB 3

Court File No. CV-13-10000-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE _____) DAY WEDNESDAY, THE 27TH
) DAY-
)

JUSTICE _____ OF _____, 20 MARCH, 2013

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

~~BETWEEN:-~~

~~PLAINTIFF~~

Plaintiff

~~-and-~~

~~DEFENDANT~~

Defendant

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.**

**APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

APPROVAL AND VESTING ORDER

THIS MOTION, made by [RECEIVER'S NAME] in its capacity as the Court-appointed receiver (the "Receiver") of the undertaking, property and assets of [DEBTOR] (the "Debtor") Extreme Fitness, Inc. (the "Applicant"), for an order, *inter alia*, approving the sale

transaction (the "**Transaction**") contemplated by an agreement of asset purchase and sale (the "Sale Agreement") agreement between the Receiver and [NAME OF PURCHASER] (the "Applicant and GoodLife Fitness Centres Inc. (the "Purchaser")") dated [DATE] and appended to the Report of the Receiver dated [DATE] (the "March 19, 2013 (the "APA")") and appended, in redacted form, to the affidavit of Alan Hutchens sworn March 22, 2013, filed (the "**Hutchens Affidavit**"), and included, in unredacted form, in the Confidential Supplement to the Second Report of FTL Consulting Canada Inc., in its capacity as the Court-appointed monitor of the Applicant (in such capacity, the "**Monitor**") dated March 22, 2013, filed (the "**Second Report**"), and vesting in the Purchaser the Debtor Applicant's right, title and interest in and to the assets described in the Sale Agreement (the "Purchased Assets" (as defined in the APA), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Hutchens Affidavit and the Second Report, and on hearing the submissions of counsel for the Receiver, [NAMES OF OTHER PARTIES APPEARING] Applicant, counsel for the Monitor, counsel for the Purchaser, counsel for Golub Capital Incorporated and counsel for National Bank of Canada, no one appearing for any other person on the service list, although properly duly served as appears from the affidavit of [NAME] Eunice Baltkois sworn [DATE] March 22, 2013, filed[†].

[†]This model order assumes that the time for service does not need to be abridged. The motion seeking a vesting order should be served on all persons having an economic interest in the Purchased Assets, unless circumstances warrant a different approach. Counsel should consider attaching the affidavit of service to this Order.

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved,² and the execution of the Sale Agreement APA by the Receiver³ Applicant is hereby authorized and approved, with such minor amendments as the Receiver Applicant, with the consent of the Monitor, may deem necessary. The Receiver Applicant is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver Monitor's certificate to the Purchaser substantially in the form attached as **Schedule "A"** hereto (the "Receiver **"Monitor's Certificate"**"), all of the Debtor Applicant's right, title and interest in and to the Purchased Assets ~~described in the Sale Agreement [and listed on Schedule B hereto]~~⁴ shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the **"Claims"**)⁵

² In some cases, notably where this Order may be relied upon for proceedings in the United States, a finding that the Transaction is commercially reasonable and in the best interests of the Debtor and its stakeholders may be necessary. Evidence should be filed to support such a finding, which finding may then be included in the Court's endorsement.

³ In some cases, the Debtor will be the vendor under the Sale Agreement, or otherwise actively involved in the Transaction. In those cases, care should be taken to ensure that this Order authorizes either or both of the Debtor and the Receiver to execute and deliver documents, and take other steps.

⁴ To allow this Order to be free-standing (and not require reference to the Court record and/or the Sale Agreement), it may be preferable that the Purchased Assets be specifically described in a Schedule.

⁵ The "Claims" being vested out may, in some cases, include ownership claims, where ownership is disputed and the dispute is brought to the attention of the Court. Such ownership claims would, in that case, still continue as against the net proceeds from the sale of the claimed asset. Similarly, other rights, titles or interests could also be vested out, if the Court is advised what rights are being affected, and the appropriate persons are served. It is the Subcommittee's view that a non-specific vesting out of "rights, titles and interests" is vague and therefore undesirable.

including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice [NAME] dated [DATE]; Orders of this Court in the within proceedings; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on Schedule C heretobut excluding the Permitted Encumbrances (as defined in the APA) (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule D") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

~~3. THIS COURT ORDERS that upon the registration in the Land Registry Office for the [Registry Division of {LOCATION}] of a Transfer/Deed of Land in the form prescribed by the *Land Registration Reform Act* duly executed by the Receiver][Land Titles Division of {LOCATION}] of an Application for Vesting Order in the form prescribed by the *Land Titles Act* and/or the *Land Registration Reform Act*]⁶, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule B hereto (the "Real Property") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.~~

~~3.~~ **4. THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds⁷ from the sale of the Purchased Assets shall be paid to the Monitor and shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver⁴Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with

⁶ Elect the language appropriate to the land registry system (Registry vs. Land Titles).

⁷ The Report should identify the disposition costs and any other costs which should be paid from the gross sale proceeds, to arrive at "net proceeds".

respect to the Purchased Assets immediately prior to the sale⁸, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

~~4.~~ **5. THIS COURT ORDERS** that the Monitor may rely on written notice from the Applicant and the Purchaser regarding fulfillment of conditions to closing under the APA and shall incur no liability with respect to the delivery of the Monitor's Certificate.

~~5.~~ **THIS COURT ORDERS AND DIRECTS** the ~~Receiver~~Monitor to file with the Court a copy of the ~~Receiver~~Monitor's Certificate, forthwith after delivery thereof.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the ~~Receiver~~Applicant is authorized and permitted to disclose and transfer to the Purchaser: (i) all human resources and payroll information in the ~~Company~~Applicant's records pertaining to the Debtor's past and current employees, including personal information of those employees listed on Schedule "•" to the Sale AgreementApplicant's Transferred Employees (as defined in the APA); and (ii) all personal information in the Applicant's records pertaining to the Applicant's Members and to Persons subject to Personal Training Contracts (as those terms are defined in the APA). The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the ~~Debtor~~Applicant.

7. **THIS COURT ORDERS** that, notwithstanding:

⁸ This provision crystallizes the date as of which the Claims will be determined. If a sale occurs early in the insolvency process, or potentially secured claimants may not have had the time or the ability to register or perfect proper claims prior to the sale, this provision may not be appropriate, and should be amended to remove this crystallization concept.

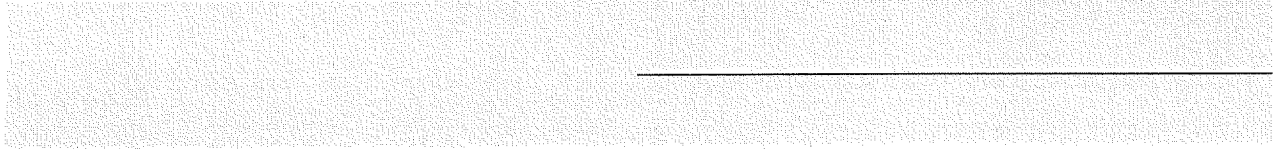
- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the ~~Debtor~~Applicant and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the ~~Debtor~~Applicant.

the APA, the Transaction and the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the ~~Debtor~~Applicant and shall not be void or voidable by creditors of the ~~Debtor~~Applicant, nor shall it constitute nor be deemed to be a ~~settlement~~, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the ~~Receiver~~Applicant and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Receiver~~Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order

or to assist the ~~Receiver and its~~ Applicant and the Monitor and their respective agents in carrying out the terms of this Order.



Schedule "A—"
Form of ReceiverMonitor's Certificate

Court File No. _____CV-13-10000-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.

APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED

BETWEEN:-

~~PLAINTIFF~~

Plaintiff

-and-

~~DEFENDANT~~

Defendant

RECEIVERMONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable [~~NAME OF JUDGE~~] Mr. Justice
Campbell of the Ontario Superior Court of Justice (the "Court") dated [~~DATE OF ORDER~~],
[~~NAME OF RECEIVER~~] was appointed as the receiver (the "Receiver") of the undertaking,
property and assets of [~~DEBTOR~~] (the "Debtor").") dated February 7, 2013, Extreme Fitness,
Inc. (the "Applicant") was declared a company to which the Companies' Creditors Arrangement

Act applied and FTI Consulting Canada Inc. was appointed as the Monitor of the Applicant (the "Monitor").

B. ~~B.~~ Pursuant to an Order of the Court dated ~~[DATE]~~, March 27, 2013, the Court approved the ~~agreement of asset purchase and sale made as of [DATE OF AGREEMENT] (the "Sale Agreement")~~ between the Receiver ~~[Debtor]~~ and ~~[NAME OF PURCHASER]~~ (the "agreement between the Applicant and GoodLife Fitness Centres Inc. (the "Purchaser")") dated March 19, 2013 (the "APA") and provided for the vesting in the Purchaser of the ~~Debtor~~ Applicant's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver Monitor to the Purchaser of a certificate confirming: (i) the payment by the Purchaser of that portion of the Purchase Price for the Purchased Assets payable on the Closing; (ii) that the conditions to Closing as set out in ~~section~~ Article IV of the ~~Sale Agreement~~ APA have been satisfied or waived by the Receiver Applicant and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver Monitor.

C. ~~C.~~ Unless otherwise indicated herein, terms with initial capitals shall have the meanings set out ascribed to them in the ~~Sale Agreement~~ APA.

THE RECEIVER MONITOR CERTIFIES the following:

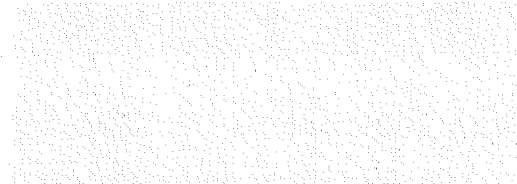
1. ~~1.~~ The Purchaser has paid and the Receiver Monitor has received that portion of the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement APA;

2. 2. The conditions to Closing as set out in section ~~•~~Article IV of the Sale Agreement APA have been satisfied or waived by the Receiver Applicant and the Purchaser; and

3. 3. The Transaction has been completed to the satisfaction of the Receiver Monitor; and

4. 4. This Certificate was delivered by the Receiver Monitor at _____ ~~{TIME}~~ _____ on _____ ~~{DATE}~~ _____, 2013.

5.



~~{NAME OF RECEIVER~~
Inc., in its capacity as ~~R~~
~~property and assets of~~
Court-appointed Monitor
and not in its personal o



Per: _____
Name: Steven Bi
Title: Managing



TAB 4

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) WEDNESDAY, THE 27TH DAY
JUSTICE) OF MARCH, 2013

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

ORDER

(Re: Stay Extension, Assignment of Leases and Distribution)

THIS MOTION, made by Extreme Fitness, Inc. (the "**Applicant**"), for an order, *inter alia*:

- (a) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Campbell granted on February 7, 2013 in these proceedings (the "**Initial Order**")) to and including May 10, 2013;
- (b) approving the Second Report of FTI Consulting Canada Inc., in its capacity as the Court-appointed monitor of the Applicant (in such capacity, the "**Monitor**") dated March 22, 2013 (the "**Second Report**") and approving the actions of the Monitor described therein;

- (c) sealing the Confidential Supplement to the Second Report and Confidential Exhibit “B” to the affidavit of Alan Hutchens sworn March 22, 2013 (the “**Hutchens Affidavit**”), filed, until further order of this Court;
- (d) approving the assignment of certain leases to GoodLife Fitness Centres Inc. (“**GoodLife**”) pursuant to an asset purchase agreement between the Applicant and GoodLife dated March 19, 2013 (the “**APA**”) and appended, in redacted form, to the Hutchens Affidavit and included, in unredacted form, in the Confidential Supplement to the Second Report; and
- (e) authorizing the Monitor to make interim distributions from the proceeds of the APA to:
 - (i) Golub Capital Incorporated, as agent for the benefit of itself and three lenders (collectively, in such capacity, the “**DIP Lender**”), in the amounts advanced under the DIP Credit Agreement (as defined in the Initial Order), plus interest and costs;
 - (ii) the Applicant, in an amount agreed to by the Monitor as is required to satisfy the Applicant’s post-filing obligations, including, without limitation, the liabilities intended to be protected by the Administration Charge and the D&O Charge (as those terms are defined in the Initial Order) and any monetary defaults under the Leases (as defined below) at the time of their assignment, other than monetary defaults arising by reason only of the Applicant’s insolvency, the commencement of proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C.

1985, C. c-36, as amended (the “**CCAA**”) or the Applicant’s failure to perform a non-monetary obligation; and

- (iii) to Golub Capital Incorporated, as agent for the benefit of itself and the lenders (in such capacity, “**Golub**”) described in the Priority Credit Agreement (as defined in the Hutchens Affidavit) and National Bank of Canada, as agent (in such capacity, “**NBC**”), on account of the Applicant’s outstanding indebtedness for principal, interest and costs,

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Hutchens Affidavit and the Second Report, and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, counsel for GoodLife, counsel for Golub and counsel for NBC, no one appearing for any other person on the service list, although duly served as appears from the affidavit of Eunice Baltkois sworn March 22, 2013, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

STAY PERIOD

2. **THIS COURT ORDERS** that the Stay Period, as defined in paragraph 14 of the Initial Order, be and is hereby extended to and including May 10, 2013.

SECOND REPORT OF THE MONITOR

3. **THIS COURT ORDERS** that the Second Report and the actions of the Monitor described therein be and are hereby approved.

4. **THIS COURT ORDERS** that, subject to further order of this Court, the Confidential Supplement to the Second Report and Confidential Appendix "B" to the Hutchens Affidavit shall be sealed, kept confidential and not form part of the public record, but rather shall be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further order of this Court.

APPROVAL OF ASSIGNMENT OF LEASES

5. **THIS COURT ORDERS** that, pursuant to section 11.3 of the CCAA and the inherent jurisdiction of this Court, upon delivery by the Monitor to GoodLife of the Monitor's Certificate (as defined in the Approval and Vesting Order dated March 27, 2013), all of the Applicant's right, title and interest in and to the leases listed on **Schedule "A"** hereto and all amendments, renewals and other agreements related thereto (collectively, the "**Leases**" and, each, a "**Lease**") and such Leases are hereby assigned to GoodLife and all of the Applicant's rights and obligations under the Leases shall be transferred to and be assumed by GoodLife, effective as of the Closing Date (as that term is defined in the APA).

6. **THIS COURT ORDERS AND DECLARES** that the Leases constitute Purchased Assets as that term is defined in this Court's Approval and Vesting Order issued March 27, 2013 and the assignment and transfer of the Leases to GoodLife as provided herein shall further be subject to the provisions of such Approval and Vesting Order.

7. **THIS COURT ORDERS** that the assignment of the Leases to GoodLife as provided herein is valid, binding upon and enforceable against all of the counterparties to the Leases, notwithstanding any restriction or prohibition relating to assignment contained in any such Lease, including, but not limited to, any provision requiring the consent of any party to the transfer or assignment of the Leases or any fee, penalty or payment required to be paid in connection therewith.

8. **THIS COURT ORDERS** that no fee, penalty or payment (whether contemplated by the terms of the Leases or otherwise) shall be required to be made by either the Applicant or by GoodLife to any party, including, without limitation, any landlord under the Leases, in connection with the assignment of the Leases as provided herein.

9. **THIS COURT ORDERS** that, from and after the Closing Date (as that term is defined in the APA), all counterparties under the Leases shall be deemed to have waived any and all non-monetary defaults existing as of the Closing Date under the Leases, including, but not limited to, any default related to the insolvency of the Applicant or the commencement of these CCAA proceedings, and such non-monetary defaults shall be deemed to have been rescinded *nunc pro tunc* and shall be of no further force or effect, including as against GoodLife.

INTERIM DISTRIBUTION

10. **THIS COURT ORDERS** that the Monitor be and is hereby authorized and directed to take all necessary steps to distribute from the proceeds of the transaction contemplated in the APA, without further Order of this Court: (i) USD\$<*> to the DIP Lender in respect of the amounts advanced to the Applicant under the DIP Credit Agreement, plus interest and costs; (ii) to the Applicant, in an amount agreed to by the Monitor as is required to satisfy the Applicant's

post-filing obligations, including, without limitation, the liabilities intended to be protected by the Administration Charge and the D&O Charge and any monetary defaults under the Leases at the time of their assignment, other than monetary defaults arising by reason only of the Applicant's insolvency, the commencement of proceedings under the CCAA or the Applicant's failure to perform a non-monetary obligation; and (iii) USD\$<*> to Golub in respect of the amounts advanced to the Applicant under the Priority Credit Facility and CDN\$2,000,000 to NBC on account and in partial satisfaction of the Applicant's outstanding indebtedness to NBC for principal, interest and costs.

11. **THIS COURT ORDERS** that the Monitor be and is hereby authorized, without further Order of this Court, to make one or more further distributions to NBC on account of the Applicant's outstanding indebtedness for principal, interest and costs from any: (i) additional sale proceeds received by the Monitor pursuant to the terms of the APA; and (ii) additional funds that come into the Monitor's possession in respect of the assets or property of the Applicant, up to the amount of the Applicant's indebtedness to NBC, subject to the Monitor maintaining an adequate reserve for any amounts secured by the Administration Charge and the D&O Charge.

12. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings,
- (b) any application for a bankruptcy order or bankruptcy Order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant; or
- (c) any assignment in bankruptcy made in respect of the Applicant,

the distributions and payment made pursuant to paragraphs 10 and 11 of this Order are final and irreversible and shall be binding upon any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall the payments constitute or be deemed to be settlements, fraudulent preferences, assignments, fraudulent conveyances, or other reviewable transactions under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial law, nor shall they constitute conduct which is oppressive, unfairly prejudicial to or which unfairly disregards the interests of any person.

13. **THIS COURT ORDERS AND DECLARES** that the Monitor is not a legal representative within the meaning of section 159(3) of the *Income Tax Act* (Canada), as amended (the “**ITA**”) or a person subject to section 150(3) of the ITA and that the Monitor shall have no obligation to prepare or file any tax returns of the Applicant with any taxing authority.

14. **THIS COURT ORDERS AND DECLARES** that any distributions under this Order shall not constitute a “distribution” for the purposes of section 159 of the ITA, section 270 of the *Excise Tax Act* (Canada), section 107 of the *Corporations Tax Act* (Ontario), section 22 of the *Retail Sales Tax* (Ontario), section 117 of the *Taxation Act, 2007* (Ontario) or any other similar federal, provincial or territorial tax legislation (collectively, the “**Tax Statutes**”), and the Monitor in making any such payments is not “distributing”, nor shall be considered to “distribute” nor to have “distributed”, such funds for the purpose of the Tax Statutes, and the Monitor shall not incur any liability under the Tax Statutes in respect of its making any payments ordered or permitted under this Order, and is hereby forever released, remised and discharged from any claims against it under or pursuant to the Tax Statutes or otherwise at law, arising in

respect of payments made under this Order and any claims of this nature are hereby forever barred.

15. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the Initial Order, the Monitor shall not be liable for any act or omission on the part of the Monitor, or any reliance thereon, including, without limitation, in respect to any information disclosed, any act or omission pertaining to the discharge of its duties under this Order or as requested by the Applicant or in respect to any other duties or obligations set out in this Order or in the Initial Order, save and except for any claim or liability arising out of any gross negligence or wilful misconduct on the part of the Monitor. Nothing in this Order shall derogate from the protections afforded to the Monitor by the CCAA, any other federal or provincial applicable law or the Initial Order.

16. **THIS COURT ORDERS** that no action or other proceeding shall be commenced against the Monitor in any way arising from or related to its capacity or conduct as Monitor except with prior leave of this Court and on prior written notice to the Monitor.

17. **THIS COURT ORDERS** that upon fulfilment of its obligations under this Order, the Monitor is hereby authorized to apply to Court for its discharge.

SCHEDULE "A"
LEASES

1. Lease between the Applicant and 1079268 Ontario Inc. dated October 30, 2006, as amended by letter agreement dated October 12, 2007 in respect to the premises known municipally as 635 Danforth Avenue, Toronto, Ontario.
2. Lease between the Applicant and 2125879 Ontario Inc. dated June 1, 2007, as amended by agreement dated June 1, 2007 in respect to the premises known municipally as 111 Wellington Street West, Toronto, Ontario.
3. Lease between a predecessor corporation of the Applicant and 550 Adelaide Properties Inc., a predecessor corporation of the current landlord, 2079843 Ontario Inc., as amended by agreements dated May 27, 1998, September 1, 1998 and June 2006 in respect to the premises known municipally as 8281 Yonge Street, Thornhill, Ontario.
4. Lease between the Applicant and 2044922 Ontario Ltd. dated June 2006, as amended by agreement dated September 15, 2006 in respect to certain parking space located at the premises known municipally as 8275 Yonge Street, Thornhill, Ontario.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF EXTREME FITNESS, INC.

Court File No. CV-13-10000-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

(Re: Stay Extension, Assignment of Leases and Distribution)

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Lawyers for Extreme Fitness, Inc.

TAB 5

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AFFIDAVIT OF ALAN HUTCHENS
(sworn March 22, 2013)**

I, Alan Hutchens, of the Town of Oakville, in the Province of Ontario, **MAKE OATH
AND SAY AS FOLLOWS:**

1. I am the Interim Chief Financial Officer of Extreme Fitness, Inc. (the "**Applicant**"). As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

I. NATURE OF MOTION AND RELIEF SOUGHT

2. This Affidavit is sworn in support of a motion by the Applicant under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, among other things:

- (a) approving the Asset Purchase Agreement between the Applicant and GoodLife Fitness Centres Inc. ("**GoodLife**") dated March 19, 2013 (the "**APA**"), and vesting the Applicant's right, title and interest in and to the Purchased Assets (as defined in the APA) to GoodLife;

- (b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Campbell granted on February 7, 2013 in these proceedings (the “**Initial Order**”)) to and including May 10, 2013;
- (c) approving the Second Report (the “**Second Report**”) of FTI Consulting Canada Inc. (“**FTI**”), in its capacity as the Court-appointed monitor of the Applicant (in such capacity, the “**Monitor**”) and approving the actions of the Monitor described therein;
- (d) sealing the Confidential Supplement to the Second Report and the Confidential Exhibit “B” to this Affidavit until further order of this Court;
- (e) approving the assignment of certain leases as described herein (collectively and as the same may have been amended, restated, supplemented or replaced from time to time, the “**Leases**”) to GoodLife pursuant to the APA; and
- (f) authorizing the Monitor to make interim distributions from the proceeds of the APA to:
 - (i) Golub Capital Incorporated, as agent for the benefit of itself and three lenders (collectively, in such capacity, the “**DIP Lender**”) in the amounts advanced to the Applicant under the DIP Credit Agreement (as defined in the Initial Order), plus interest and costs;
 - (ii) the Applicant, an amount agreed to by the Monitor as is required to satisfy the Applicant’s post-filing obligations, including, without limitation, the liabilities intended to be protected by the Administration Charge and the D&O Charge (as those terms are defined in the Initial Order) and any monetary defaults under the Leases at the time of their assignment, other than monetary defaults arising by reason only of the Applicant’s insolvency, the commencement of proceedings under the CCAA or the Applicant’s failure to perform a non-monetary obligation; and

- (iii) to Golub Capital Incorporated, as agent for the benefit of itself and the lenders (in such capacity, “**Golub**”) described in the Priority Credit Agreement, as defined in the affidavit I swore on February 7, 2013 in support of the Initial Order (the “**February 7 Affidavit**”), and National Bank of Canada, as agent (in such capacity, “**NBC**”), on account of the Applicant’s outstanding indebtedness for principal, interest and costs.

II. BACKGROUND

3. The Applicant is a leading operator of fitness clubs in the greater Toronto area and surrounding region.
4. On February 7, 2013, the Applicant made an application under the CCAA seeking court protection from its creditors, which protection was granted pursuant to the Initial Order.
5. I swore the February 7 Affidavit in support of the Initial Order, a copy of which (without exhibits) is attached as **Exhibit “A”** to this Affidavit. The February 7 Affidavit sets out the background of these CCAA proceedings, including the business of the Applicant and its financial difficulties, an overview of the Applicant’s major stakeholders and the proposed sale of substantially all of the Applicant’s assets, properties and undertakings to GoodLife.
6. On March 7, 2013, upon a motion by the Applicant, this Court granted an order, among other things: (i) extending the Stay Period to and including April 5, 2013; (ii) approving the key employee retention plan (the “**KERP**”) offered by the Applicant to certain employees deemed critical to complete the proposed transaction with GoodLife; and (iii) approving the First Report of the Monitor dated February 26, 2013 (the “**First Report**”), and the actions of the Monitor described therein.
7. Prior to the Initial Order, the Applicant entered into a Letter of Intent with GoodLife dated January 18, 2013 (the “**LOI**”) under which the Applicant agreed to sell, and GoodLife agreed to purchase, substantially all of the Applicant’s assets, properties and undertakings subject to, among other things, the execution of a binding asset purchase agreement (the “**APA**”) on or before March 18, 2013.

8. Pursuant to an Amending Agreement between the Applicant and GoodLife dated March 19, 2013, the LOI was amended to provide for the execution of the APA on or before March 19, 2013.

9. Since the commencement of these proceedings, the Applicant and GoodLife have been working diligently towards satisfying the conditions set out in the LOI and negotiating the form of the APA.

10. The sale transaction contemplated in the LOI must, according to its terms, close on or before March 31, 2013 or such other date as the parties thereto agree.

11. The conditions set out in the LOI have been satisfied or waived by the Applicant and GoodLife, and the APA was executed by the Applicant and GoodLife, and acknowledged by the Monitor in respect of certain specified provisions of the APA, on March 19, 2013. Accordingly, the Applicant is seeking approval of the APA.

III. THE SALES PROCESS

12. As described in the February 7 Affidavit, on July 4, 2012, the Applicant engaged Integrity Square LLC (“ISQ”), a specialty financial advisory firm based in New York that focuses on the fitness and wellness sector, to provide financial advisory services with respect to a sale of the Applicant or certain of its 13 fitness facilities.

13. Commencing in mid-August, 2012, ISQ contacted 26 potential purchasers that either already had operations in the fitness facility sector or that ISQ believed would have interest in the Applicant. Of these 26 parties, 9 executed non-disclosure agreements and received the confidential information memorandum prepared by ISQ, which memorandum described the Applicant’s business.

14. Several parties subsequently accessed the confidential electronic data room established to assist with due diligence. October 10, 2012 was set as the date for potential purchasers to submit written non-binding indications of interest that were to include, among other things, information regarding purchase price, form of consideration, financing sources and due diligence requirements.

15. The ISQ sales process generated:

- (a) two written offers to buy certain of the Applicant's fitness facilities;
- (b) one written offer to purchase all of the Applicant's fitness facilities, except the Delisle location;
- (c) one verbal offer to purchase the Applicant's suburban fitness facilities (6 of 13 clubs); and
- (d) a verbal expression of interest in respect to a partnership with the Applicant.

16. The Applicant and ISQ concluded that the potential realizations from the above-noted offers were insufficient and, accordingly, none of the offers were accepted. The offer submitted by GoodLife was the only offer that contemplated the purchase of substantially all of the Applicant's member and personal training contracts. As such, ISQ contacted GoodLife to inquire if its offer could be enhanced. Subsequent discussions and negotiations with GoodLife culminated in the parties entering the LOI.

17. Further details regarding the ISQ sale process are set out in the summary attached as **Confidential Exhibit "B"** hereto. The Applicant is requesting a sealing of this exhibit as it contains commercially sensitive information, the release of which could prejudice the stakeholders of the Applicant.

18. I believe that the sale process conducted by ISQ was fair and reasonable in the circumstances and adequately canvassed the market for expressions of interest.

IV. THE APA

19. The transaction contemplated in the APA (the "**Transaction**") provides for the sale or assignment of substantially all of the Applicant's assets to GoodLife (except the Excluded Assets, as that term is defined in the APA), including, without limitation, contracts regarding the Applicant's Members and Persons subject to Personal Training Contracts (as those terms are defined in the APA), personal property used in the Applicant's business and substantially all of the equipment leases and real property leases. A redacted copy of the APA is attached as **Exhibit**

“C” hereto. An unredacted copy of the APA is included in the Confidential Supplement to the Second Report.

20. As of the date hereof, the Applicant and GoodLife have reached consensual assignment arrangements with the landlords to 8 of the Applicant’s 13 fitness facilities, and efforts to achieve similar arrangements with the balance of the landlords are ongoing.

21. The Transaction was negotiated at all times in good faith and with a view to the best interests of the Applicant and its stakeholders.

22. The purchase price payable under the Transaction is fair and reasonable in the circumstances and represents the highest realization for the Applicant’s stakeholders when compared against the offers generated in the sales process conducted by ISQ.

23. The consummation of the Transaction will result in the preservation of approximately 70% of the jobs of the Applicant’s employees, and will provide for continued supplier relationships and continued business activity at the locations subject to the Purchased Assets, including the Leases.

24. I understand that the Monitor, Golub and NBC support the APA and the Transaction.

V. THE STAY PERIOD

25. Pursuant to paragraph 14 of the Initial Order, the Stay Period expires on April 5, 2013.

26. The extension of the Stay Period to and including May 10, 2013 is necessary in order to provide stability to the Applicant’s business while the Applicant, with the assistance of the Monitor, works diligently on completing the proposed transaction with GoodLife and the wind-up of the business affairs of the Applicant, which would maximize value for the benefit of the Applicant’s stakeholders.

27. The eight-week cash flow projection, reviewed with the Monitor and attached as **Exhibit “D”** hereto, projects that the Applicant will have sufficient funding to complete the Transaction and the wind-up of the business affairs of the Applicant. Subject to the Court granting the requested relief, after the closing of the Transaction, a portion of the net sale proceeds generated

from the sale to GoodLife will be used to fund the remaining obligations that the Applicant has incurred since the date of the Initial Order, including employee wages and vacation pay.

28. Since the issuance of the Initial Order, the Applicant has acted, and continues to act, in good faith and with due diligence, and circumstances exist that make granting an extension of the Stay Period to and including May 10, 2013 appropriate.

29. I understand that the Monitor supports the motion to extend the Stay Period and the Applicant is unaware of any creditor who opposes this relief being granted. I do not believe that any creditor of the Applicant will suffer any material prejudice if the Stay Period is extended to and including May 10, 2013.

VI. SEALING THE CONFIDENTIAL SUPPLEMENT TO THE SECOND REPORT

30. The Confidential Supplement to the Second Report contains an unredacted copy of the APA. In order to protect the stakeholders of the Applicant and to minimize disruption during these CCAA proceedings, the Applicant is seeking an order sealing the Confidential Supplement to the Second Report until further order of this Court.

VII. ASSIGNMENT OF THE LEASES

31. The Leases relate to certain of the premises underlying the Applicant's fitness facility operations which are to be sold to the Purchaser pursuant to the APA. The Leases form an essential component of GoodLife's ability to continue the operations acquired pursuant to the APA in the ordinary course.

32. Pursuant to sections 2.07 and 4.01 of the APA, the Applicant is obligated to request the consents (collectively, the "**Consents**") of all of the lessors under the leases which form part of the Purchased Assets (collectively, the "**Purchased Leases**") which, by their terms, require the consent of the lessors to any assignment, prior to the Closing Date (as defined in the APA).

33. In respect of the Purchased Leases which, by their terms, require consent to assignment, the Applicant has used commercially reasonable efforts to obtain the Consents.

34. As a result of those efforts, as of the date hereof, the Applicant has obtained Consents or made other arrangements satisfactory to GoodLife for the Purchased Leases in respect of the following locations wherein the Applicant operates fitness facilities, which, by their terms, require consent to assignment:

- (a) Cedarbrae;
- (b) Dundas;
- (c) Dunfield;
- (d) Interchange;
- (e) North York;
- (f) Pickering;
- (g) Richmond; and
- (h) Whitby,

all as defined in the February 7 Affidavit.

35. I am advised by GoodLife that, as of the date hereof, it is still negotiating with the landlords of each of the Bloor and Delisle locations (as defined in the February 7 Affidavit) with respect to the assignment of their respective leases with the Applicant. I am further advised by GoodLife that the result of such negotiations will be concluded and communicated to the Applicant by Monday, March 25, 2013, at which point the leases for those locations will either form part of the Purchased Leases or will be repudiated by the Applicant.

36. Despite its commercially reasonable efforts, as of the date hereof, the Applicant was unable to obtain Consents for the balance of the Purchased Leases, which constitute the Leases the Applicant is seeking this Court's approval to assign to GoodLife and which are delineated as follows:

- (a) in respect to the premises known municipally as 635 Danforth Avenue, Toronto, Ontario (“**Danforth**”), the lease between the Applicant and 1079268 Ontario Inc. dated October 30, 2006, as amended by letter agreement dated October 12, 2007, copies of which are attached hereto as **Exhibit “E”**;
- (b) in respect to the premises known municipally as 111 Wellington Street West, Toronto, Ontario (“**Wellington**”), the lease between the Applicant and 2125879 Ontario Inc. dated June 1, 2007, as amended by agreement dated June 1, 2007, copies of which are attached hereto as **Exhibit “F”**;
- (c) in respect to the premises known municipally as 8281 Yonge Street, Thornhill, Ontario (“**Thornhill**”), the lease between a predecessor corporation of the Applicant and 550 Adelaide Properties Inc., a predecessor corporation of the current landlord, 2079843 Ontario Inc. as amended by agreements dated May 27, 1998, September 1, 1998 and June 2006, copies of which are attached hereto as **Exhibit “G”**; and
- (d) in respect to certain parking space in connection with the Thornhill location, the premises known municipally as 8275 Yonge Street, Thornhill, Ontario (“**Thornhill Parking**”), the lease between the Applicant and 2044922 Ontario Ltd. dated June 2006, as amended by agreement dated September 15, 2006, copies of which are attached hereto as **Exhibit “H”**. I understand that 2044922 Ontario Ltd. and 2079843 Ontario Inc. are related entities.

37. The Applicant will continue to use commercially reasonable efforts to obtain Consents relating to the Leases until the return date of its motion.

38. The assignment of the Leases to GoodLife is important to the restructuring efforts of the Applicant and necessary to ensure maximum realization of value by the Applicant pursuant to the APA, which proceeds will be distributed to the Applicant’s stakeholders in accordance with their entitlement thereto.

39. I understand that the Monitor supports the APA and of the Applicant consummating the Transaction and approves of the assignment of the Leases to GoodLife.

40. I understand that GoodLife has satisfied the Monitor as to its readiness and ability to perform the obligations under the Leases upon approval by this Court of their assignment, as is more fully described in the Second Report.

41. GoodLife was founded in 1979 and is the largest fitness company in Canada with approximately 300 clubs and 750,000 members across Canada. GoodLife has already satisfied the financing conditions set forth in the APA, including providing a deposit in the amount of \$1,500,000, which, I believe, is indicative of its financial wherewithal to consummate the Transaction and its ability to perform the obligations under the Leases upon approval by this Court of their assignment.

42. I further understand that GoodLife intends to carry out substantially the same business and use of the premises subject to the Leases.

43. In order for the Applicant to ensure the realization of maximum value under the APA, it is necessary that the Applicant obtain the relief sought herein to assign the Leases.

44. The interests of the lessors under the Leases are not anticipated to be materially prejudiced.

45. Provided the interim distribution to the Applicant is approved by this Court, the Applicant will be in good standing under the Leases and there will be no monetary defaults thereunder.

46. I am advised by counsel that the material terms of the Leases should not affect the outcome of the Applicant's motion, which is governed, I am advised, by a statutory test under the CCAA and the powers of this Court.

47. I believe that this Court's approval of the assignment of the Leases to GoodLife is essential to achieve the maximum realization of value by the Applicant pursuant to the APA and the Transaction and is appropriate in the circumstances.

VIII. INTERIM DISTRIBUTIONS

48. The Applicant is seeking interim distributions of the proceeds of the Transaction to each of the DIP Lender, the Applicant, Golub and NBC, all of which is conditional on the Monitor's approval of same.

49. As of the date hereof, USD\$1,000,000 has been advanced under the DIP Credit Agreement and a further USD\$300,000 is to be advanced on March 26, 2013. The aggregate amount of USD\$1,300,000, plus interest and costs, will be repaid in full to the DIP Lender from the proceeds of the Transaction.

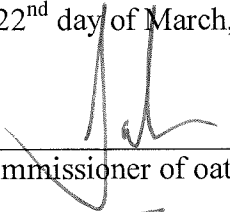
50. The contemplated interim distributions to the Applicant from the proceeds of the Transaction will be used to satisfy certain of the Applicant's post-filing obligations, including, without limitation, the liabilities intended to be protected by the Administration Charge and the D&O Charge, and any monetary defaults under the Leases at the time of their assignment, other than monetary defaults arising by reason only of the Applicant's insolvency, the commencement of proceedings under the CCAA or the Applicant's failure to perform a non-monetary obligation.

51. The contemplated interim distributions to Golub and NBC are on account of the Applicant's outstanding indebtedness to each of them for principal, interest and costs as described in the February 7 Affidavit and as I understand will be more fully described in the supplementary report of the Monitor, which distributions are subject to the Monitor maintaining an adequate reserve for, among other things, any amounts secured by the Administration Charge and the D&O Charge.

52. I believe the interim distributions sought by the Applicant are fair and reasonable in the circumstances. I also understand that the Monitor is completing its review of the security held by each of NBC and Golub in respect of the Applicant's assets and will advise the Court of the results prior to the Applicant's motion.

53. This Affidavit is sworn in support of the relief requested by the Applicant and for no other or improper purposes.

SWORN BEFORE ME at the City of)
Toronto, in the Province of Ontario,)
this 22nd day of March, 2013.)



A commissioner of oaths, etc.)
IAN AVERSA



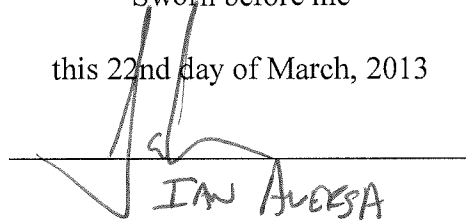
ALAN HUTCHENS

TAB A

Attached is Exhibit "A"

Referred to in the
Affidavit of Alan Hutchens

Sworn before me
this 22nd day of March, 2013

A handwritten signature in black ink, appearing to read "IAN AVESA", is written over a horizontal line. The signature is somewhat stylized and includes a large initial letter.

Commissioner for taking Affidavits, etc

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AFFIDAVIT OF ALAN HUTCHENS
(sworn February 7, 2013)**

I, Alan Hutchens, of the Town of Oakville, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am the Interim Chief Financial Officer of Extreme Fitness, Inc. ("**Extreme**", the "**Company**" or the "**Applicant**"). As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

I. NATURE OF APPLICATION AND RELIEF SOUGHT

2. This Affidavit is sworn in support of an application by the Applicant under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, among other things:

- (a) staying all proceedings and remedies taken or which might be taken in respect of the Applicant or any of its property, except upon the leave of the Court being granted, or as otherwise provided;
- (b) authorizing the Applicant to prepare and file with the Court a plan of compromise or arrangement with its creditors;

- (c) appointing FTI Consulting Canada Inc. ("**FTI**") as monitor of the Applicant (in such capacity, the "**Monitor**");
- (d) authorizing debtor-in-possession ("**DIP**") financing for the Applicant;
- (e) authorizing an administration charge (the "**Administration Charge**") over the assets of the Applicant to the benefit of the Monitor, Monitor's counsel, the Applicant's counsel and Alvarez & Marsal Canada ULC ("**A&M**") in its capacity as the Applicant's financial advisor (in such capacity, the "**Advisor**") and in its capacity as the Applicant's Interim Chief Financial Officer and Interim Controller (in such capacities, the "**Interim Officers**") to secure their fees and disbursements; and
- (f) indemnifying the Applicant's directors, officers and Interim Officers for obligations and liabilities they may incur as directors and officers of the Applicant after the commencement of the CCAA proceedings and authorizing a charge over the assets of the Applicant as security for such indemnity.

3. The principal objectives of this proceeding are: (i) to ensure the ongoing operations of Extreme; (ii) to ensure the Company has the necessary availability of working capital funds to maximize the ongoing business of Extreme for the benefit of its stakeholders; and (iii) to complete a sale and transfer of substantially all of Extreme's assets and business as a going concern.

4. In connection with the potential sale of Extreme's assets and business, Extreme entered into a letter of intent with GoodLife Fitness Centres Inc. ("**GoodLife**"). The transaction is subject to the satisfaction of certain conditions, as described in greater detail below, and contemplates the completion of a transaction by March 31, 2013. The proposed transaction would involve the retention of most of Extreme's staff.

5. The anticipated scenario in this proceeding is a going concern sale of the Applicant's fitness facilities to GoodLife as set out herein. However, there is also the possibility that there could be a restructuring of the Applicant's business. Protection under the CCAA will allow for a

sale to happen, if possible, under the supervision of the Court for the benefit of all stakeholders and, if necessary, will also allow for the prospect of a restructuring.

II. BACKGROUND OF THE APPLICANT AND ITS BUSINESS

6. The Applicant is a privately held corporation formed by articles of amalgamation under the laws of the Province of Alberta on June 16, 2006. The Applicant is registered to carry on business in the Province of Ontario and all of its assets are located in Ontario. A copy of a corporation information report for Extreme is attached as **Exhibit "A"** to this Affidavit.

7. Through acquisitions and greenfield expansions, Extreme currently operates 13 fitness facilities in the GTA and surrounding region with approximately 57,500 members.

8. The Applicant's ownership structure as at October, 2012 is set out in the organizational chart, attached as **Exhibit "B"** to this Affidavit. On June 15, 2006, Falconhead Capital, LLC ("**Falconhead**"), a New York based private equity firm, purchased the Extreme business which, at the time, operated four fitness facilities in the greater Toronto area (the "**GTA**"). Falconhead is the Applicant's largest shareholder, directly or indirectly holding approximately 80% of the outstanding share capital of the Company.

9. As of the date of this Affidavit:

- (a) the Applicant's directors are David Gubbay, Darko Pajovic and Taso Pappas (collectively, the "**Directors**"); and
- (b) the Applicant's officers are Taso Pappas, President, Alan Hutchens, Interim Chief Financial Officer and Greg Karpel, Interim Controller (collectively, the "**Officers**"). Messrs. Hutchens and Karpel were appointed as Interim CFO and Interim Controller, respectively, effective May 1, 2012, pursuant to an engagement letter between the Applicant and A&M of even date.

10. The Applicant's former CFO and former Controller were placed on administrative leave effective April 26, 2012. The Applicant's former CEO resigned effective June 8, 2012. On the same date, Taso Pappas was appointed President of the Applicant.

11. DBP Maintenance (“**DBP**”) is an independent contractor owned by, among others, Darko Pajovic. DBP currently provides janitorial and general maintenance services to Extreme’s 13 fitness facilities.

12. The Applicant’s revenues are comprised primarily of membership and personal training fees. The Applicant operates its 13 fitness facilities from the following leased locations:

- (a) 80 Bloor Street West, Toronto (“**Bloor**”);
- (b) 3495 Lawrence Avenue East, Scarborough (“**Cedarbrae**”);
- (c) 635 Danforth Avenue, Toronto (“**Danforth**”);
- (d) 1521 Yonge Street, Toronto (“**Delisle**”);
- (e) 319 Yonge Street, Toronto (“**Dundas**”);
- (f) 110 Eglinton Avenue East, Toronto (“**Dunfield**”);
- (g) 90 Interchange Way, Vaughan (“**Interchange**”);
- (h) 4950 Yonge Street, Toronto (“**North York**”);
- (i) 1755 Pickering Parkway, Pickering (“**Pickering**”);
- (j) 267 Richmond Street West, Toronto (“**Richmond**”);
- (k) 8281 Yonge Street, Thornhill (“**Thornhill**”);
- (l) 111 Wellington Street West, Toronto (“**Wellington**”); and
- (m) 75 Consumers Drive, Whitby (“**Whitby**”).

13. The Applicant’s registered office is 600, 12220 Stony Plain Road, Edmonton, Alberta. Its head office is located at 8281 Yonge Street, Thornhill, Ontario.

14. The Applicant has a 75% interest in the share capital of Halsa Studio Inc. (“**Halsa**”), a corporation incorporated pursuant to the laws of the Province of Ontario. Halsa previously

operated as a laser hair removal clinic at the Thornhill location. Halsa ceased operations on or about 2002.

15. The Applicant also has a 51% interest in the share capital of Juice (Whitby) Inc. ("**Juice**"), a corporation incorporated pursuant to the laws of the Province of Ontario. Juice previously operated as a juice bar located at the Whitby location. Juice ceased operations on or about 2007.

16. Nutrition (Whitby) Inc. ("**Nutrition**"), a corporation incorporated pursuant to the laws of the Province of Ontario, is a wholly-owned subsidiary of the Applicant. Nutrition previously operated as a nutritional supplements retailer at the Whitby location. Nutrition ceased operations on or about 2007.

17. As of the date of this Affidavit, none of Halsa, Juice and Nutrition have any material assets and are dormant companies. Accordingly, it is not currently contemplated that Halsa, Juice or Nutrition will be applicants in these proceedings.

III. THE APPLICANT'S FINANCIAL SITUATION

18. In early April, 2012, Extreme's former CEO became aware that the Company was experiencing liquidity difficulties and that certain discrepancies and irregularities existed in the Company's books and records. Accordingly, the Applicant took immediate steps to investigate the situation by, among other things, engaging A&M on April 9, 2012, to provide consulting services in connection with, among other things, efforts to improve the Company's financial and operating performance and to assist in evaluating difficulties with the Company's accounting, financial and operating reporting.

19. In mid-April, 2012, in order to address the Company's liquidity needs, certain of its stakeholders, with the cooperation of National Bank of Canada (the Applicant's senior secured lender), extended the Applicant a priority credit facility, as further detailed below.

20. The Company and A&M worked throughout April and May, 2012 to identify, review and assess the impact of the discrepancies and irregularities that existed in the Company's books and records. As this work progressed, it became evident that the Company's financial statements for

the fiscal years ending December 31, 2010 and 2011, and its monthly financial statements for January to April, 2012 required restatement. The primary financial statement items that had been misstated, included, but were not limited to:

- (a) personal training revenue, accounts receivable and deferred revenue;
- (b) allowance for doubtful accounts;
- (c) membership revenues; and
- (d) GST/HST liabilities.

21. The financial statement restatement work was concluded in mid-June, 2012 which entailed, but was not limited to:

- (a) restatement of the Applicant's financial statements for the fiscal years ending December 31, 2010 and December 31, 2011 and its balance sheet as at December 31, 2009;
- (b) reconciliation of the Applicant's personal training records for fiscal years 2009 to 2011;
- (c) recalculation and restatement of the Applicant's bad debt expense for fiscal years 2010 and 2011;
- (d) filing the Applicant's amended 2010 income tax return; and
- (e) restating the Applicant's GST/HST liability in conjunction with the filing of amended returns under the Canada Revenue Agency's Voluntary Disclosures Program ("VDP"), as further described herein.

22. Attached hereto as **Confidential Exhibit "C"** to this Affidavit is a copy of the Applicant's unaudited financial statements for the fiscal year ended December 31, 2011 and copy of the Applicant's unaudited third-quarter financial statements for the period ended September 30, 2012 (the "**2012 Q3 Financials**"). The 2012 Q3 Financials reflect a loss from operations of

\$7,072,813. The Applicant is requesting a sealing of this exhibit as it contains commercially sensitive information, the release of which could prejudice the stakeholders of the Company.

23. The Applicant's liabilities total approximately \$57 million, \$44 million of which are secured (including capital lease obligations).

IV. STAKEHOLDERS

(a) National Bank of Canada

24. The Applicant and National Bank of Canada ("**National Bank**") are parties to a credit agreement dated May 20, 2011 (the "**National Bank Credit Agreement**"), pursuant to which National Bank agreed to provide a revolving term credit facility in the principal amount of \$3,000,000, a non-revolving term loan facility in the principal amount of \$15,000,000, a non-revolving term loan facility in the principal amount of \$7,000,000 and a Business MasterCard facility in the principal amount of \$500,000 (collectively, the "**National Bank Facilities**"). A copy of the National Bank Credit Agreement is attached as **Exhibit "D"** to this Affidavit.

25. The Applicant executed and delivered a general security agreement in favour of National Bank dated May 20, 2011 (the "**National Bank GSA**"), registration in respect of which was made pursuant to the *Personal Property Security Act* (Ontario) (the "**PPSA**") on March 25, 2011, pursuant to financing statement number 20110325 0910 1862 5333 and reference file number 668533329. A copy of the National Bank GSA is attached as **Exhibit "E"** to this Affidavit.

26. As further security to support the National Bank Credit Agreement, the Applicant executed and delivered a securities pledge agreement in favour of National Bank (the "**National Bank SPA**") and a fixed and floating charged debenture in the principal amount of \$50,000,000 (the "**National Bank Debenture**").

27. The Applicant was in default of certain of its obligations under the National Bank Credit Agreement and, accordingly, entered into a forbearance letter agreement with National Bank dated April 18, 2012 (as amended, the "**National Bank Forbearance Agreement**"). The National Bank Forbearance Agreement operated to forbear enforcement of National Bank's security until October 31, 2012, conditional on certain terms and conditions as set out in the

National Bank Forbearance Agreement. Through a series of extensions to the National Bank Forbearance Agreement, the forbearance date was extended to January 31, 2013. A copy of the National Bank Forbearance Agreement is attached as **Exhibit "F"** to this Affidavit.

28. The total indebtedness of the Applicant to National Bank outstanding as at the date hereof is approximately \$18,734,943, including a \$300,000 letter of credit provided by National Bank as security for the Applicant's lease of the Interchange location.

(b) Golub Capital Incorporated

29. The Applicant and Golub Capital Incorporated ("**Golub**"), as agent for the benefit of itself and the lenders described in the agreement, are parties to an amended and restated credit agreement dated May 20, 2011 (the "**Golub Credit Agreement**"), pursuant to which Golub agreed to provide a term facility to the Applicant in the principal amount of \$16,500,000 (the "**Golub Facility**"). A copy of the Golub Credit Agreement is attached as **Exhibit "G"** to this Affidavit.

30. The Applicant executed and delivered a general security agreement in favour of Golub (the "**Golub GSA**"), registration in respect of which was made pursuant to the PPSA on June 5, 2006, pursuant to financing statement number 20060605 1112 1862 3005 and reference file number 625817394, as amended by financing statement numbers 20110426 0803 1862 7632 and 20110513 1051 1862 9118. This registration has been postponed by operation of financing statement number 20110511 0950 1862 8866 in favour of National Bank's PPSA registration against the Applicant under financing statement number 20110325 0910 1862 5333 and reference number 668533329. A copy of the Golub GSA is attached as **Exhibit "H"** to this Affidavit.

31. The Applicant was in default of certain of its obligations under the Golub Credit Agreement and, accordingly, executed a forbearance letter agreement with Golub, as agent for the benefit of itself and the lenders described therein, dated April 18, 2012 (as amended, the "**Golub Forbearance Agreement**"). The Golub Forbearance Agreement operated to forbear enforcement of Golub's security to October 31, 2012, conditional on certain terms and conditions substantively similar to those set out in the National Bank Forbearance Agreement.

Through a series of extensions to the Golub Forbearance Agreement, the forbearance date was extended to February 15, 2013. A copy of the Golub Forbearance Agreement is attached as **Exhibit "I"** to this Affidavit.

32. The total indebtedness of the Applicant to Golub under the Golub Credit Agreement outstanding as at December 31, 2012 is approximately USD\$18,728,587, including amounts owing for accrued interest.

Priority Credit Facility

33. As stated above, in order to address its liquidity difficulties, the Applicant entered into a priority credit facility agreement with Golub, as agent for the benefit of itself and the lenders described therein (the "**Priority Lenders**"), dated April 18, 2012 (as amended, the "**Priority Credit Agreement**"), under which the Priority Lenders agreed to provide a credit facility in the principal amount of USD\$6,000,000, to be increased up to a maximum amount of USD\$8,000,000 at the discretion of the Priority Lenders. The Priority Credit Agreement was provided to the Applicant expressly to provide liquidity sufficient to satisfy certain of its payroll and other operating expenses pursuant to approved cash flow statements. As of the date of this Affidavit, the Applicant has drawn the aggregate of USD\$8,000,000 under the Priority Credit Agreement. A copy of the Priority Credit Agreement is attached as **Exhibit "J"** to this Affidavit.

34. The Applicant executed and delivered, as an acknowledgment party, an intercreditor agreement between Golub, in its joint capacities as agent for itself and on behalf of each of the senior creditors and junior creditors (as defined therein) dated April 18, 2012 (the "**Golub Intercreditor**"), under which the Applicant's obligations to Golub and the junior creditors under the Golub Credit Agreement were subordinated in favour of those of Golub and the senior creditors under the Priority Credit Agreement up to an amount equal to USD\$8,000,000, plus interest and costs. A copy of the Golub Intercreditor is attached as **Exhibit "K"** to this Affidavit.

35. The Applicant executed and delivered, as an acknowledgment party, an intercreditor agreement between Golub, as agent for and on behalf of the senior creditors (as defined therein), and National Bank, as agent for and on behalf of the junior creditors (as defined therein), dated April 18, 2012 (the "**National Bank / Golub Intercreditor**"), under which the Applicant's

obligations to National Bank and the junior creditors under the National Bank Credit Agreement were subordinated in favour of those of Golub and the senior creditors under the Priority Credit Agreement up to an amount equal to USD\$8,000,000, plus interest and costs. A copy of the National Bank / Golub Intercreditor is attached as **Exhibit "L"** to this Affidavit.

36. Other than the creditors described above and RBC (as defined and described below), I am not aware of any other creditors with general security over the Applicant's assets.

(c) Other Secured Creditors

37. Each of CIT Financial Ltd., Life Fitness International Sales, Inc., Heffner Leasing Limited, Heffner Auto Sales and Leasing Inc., Heffner Auto Finance Corp., Coinamatic Commercial Laundry Inc., Indcom Leasing Inc., Essex Capital Leasing Corp., CLE Leasing Enterprises Ltd., DSM Leasing Ltd., Enercare Solutions Limited Partnership, Dell Financial Services Canada Limited, BMW Canada Inc. and De Lage Laden Financial Services Canada Inc. have made PPSA security registrations against the Applicant in respect to specific leased equipment and motor vehicles, as applicable.

38. A summary of PPSA registrations made against the Applicant is attached as **Exhibit "M"** to this Affidavit.

(d) Cash Management System / Payment Processors: National Bank of Canada, Royal Bank of Canada and Chase Paymentech Solutions

39. The Applicant maintains the following bank accounts:

- (a) two accounts with its primary operating bank, National Bank, being one Canadian dollar account and one U.S. dollar account (together, the "**National Bank Accounts**"); and
- (b) 14 accounts with Royal Bank of Canada ("**RBC**"), being one account for each of the Applicant's 13 fitness facilities and one master account (collectively, the "**RBC Bank Accounts**").

40. The Canadian dollar National Bank account (the "**CAD National Bank Account**") is the Applicant's primary operating account where Visa and Master Card credit card payments and Interac direct deposit payments made in favour of the Applicant are deposited. Approximately 76.5% of the Company's aggregate cash receipts are deposited into the CAD National Bank Account, including cash and cheque payments received directly at the Applicant's 13 fitness facilities and delivered to the Company's head office for deposit. The Company utilizes the cash in the CAD National Bank Account to fund its payroll and to pay all of its landlord, supplier and other Canadian dollar obligations. The U.S. dollar National Bank account (the "**USD National Bank Account**") is used periodically to pay the Applicant's U.S. dollar obligations. Funds are electronically transferred by management of the Applicant from the CAD National Bank Account to the USD National Bank Account on an as-needed basis.

41. The RBC Bank Accounts are the Applicant's secondary operating accounts where pre-authorized debits ("**PADs**") and American Express credit card payments made in favour of the Applicant are deposited. Approximately 23.5% of the Company's aggregate cash receipts are deposited into the RBC Bank Accounts. The funds held in the RBC Bank Accounts are periodically aggregated into the RBC master account and subsequently transferred at the request of management of the Applicant from the RBC master account to the CAD National Bank Account on an as-needed basis. The Applicant does not make any other disbursements to any other parties from the RBC Bank Accounts.

42. As security for its services and the obligations of the Applicant under its agreement with RBC, the Company is required to maintain a minimum aggregate cash balance in its RBC accounts of \$500,000. RBC has a PPSA registration against the Applicant by way of financing statement number 20080709 1945 1531 7923 and reference file number 646777251 over inventory, equipment, accounts, other and motor-vehicle.

43. The Applicant also has an existing agreement with Chase Paymentech Solutions, for itself and on behalf of The Bank of Nova Scotia and First Data Loan Company, Canada (collectively, "**Paymentech**"), dated February 2, 2011 (the "**Paymentech Agreement**"), pursuant to which Paymentech provides processing services for Visa and Master Card credit card payments and Interac direct deposit payments made in favour of the Applicant. Paymentech

currently processes approximately 70% of all cash receipts of the Company. As security for its services and the obligations of the Applicant under the Paymentech Agreement, the Applicant has provided to Paymentech a cash deposit in an amount of \$900,000. A copy of the Paymentech Agreement (without schedules) is attached as **Exhibit "N"** to this Affidavit.

(e) Landlords

44. The Applicant has existing lease agreements with the following landlords:

- (a) Krugarand Corporation, in respect to the Bloor location;
- (b) First Capital (Cedarbrae) Corporation, in respect to the Cedarbrae location;
- (c) 1079268 Ontario Inc., in respect to the Danforth location;
- (d) 1521 Yonge Street Limited, in respect to the Delisle location;
- (e) 10 Dundas Street Ltd., in respect to the Dundas location;
- (f) 110 Eglinton Avenue East Inc., in respect to the Dunfield location;
- (g) 2748355 Canada Inc., in respect to the Interchange location;
- (h) Redbourne Madison Property Inc. and Redbourne Madison LP Inc., in respect to the North York location;
- (i) Pickering Brock Centre Inc., in respect to the Pickering location;
- (j) Festival Hall Developments Inc., in respect to the Richmond location;
- (k) 2079843 Ontario Inc. and 2044922 Ontario Ltd., in respect to the Thornhill location and corresponding parking lot lease;
- (l) 2125879 Ontario Inc., in respect to the Wellington location; and
- (m) Whitby Entertainment Holdings Inc., in respect to the Whitby location.

(f) Government of Canada / Canada Revenue Agency

45. On April 23, 2012, the Company's legal counsel wrote to the CRA to initiate a voluntary disclosure under CRA's VDP relating to under reported GST/HST collections and overstated input tax credits for fiscal years 2009, 2010 and 2011. In a letter dated May 10, 2012, CRA assigned a VDP case number to Extreme and confirmed that the effective date of the voluntary disclosure was April 23, 2012.

46. On July 20, 2012, the Company's legal counsel wrote to CRA to submit amended monthly GST/HST returns prepared by the Company for fiscal years 2009, 2010 and 2011. The amended returns show an aggregate GST/HST liability for those years of approximately \$3.4 million, subject to assessment by CRA. In addition, while the Company did not file amended returns for January and February, 2012, the combined liability of approximately \$624,000 for those months has not been paid to CRA.

47. The Company received Notices of Re-Assessment (the "NORAs") from CRA dated January 11, 2013, which delineated the Applicant's HST obligations flowing from the amended tax returns filed under the VDP. The aggregate HST liability owing pursuant to the NORAs is \$4,548,819, including the above-noted liabilities for January and February, 2012 and interest and penalties of \$369,845.

(g) Employees

48. The Applicant presently employs approximately 160 full-time employees, 700 part-time employees, and 30 independent contractors in Ontario. The 30 independent contractors provide services related to group fitness classes at each of the Applicant's 13 fitness facilities. The Applicant's employees are not unionized and do not have a collective bargaining agent. Wages and benefits total approximately \$1,700,000 per month.

49. Based on the Applicant's current cash position, its pro-forma cash flows and its access to the DIP Credit Facility (as defined herein), it has sufficient cash to continue to pay wages to its remaining employees, contractors and its other obligations arising post-filing until the completion of the proposed sale transaction or restructuring.

50. As of the date of this Affidavit, all source deductions related to the Applicant's employees were current, including, without limitation, income tax withholdings, employee health tax, worker's compensation, Canada Pension Plan and employment insurance.

51. The Applicant has no pension plans.

(h) Trade Creditors

52. As at February 5, 2013, the Applicant's other unsecured liabilities, including trade debt, totalled approximately \$850,000, which amount does not include outstanding February rent payments of approximately \$890,000. Since the Applicant's business does not require significant consumable supplies or services, its trade creditor debt is generally small and is usually satisfied in the ordinary course of business.

V. PRIOR MARKETING AND SALE PROCESS

53. On July 4, 2012, the Company engaged Integrity Square LLC ("ISQ"), a specialty financial advisory firm based in New York that focuses on the fitness and wellness sector, to provide financial advisory services with respect to a sale of the Company or certain of its 13 fitness facilities.

54. Commencing in mid-August, 2012, ISQ contacted numerous potential purchasers that either already had operations in the fitness facility sector or that ISQ believed would have interest in Extreme. Of these parties, several executed non-disclosure agreements and received the confidential information memorandum prepared by ISQ, which memorandum described Extreme's business.

55. Several parties subsequently accessed the confidential electronic data room established to assist with due diligence. October 10, 2012 was set as the date for potential purchasers to submit written non-binding indications of interest that were to include, among other things, information regarding purchase price, form of consideration, financing sources and due diligence requirements.

56. The Applicant and ISQ concluded that the potential realizations from the offers generated by the solicitation process described above were insufficient and, accordingly, no offers were

accepted. A financial summary of the offers tendered under the ISQ sale process is attached hereto as **Confidential Exhibit "O"**. The Applicant is requesting a sealing of this exhibit as it contains commercially sensitive information, the release of which could prejudice the stakeholders of the Company.

VI. SALE UNDER CCAA PROTECTION

57. Based on the information set out above and attached hereto, the Applicant is insolvent as the aggregate of its property is not, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all its obligations, due and accruing due.

58. In addition, without the additional financing made available under the Priority Credit Agreement, the Applicant would be unable to meet its obligations as they fell due.

59. In order for the Applicant to ensure the best possible recovery for its stakeholders, including, without limitation, its creditors, employees, customers and landlords, the Applicant has determined that a sale of its business is required.

60. On January 18, 2013, the Applicant entered into a letter of intent (the "LOI") with GoodLife. A copy of the LOI is attached hereto as **Confidential Exhibit "P"**. The Applicant is requesting a sealing of this exhibit as it contains confidential, competitively sensitive information that, if disclosed, could harm the Applicant and its stakeholders. The LOI contemplates the sale of substantially all of the Applicant's assets for an aggregate amount greater than any one or more of the other offers proffered under the ISQ sales process and maximizes value for all stakeholders.

61. The sale transaction contemplated in the LOI must, according to its terms, close on or before March 31, 2013 or such other date as the parties thereto agree. Certain conditions precedent must be satisfied prior to the conclusion of the sale, including, but not limited to:

- (a) GoodLife concluding its due diligence with respect to the Applicant on or before March 4, 2013;

- (b) the execution of a binding asset purchase agreement in respect of substantially all of the Applicant's assets (the "APA") by no later than March 18, 2013; and
- (c) approval of the APA by the Court.

62. Pursuant to the LOI, until the earlier of: (i) the date on which the APA is executed; and (ii) the date on which GoodLife terminates negotiations under the LOI, the Applicant, the Applicant's shareholders, National Bank and Golub are precluded from directly or indirectly soliciting or engaging in discussions or negotiations with any third party seeking to purchase the Applicant's assets.

63. The parties to the LOI are diligently working towards satisfying the conditions set out in the LOI and, to the extent that such conditions are satisfied, will enter into an APA, return to Court to seek approval of the APA and ultimately distribute the realizations from said transaction to the Applicant's creditors entitled thereto in accordance with their priority assuming the transaction closes.

VII. STAY OF PROCEEDINGS

64. A CCAA stay of proceeding is needed to ensure that the Applicant's business can be sold in an efficient and orderly way under the protection of the Court without the threat of proceedings or discontinuation of essential services. A stay of proceedings will restrain temporarily the exercise of rights and remedies under the various agreements to which the Applicant is a party, preserve the status quo, and restrain existing creditors from taking unfair advantage in the circumstances. Importantly, a stay of proceedings will allow the Applicant to fulfil its obligations related to GoodLife's due diligence review of the Applicant under the terms and conditions of the LOI with the view of ultimately entering into and completing the APA.

65. The Applicant believes that a stay of proceedings will not materially prejudice any of the existing creditors when compared to the consequences if a stay of proceedings is not granted. Golub, as agent for the benefit of itself and three lenders (collectively, in such capacity, the "DIP Lender") has agreed to provide the Applicant with the DIP Facility and has agreed to continue funding necessary post-filing expenses during the CCAA proceedings, the details of which are

set out below. I believe that the alternative to a stay of proceedings is the forced sale and/or liquidation of the Applicant and its assets.

VIII. THE PROPOSED MONITOR

66. FTI has been serving as a consultant to National Bank with respect to its lending arrangements with Extreme and has assisted the Applicant in preparing for this CCAA application, including reviewing the cash flow projections of the Applicant for the next 9 weeks, assuming the relief sought is granted (the "**Cash Flow Projection**"). The amounts set out in the Cash Flow Projection reflect, among other things, the minimum payments required to maintain the Applicant's business during the initial thirty day stay period and to the anticipated closing of a sale transaction, as well as professional fees. A copy of the Cash Flow Projection together with a report containing the prescribed representations of the Applicant regarding the preparation of the Cash Flow Projection is attached as **Exhibit "Q"** to this Affidavit.

67. Management believes that it is in the best interests of all stakeholders if this Court appoints FTI as the Court-appointed monitor of the Applicant. As a result of FTI's involvement with the Applicant and certain of its major stakeholders, including, but not limited to, National Bank, in advance of and in preparation for this filing, FTI has gained insight into the Applicant's business and will be in a position to perform the monitoring duties effectively and without delay.

68. FTI has consented to act as monitor of the Applicant in accordance with the requirements of the CCAA, subject to the Court's approval. A copy of FTI's consent is included in the Application Record in these proceedings.

IX. FINANCING DURING CCAA PROCEEDINGS

69. The DIP Lender will provide the Applicant with financing during these proceedings through a new credit facility (the "**DIP Facility**") allowing for one or more advances to a maximum amount of USD\$2,000,000 pursuant to a DIP Credit Agreement dated February 7, 2013 (the "**DIP Credit Agreement**"), a copy of the form of which is attached as **Exhibit "R"** to this Affidavit. The repayment date under the DIP Credit Agreement is the earlier of: (i) the date of demand by the DIP Lender; (ii) the date on which all or substantially all of the assets of the Applicant are sold; and (iii) March 31, 2013. The original scheduled repayment date of March

31, 2013 may be extended at the discretion of the DIP Lender. The Cash Flow Projection demonstrates that, with the funding available under the DIP Facility, the Applicant will have sufficient cash flow to fund the Applicant's operations for the initial 9 week period, the anticipated period to complete a sale transaction.

70. The Applicant has been offered the DIP Facility from certain of its existing lenders under the Priority Credit Agreement and on what the Applicant views as reasonable terms in the circumstances. In addition, National Bank has consented to the DIP Facility. As a result, the Applicant did not canvas the market for other potential lenders. Because this offer for the DIP Facility does not require any alteration of the Company's accounts, the Applicant believes that there was no commercial advantage to pursuing other possible providers of a DIP Facility. In addition, the DIP Lender is already familiar with Extreme's business and financial profile as well as its restructuring options. Any other offer from other lenders would require a great deal of time and expense to pursue, could require a new cash management system and would have to deal with the security granted in connection with the credit facilities provided by Golub and National Bank.

71. As provided in the DIP Credit Agreement, the DIP Facility is conditional on the Applicant obtaining, as part of the initial Order sought in these proceedings (the "**Initial Order**"), a charge in favour of the DIP Lender (the "**DIP Charge**") over all of the Applicant's assets, ranking first in priority to any existing security other than the Administration Charge and the D&O Charge (as defined below). The Service List includes all parties with a security interest registered under the PPSA.

72. The Applicant believes that the terms of the DIP Facility are favourable to it having regard to the circumstances and that the amount of the DIP Facility is necessary and reasonable in the circumstances to ensure the Applicant has a prudent and responsible level of liquidity to meet its post-filing obligations as they become due for the period of the initial stay and to complete the proposed sale. The Applicant will not be able to continue its operations or initiate going-concern sale efforts without access to the DIP Facility.

X. PAYMENTS DURING THE CCAA PROCEEDINGS

73. During the course of these CCAA proceedings, the Applicant intends to make payments for goods and services supplied post-filing in the ordinary course as set out in the Cash Flow Projection described above and as permitted by the Initial Order.

74. It is also contemplated by the Cash Flow Projection that: (a) employee wage obligations relating to active employment will be paid in the ordinary course, whether such obligations are incurred pre-filing or post-filing; and (b) outstanding and future amounts owing to independent contractors may be paid in the ordinary course, if in the opinion of the Company and the Monitor, the individual contractor is critical to Extreme's business and ongoing operations.

75. In addition, the Cash Flow Projection contemplates payment of scheduled interest payments under the Priority Credit Agreement.

XI. ADMINISTRATION CHARGE

76. The Applicant's legal counsel, the Monitor, the Monitor's legal counsel and A&M have indicated that their respective ongoing involvement is conditional upon the granting of an order under the CCAA which grants the Administration Charge on the Applicant's property, assets and undertaking in the maximum amount of \$500,000 to secure their professional fees and disbursements.

77. I believe that that the following factors support the granting of the Administration Charge:

- (a) the beneficiaries of the Administration Charge will provide essential legal and financial advice and support to the Applicant throughout the CCAA proceedings;
- (b) the roles of the Applicant's legal counsel, the Monitor, the Monitor's legal counsel and A&M are distinct and there is no anticipated unwarranted duplication; and
- (c) the Administration Charge does not purport to prime any secured party who has not received notice of this motion.

78. Accordingly, I believe that this is an appropriate case in which to grant the Administration Charge. Each of the proposed beneficiaries of the Administration Charge will play a critical role in the Applicant's restructuring and proposed sale, and it is unlikely that the above-noted advisors will participate in these CCAA proceedings unless the Administration Charge is granted to secure their fees and disbursements.

XII. DIRECTORS' AND OFFICERS' CHARGE

79. The Directors, Officers and Interim Officers have indicated that their respective ongoing involvement is conditional upon the granting of an order under the CCAA which grants a charge on the Applicant's property in the maximum amount of \$2,880,000 (the "**D&O Charge**"), approximately equal to 4 weeks wages plus accrued vacation pay plus 2 months of estimated HST obligations, as security for the Applicant's indemnification for possible liabilities which may be incurred by such Directors, Officers and Interim Officers, which would rank second in priority behind the Administration Charge.

80. The Applicant maintains a Management Liability Insurance policy with Lloyd's Underwriters (the "**Policy**"). The Policy provides coverage to the Applicant, any subsidiary or joint-venture of the Applicant, the Directors and Officers, the Interim Officers and the retired directors and officers of the Applicant. The aggregate limit of liability coverage provided for under the Policy is \$5,000,000.

81. Management of the Applicant has made inquiries with the Applicant's current insurance broker and am advised that a comparable level of insurance coverage is not available through any other insurance provider at rates more favourable than those in place as of the date of this Affidavit.

82. The Policy contains several exclusions and limitations to the coverage it provides and there is a potential for there to be insufficient coverage in respect of the potential liabilities for which the Directors, Officers and Interim Officers may be found responsible.

83. The D&O Charge is required in order to provide a level of protection to the Directors, Officers and Interim Officers with respect to the possible liabilities imposed on individuals in their capacity as directors and officers of the Applicant. I believe that the request of the

Directors, Officers and Interim Officers to receive adequate protection in the form of the D&O Charge is fair and reasonable and advances the integral need of the Applicant to have fully functional, experienced and qualified advisors, board of directors and officers.

XIII. CONCLUSION

84. It is in the best interests of all stakeholders of the Applicant for this Court to grant the relief sought by the Applicant. It will allow the Applicant, with the support of the DIP Lender and the Monitor, to realize upon the business in a way that maximizes value for all stakeholders. I believe this is preferable to the Applicant's assets becoming subject to bankruptcy or receivership proceedings.

85. This Affidavit is sworn in support of the relief requested by the Applicant and for no other or improper purposes.

SWORN BEFORE ME at the City of)
Toronto, in the Province of Ontario,)
this 7th day of February, 2013.)

_____)
A commissioner of oaths, etc.)

IAN AVESA

Alan Hutchens
_____)
ALAN HUTCHENS

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF EXTREME FITNESS, INC.**

Court File No. CV-13-10000-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

AFFIDAVIT OF ALAN HUTCHENS

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Lawyers for Extreme Fitness, Inc.

TAB B

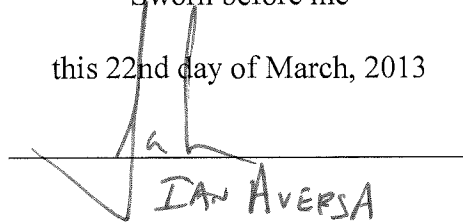
Attached is Exhibit "B"

Referred to in the

Affidavit of Alan Hutchens

Sworn before me

this 22nd day of March, 2013

A handwritten signature in black ink, appearing to read "IAN AVERSA", is written over a horizontal line. The signature is somewhat stylized and includes a checkmark-like flourish on the left side.

Commissioner for taking Affidavits, etc

CONFIDENTIAL – EXHIBIT “B”

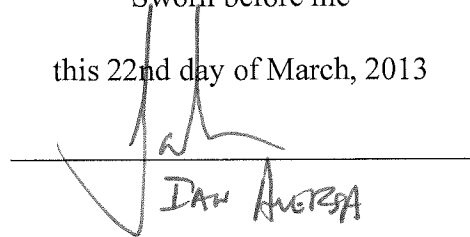
(Subject to a request for a sealing order)

TAB C

Attached is Exhibit "C"

Referred to in the
Affidavit of Alan Hutchens

Sworn before me
this 22nd day of March, 2013


A handwritten signature in black ink, appearing to read "DAN AVERZA", is written over a horizontal line. The signature is stylized and somewhat cursive.

Commissioner for taking Affidavits, etc

ASSET PURCHASE AGREEMENT

between

EXTREME FITNESS, INC.

the Vendor

- and -

GOODLIFE FITNESS CENTRES INC.

the Purchaser

DATED MARCH 19, 2013

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ASSET PURCHASE AGREEMENT

This Agreement made this 19th day of March, 2013.

B E T W E E N :

EXTREME FITNESS, INC.,

a corporation incorporated under the laws of the Province of Alberta

(the "Vendor")

- and -

GOODLIFE FITNESS CENTRES INC.,

a corporation incorporated under the laws of the Province of Ontario

(the "Purchaser")

WHEREAS on February 7, 2013, the Vendor made an application under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") and an initial order (the "Initial Order") was granted by the Honourable Justice Campbell of the Ontario Superior Court of Justice (Commercial List) (the "Court") granting, *inter alia*, a stay of proceedings against the Vendor and appointing FTI Consulting Canada Inc. as the monitor (the "Monitor") upon and subject to the terms of the Initial Order (the "CCAA Proceedings");

AND WHEREAS pursuant to the Initial Order, the Vendor was authorized, *inter alia*, to pursue offers to acquire all, substantially all or a portion of its assets, undertakings and properties, subject to the approval of the Court;

AND WHEREAS prior to the Initial Order, the Vendor entered into a Letter of Intent with the Purchaser dated January 18, 2013, as amended by agreement on March 19, 2013 (as amended, the "LOI") which contemplated that the Vendor would sell, and the Purchaser would purchase, all of the Vendor's right, title and interest in and to the Purchased Assets but subject to, among other things, the execution of a purchase agreement by no later than March 19, 2013;

AND WHEREAS upon and subject to the Initial Order and as the parties expressed their intentions in the LOI, the parties hereto enter into this Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the parties) the parties hereto agree as follows:

ARTICLE I INTERPRETATION

1.01 Definitions

In this Agreement, the following terms shall have the meanings set out below unless the context requires otherwise:

“**Additional Consideration**” means the aggregate of the following amounts calculated in accordance with GAAP as at the Closing Date to the extent that the sum is calculated to be a positive number: (a) the total of the Receivables (less an Allowance for Doubtful Accounts); (b) Prepaid Amounts; and (c) the value of the Transition Services Adjustment in the case of an underpayment by the Purchaser; minus (a) the sum of Deferred Personal Training Revenue and Deferred Membership Revenue; and (b) the value of the Realty Lease Expenses;

“**Adjustment Amount**” means the aggregate of the following amounts calculated in accordance with GAAP as at the Closing Date to the extent that the sum is calculated to be a negative amount: (a) the total of the Receivables (less an Allowance for Doubtful Accounts); and (b) Prepaid Amounts; minus (a) the sum of Deferred Personal Training Revenue and Deferred Membership Revenue; (b) the value of the Realty Lease Expenses; and (c) the value of the Transition Services Adjustment in the case of an overpayment by the Purchaser.

“**Agreement**” means this asset purchase agreement, including all schedules attached hereto and forming part hereof, written amendments and written restatements thereto from time to time;

“**Allowance for Doubtful Accounts**” means an amount calculated as a percentage of Personal Training Accounts Receivable in the manner set out in **Schedule “F”** hereto;

“**Applicable Law**” means, with respect to any Person, property, transaction, event or other matter, all applicable laws, statutes, regulations, rules, by-laws, ordinances, protocols, regulatory policies, codes, guidelines, official directives, orders, rulings, judgments and decrees of any Governmental Authority;

“**Approval and Vesting Order**” has the meaning given in Section 6.01;

“**Article**” “**Section**” or “**Schedule**” mean the specified Article, Section of, or Schedule to this Agreement and the expressions “**hereof**”, “**herein**”, “**hereto**”, “**hereunder**”, “**hereby**” and similar expressions refer to this Agreement and not to any particular Section or other portion of this Agreement;

“**Assumed Capital Leases**” means the capital leases listed in **Schedule “A”** hereto being assumed by the Purchaser on the Closing Date in accordance with this Agreement;

“**Assumed Contracts**” means all of the right, title and interest of the Vendor in the Membership Contracts, the Personal Training Contracts and the written contracts, agreements, leases (other than Assumed Capital Leases and Assumed Realty Leases);

“Assumed Realty Leases” means the leases in respect of the Leased Premises which the Purchaser has agreed to assume pursuant to Section 2.07 of this Agreement;

“Assumed Obligations” has the meaning given in Section 2.09;

“Assumed Subleases” means all subleases granted by the Vendor to subtenants operating within the premises governed by the Assumed Realty Leases;

“Books and Records” means all of the books and records relating to the Purchased Assets, including, without limitation, all personnel files/records relating to all Transferred Employees, all information relating to the Membership Contracts and the Personal Training Contracts, operations and sales books, records, books of account, sales and purchase records, lists of suppliers and customers, business reports, projections and all other documents, surveys, plans, files, records, assessments, correspondence, and other data and information, financial or otherwise, including all data, information and databases stored on computer-related or other electronic media and all lists or databases of the Members or information exclusively related thereto;

“Business” means the fitness and health club business carried on by the Vendor under the name “Extreme Fitness” prior to the Closing, including, without limitation, the business carried on by the Vendor from the Leased Premises;

“Business Day” means a day on which banks are open for business in the City of Toronto, but does not include a Saturday, Sunday or statutory holiday recognized in the Province of Ontario;

“CCAA” has the meaning given in the recitals above;

“CCAA Proceedings” has the meaning given in the recitals above;

“Claims” means any and all claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions or other similar processes, and **“Claim”** means any one of them;

“Closing” means the completion of the purchase and sale of the Purchased Assets in accordance with the provisions of this Agreement;

“Closing Date” means March 31, 2013, or such other date as may be agreed to in writing by the Parties, acting reasonably;

“Closing Time” has the meaning given in Section 3.01;

“Concession Lease(s)” has the meaning given in Section 2.07(c);

“Concessions” has the meaning given in Section 2.07(c);

“Condition Date” shall be March 4, 2013;

“**Confidentiality Agreement**” means the Non-Disclosure Agreement dated August 15, 2012 between the Purchaser and the Vendor;

“**Court**” has the meaning given in the recitals above;

“**Court Charges**” means the super-priority charges created by the Court in the CCAA Proceedings;

“**Deferred Membership Revenue**” means the aggregate of (1) the deferred revenue membership balance as per the Financial Statements at Closing; and (2) the total value of any membership fees collected by the Vendor from Members on or before the Closing Date where such payment covers or includes a period that falls after the Closing Date. To illustrate item (2), if a bi-weekly payment is collected by the Vendor on March 27th in the amount of \$28.00 (pre-tax) for the period March 28 to April 10, then the amount to be included in Deferred Membership Revenue will be \$28.00 divided by 14 days = \$2.00 per day multiplied by 10 days (the number of days in the bi-weekly period that are after Closing);

“**Deferred Personal Training Revenue**” means the amount calculated by multiplying the total number of sessions purchased and paid for by Members or other Persons pursuant to Personal Training Contracts that remain unused as at the Closing Date by the value of each session as provided for under such Personal Training Contract;

“**Deposit**” has the meaning given in Section 2.06;

“**Effective Time**” means 12:01 a.m. on the day immediately following the Closing Date;

“**Employee**” means an individual (including common law employees, agents, subcontractors and independent contractors) who was formerly employed or engaged by the Vendor (or any predecessor of the Vendor) or, as at the Effective Time, is employed or engaged by the Vendor in connection with the Business, and “**Employees**” means every Employee;

“**Employee Liabilities**” means any and all Liabilities (under statute, contract, common law or otherwise) owed to any of the Employees, or otherwise arising out of, or resulting from, the relationship between the Vendor (or any predecessor of the Vendor) and any of the Employees, including any Liability arising as a result of such party being deemed to be a successor employer, related employer or otherwise responsible or liable for payment of any amounts owing to, on behalf of, or in respect of, any of the Employees (including, but not limited to, the Transferred Employees), whether pursuant to the *Employment Standards Act* (Ontario), the *Pay Equity Act* (Ontario) or the *Workplace Safety and Insurance Act, 1997* (Ontario). Without limiting the foregoing, Employee Liabilities shall include:

- (a) all salaries, wages, bonuses, commissions, vacation pay, public holiday pay and other compensation relating to the employment of the Employees (including accrued but unpaid vacation pay and any retroactive pay) and all Liabilities under employee benefit plans relating to employment of the Employees;

- (b) all termination pay, severance pay, damages in lieu of reasonable notice and other related Liabilities (under statute, contract, common law or otherwise) in respect of the termination and/or severance of employment of the Employees;
- (c) all Liabilities for Claims for injury, disability, death or workers' compensation arising out of, or resulting from, any of the Employees' employment or engagement in the Business; and
- (d) all Liabilities for other Claims in any manner arising out of, or resulting from, any of the Employees' employment or engagement in the Business.

"Encumbrances" means any security interests (whether contractual, statutory, or otherwise), mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, leases, title retention agreements, Claims reservations of ownership, demands, executions, levies, charges, options or other rights to acquire any interest in any assets, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including the Court Charges, and all contracts to create any of the foregoing, or encumbrances of any kind or character whatsoever, other than Permitted Encumbrances;

"Excluded Assets" means the following assets of the Vendor excluded from the Purchased Assets: (a) Third Party Claims; (b) Excluded Deposits; (c) any contracts that are not Assumed Contracts; (d) Excluded Leases; (e) original Tax records and books and records pertaining thereto, minute books, corporate seals, taxpayer and other identification numbers and other documents relating to the organization, maintenance and existence of the Vendor that do not relate exclusively or primarily to any of the Purchased Assets; (f) any refunds or reassessments for any Taxes paid or payable by the Vendor on or prior to the Closing Date; (g) insurance policies of the Vendor and all rights of payment thereunder; and (h) those assets listed in **Schedule "D"** hereto;

"Excluded Deposits" means any of the Vendor's cash on hand, bank balances, holdbacks and deposits held by any of National Bank of Canada, Royal Bank of Canada and Chase Paymentech Solutions as at the Closing Date;

"Excluded Leases" has the meaning given in Section 2.07(a);

"Excluded Liabilities" has the meaning given in Section 2.10;

"Financial Statements" means the financial statements of the Vendor for the fiscal periods ending at a given month end (the Financial Statements for the fiscal period ended November 30, 2012 are attached hereto as **Schedule "G"**);

"GAAP" has the meaning given in Section 2.04;

"Governmental Authorities" means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law or regulation-making organizations or entities: (a) having or purporting to have jurisdiction on behalf of any nation,

province, territory, state or other geographic or political subdivision thereof; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, and “**Governmental Authority**” means any one of them;

“**Holdback**” has the meaning given in Section 2.03(b);

“**HST**” means all of the harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada);

“**Independent Accountants**” has the meaning given in Section 2.04;

“**Initial Order**” has the meaning given in the recitals above;

“**Intellectual Property**” means all right, title and interest held by the Vendor in any trade-marks, trade names, copyright, logos, artwork, domain names, email addresses, moral rights, whether registered or not, including, without limitation, the name “Extreme Fitness”, the uniform resource locators www.extremefitness.com and www.extremefitness.ca, and any and all social media or similar accounts and profiles, including, Twitter, Facebook and LinkedIn;

“**Interim Period**” means the period from and including the date of this Agreement to and including the Closing Date;

“**Inventory and Supplies**” means all items that are held by the Vendor for sale, license, rental, lease or other distribution in connection with the Business (and includes all supplies used by the Vendor in the operation of the Business), on hand at Closing;

“**Leased Premises**” means all of the leased premises from which the Vendor conducts the Business as at the date of this Agreement as set out in **Schedule “E”** hereto;

“**Leasehold Improvements**” means all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed by or on behalf of the Vendor, any subtenant of the Vendor or any former occupant of the Leased Premises, including, without limitation doors, hardware, partitions (including moveable partitions) and wall to wall carpeting, but excluding Tenant Trade Fixtures and furniture and equipment not in the nature of fixtures;

“**Liability**” means any debt, loss, damage, adverse claim, fines, penalties, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, disputed or undisputed, liquidated or unliquidated, or due or to become due, and whether in or under statute, contract, tort, strict liability or otherwise), and includes all costs and expenses relating thereto (including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and costs of investigation) and “**Liabilities**” means the plural thereof;

“**Licences and Permits**” means all licences, permits, filings, certificates, authorizations, approvals or indicia of authority related to the Business or the Purchased Assets or necessary for the operation or use of the Purchased Assets;

“**LOI**” has the meaning given in the recitals above;

“**Member**” means an individual bound by a Membership Contract with the Vendor at Closing;

“**Membership Contract**” means any contract entered into between a Member and the Vendor (which, for purposes hereof, includes any predecessor corporation of the Vendor and any prior owner of the Business) for the membership in the Business being carried on at such Leased Premises in effect at Closing, and “**Membership Contracts**” means all of them;

“**Monitor**” has the meaning given in the recitals above;

“**Parties**” means the Vendor and the Purchaser collectively, and “**Party**” means any one of them;

“**Permitted Encumbrances**” means all security interests and other interests arising exclusively from the Assumed Capital Leases, the Assumed Subleases, Assumed Contracts and the Assumed Realty Leases;

“**Person**” is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity;

“**Personal Property**” means all right, title and interest of the Vendor in all machinery, equipment, furniture, including, without limitation, sound systems, weight scales, artwork, desks, chairs, tables, copiers, telephone lines and numbers, telecopy machines and other telecommunication equipment, cubicles, cabinets, televisions, all computer hardware, including servers, computers and peripherals, printers and miscellaneous office furnishings and supplies, if any, motor vehicles, laptops, cell phones and all other tangible personal property used in the Business, including all property subject to the Assumed Capital Leases;

“**Personal Training Accounts Receivable**” means all rights of the Vendor under the Personal Training Contracts for any amounts owing to the Vendor by Members or other Persons, as of the Closing Date but not received as of the close of business on the Closing Date;

“**Personal Training Contracts**” means all contracts for personal training entered into between the Vendor (which for purposes hereof includes any predecessor corporation of the Vendor and any prior owner of the Business) and any Member or other Person in effect at Closing;

“**Preliminary Closing Balance Sheet**” has the meaning given in Section 2.04;

“**Prepaid Amounts**” means: (a) commission paid to Employees related to Membership Contracts executed by a Member prior to Closing, capitalized in a manner consistent with past practice as shown in the Financial Statements; (b) commission related to Personal Training Contracts executed by a Member or Person prior to Closing, calculated by taking the total value of the Deferred Personal Training Revenue balance on Closing multiplied by 12.7% (being the midpoint of various commissions that can be earned) and subtracting the net amount of the Personal Training Accounts Receivable less the Allowance for Doubtful Accounts on Closing, multiplied by 10%; and (c) prepaid charges, prepaid rent, rental and security deposits, prepaid

taxes (including, without limitation, municipal taxes) and prepaid expenses for which the benefit will accrue to the Purchaser following Closing, including, without limitation, pre-paid operating expenses and sales commissions with respect to the Purchased Assets, in each case referable in whole or in part to the period from and after the Effective Time, but excluding the Excluded Deposits and prepaid Inventory and Supplies;

“**Purchase Price**” has the meaning given in Section 2.02;

“**Purchased Assets**” means all of the Vendor’s right, title and interest in all of the assets used to conduct the Business, including, but not limited to, the following assets:

- (a) the Personal Property;
- (b) Inventory and Supplies;
- (c) the Receivables;
- (d) the Assumed Contracts, including all pre-authorized or other payments falling due under the Membership Contracts and the Personal Training Contracts after the Closing Date;
- (e) the Assumed Capital Leases;
- (f) the Assumed Realty Leases;
- (g) the Leasehold Improvements relating to the Assumed Realty Leases;
- (h) the Tenant Trade Fixtures;
- (i) the Assumed Subleases;
- (j) the Intellectual Property;
- (k) the Licenses and Permits;
- (l) the Prepaid Amounts;
- (m) the Books and Records;
- (n) all rights and interests under or pursuant to all warranties, representations and guarantees, express implied or otherwise, of or made by suppliers or others in connection with the Purchased Assets or otherwise related to the Business,
- (o) all goodwill and other intangible assets associated with the Business, including all telephone and facsimile numbers used in connection with the Business; and
- (p) all other property, assets and undertaking of the Vendor used in or relating to the Business of whatsoever nature or kind, including without limitation all property, assets and undertaking of the Vendor located at or associated with any of the

Leased Premises for which the lease of such Leased Premises is not assumed as one of the Assumed Realty Leases,

other than the Excluded Assets.

“Purchaser’s Solicitors” means Miller Thomson LLP and Siskinds LLP;

“Realty Lease Expenses” means all rents (including any percentage rent, additional rent and any accrued tax and operating or common area expense reimbursements and escalations), charges and other payments of any kind accruing under the Assumed Realty Leases during any period up to and including the Closing Date that are unpaid on the Closing Date, whether or not invoiced or assessed by a landlord on or prior to the Closing Date;

“Receivables” means all Personal Training Accounts Receivable and those sundry receivables as set out in **Schedule “H”**;

“Release Date” has the meaning given in Section 2.03(b);

“Right(s)” has the meaning given in Section 2.11;

“Service Providers” has the meaning given in Section 7.04;

“Taxes” means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, harmonized, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a tax, including, Canada Pension Plan and provincial pension plan contributions, employment insurance payments and workers compensation premiums, together with any instalments with respect thereto, and any interest, fines and penalties, imposed by any Governmental Authority, and whether disputed or not;

“Tenant Trade Fixtures” means all trade fixtures as determined at common law, and includes all chattels (if any) installed (and affixed wholly or partially to accommodate their functionality) in the Leased Premises by or on behalf of the Vendor, any subtenant of the Vendor or any former occupant of the Leased Premises in, on or which serve, the Leased Premises, for the sole purpose of the tenant of such Leased Premises carrying on its trade in the Leased Premises and which trade fixtures the Vendor is permitted to remove by the terms of the lease for the applicable Leased Premises;

“Third Party Claims” means any claim the Vendor has or may have against any Person, including, without limitation, its present or former owners, shareholders, employees, consultants, contractors, advisors (financial or otherwise) or auditors, and includes the proceeds thereof;

“Transferred Employees” has the meaning given in Section 7.01;

“Transition Period” has the meaning given in Section 7.04(a);

“Transition Services” has the meaning given in Section 7.04(a);

“**Transition Services Adjustment**” has the meaning given in Section 7.04(a); and

“**Vendor’s Solicitors**” means Aird & Berlis LLP.

1.02 Section and Schedule References

Unless the context requires otherwise, references in this Agreement to Sections or Schedules are to Sections and Schedules, as applicable, of this Agreement. The Schedules to this Agreement, listed as follows, are an integral part of this Agreement:

Schedule	Description
Schedule “A”	Assumed Capital Leases
Schedule “B”	Excluded Leases
Schedule “B-1”	Concession Leases
Schedule “C”	Approval and Vesting Order
Schedule “D”	Excluded Assets
Schedule “E”	Leased Premises
Schedule “F”	Allowance for Doubtful Accounts
Schedule “G”	Financial Statements
Schedule “H”	Sundry Receivables

ARTICLE II PURCHASE AND SALE

2.01 Purchase and Sale of Purchased Assets

Subject to the terms and conditions hereof, including, without limitation, payment of the Purchase Price as provided in Section 2.02, the Vendor, exercising the powers granted pursuant to the Approval and Vesting Order, shall transfer, sell, convey, assign and deliver unto the Purchaser, and the Purchaser shall acquire and accept, all of the Vendor’s right, title and interest in and to the Purchased Assets free and clear of all Claims and Encumbrances on the Closing Date pursuant to the Approval and Vesting Order.

Nothing in this Agreement shall be construed as an attempt to assign any Purchased Assets that are not assignable, in whole or in part, without the consent of a third party, unless such consent shall have been given or the assignment is otherwise lawful, including, without limitation, pursuant to an order under section 11.3 of the CCAA.

2.02 Purchase Price

The amount payable (the "Purchase Price") by the Purchaser for the Purchased Assets, exclusive of all applicable Taxes, shall be the aggregate of [REDACTED], including the assumption of the Assumed Capital Leases, (which liability is currently estimated to be approximately [REDACTED] plus the Additional Consideration, if any, or less the Adjustment Amount, if any. All applicable sales and transfer Taxes shall be paid by the Purchaser, plus all other Assumed Obligations.

2.03 Satisfaction of Purchase Price

The Purchaser shall pay and satisfy the Purchase Price as follows:

- (a) [REDACTED] shall be paid to the Monitor on Closing, which amount shall be partially paid and satisfied by the application of the Deposit, as contemplated in Section 2.06 hereof, with payment of the balance, less the Deposit, in accordance with Section 3.02 hereof;
- (b) [REDACTED] (the "Holdback") from the sum identified in Section 2.03(a) above shall be retained by the Monitor as the sole recourse to satisfy the Adjustment Amount, if any, which Holdback, less the Adjustment Amount, if any, shall be released to the Monitor for the benefit of the Vendor on the date (the "Release Date") that is the later of: (i) 90 days following the Closing Date; and (ii) the date on which the Adjustment Amount, if any, is settled between the Parties;
- (c) the assumption of the Assumed Capital Leases; and
- (d) the Additional Consideration, if any, on the Release Date.

2.04 Method for Determining Adjustment Amount or Additional Consideration

The Vendor and the Purchaser shall exercise their best efforts to arrive at the calculation of the Additional Consideration or the Adjustment Amount prior to the Closing Date. To the extent that the calculation cannot be finally agreed to between the Vendor and the Purchaser as at the Closing Date, then the Additional Consideration or the Adjustment Amount, as the case may be, shall be estimated as at the Closing Date based upon the balance sheet of the Vendor in respect of the most recently internally prepared Financial Statements (anticipated to be the Financial Statements for the month ended February 28, 2013). To the extent that the calculation indicates that Additional Consideration is owing by the Purchaser to the Vendor, then the estimate of the Additional Consideration shall also be paid to the Monitor as at the Closing Date and retained by the Monitor pending final calculation of the Additional Consideration, if any. If it is determined, in accordance with the procedures set out below, that there is no Additional Consideration owing, then, without limitation to Section 2.03 above, the Amount paid by the Purchaser to the Monitor as an estimate of the Additional Consideration, if any, shall be returned to the Purchaser no later than the Release Date. To the extent that the calculation of the Additional Consideration

or the Adjustment Amount, as the case may be, is not agreed to between the Vendor and the Purchaser as at the Closing Date, then, within 30 days of the Closing Date, the Vendor, with the assistance of the Monitor, shall prepare and deliver to the Purchaser a balance sheet of the Vendor dated as of the Closing Date (the "**Preliminary Closing Balance Sheet**"), which shall set forth, among other things, the Receivables (less an Allowance for Doubtful Accounts), Prepaid Amounts, Deferred Personal Training Revenue, Deferred Membership Revenue and Realty Lease Expenses, each as at the Closing Date. The Preliminary Closing Balance Sheet shall be prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**") applied in a manner consistent with the way in which the Vendor has previously prepared its financial statements and shall contain the same line items found in the balance sheet forming part of the said financial statements. The Preliminary Closing Balance Sheet shall use the Vendor's normal month-end closing procedures. The Purchaser shall have 30 days from the date of delivery of the Preliminary Closing Balance Sheet within which to examine and verify it and to object in writing to any item which it may dispute and shall provide details of any such objection (the "**Disputed Amount(s)**"). If any such objection is expressed, the representatives of the Vendor, the Monitor and the Purchaser shall promptly meet to resolve such Disputed Amount in good faith. If the Disputed Amount cannot be resolved within 15 days after the Purchaser's objection, then such Disputed Amount shall be submitted to MNP LLP (the "**Independent Accountants**") for resolution, and the determination of the Independent Accountants shall be final, conclusive and binding on the Parties. The costs of any determination by the Independent Accountants shall be paid one-half by the Vendor and one-half by the Purchaser in the event that the resolution of the Independent Accountants is between 95% and 105% of the Disputed Amount and in all other circumstances shall be paid by the party in whose favour the Disputed Amount is resolved. Both Vendor and Purchaser shall each cooperate and furnish such documentation, data, records and other information as the other Party or the Independent Accountants may reasonably request in order to prepare and/or review the Preliminary Closing Balance Sheet, and any objections and supporting calculations made thereto.

2.05 Allocation of Purchase Price

The Purchase Price shall be allocated among the Purchased Assets in the manner agreed to by the Purchaser and the Vendor (acting reasonably) prior to the Closing Date and the Purchaser and the Vendor shall report an allocation consistent with such allocation in preparing, determining and reporting their liabilities for Taxes, take no position inconsistent with such allocation in the preparation of their respective financial statements or for any other reason, and, without limitation, shall file their respective Tax returns prepared in accordance with such allocations.

2.06 Deposit

Upon the execution of this Agreement, the Purchaser shall pay the Vendor a deposit (the "**Deposit**") towards the Purchase Price in the sum of One Million Five Hundred Thousand Dollars (\$1,500,000), which the Vendor hereby directs be paid to the Monitor, and which shall be applied against the Purchase Price due on completion of the transaction on the Closing Date and, if required by the terms of this Agreement, refunded to the Purchaser should the transactions contemplated by this Agreement not be completed on the Closing Date, in accordance with the terms of this Agreement.

The Monitor agrees to cause the Deposit to be placed in an interest bearing account or deposit, with all interest earned or accrued thereon to be paid or credited to the Purchaser on the Closing Date, unless the Purchaser forfeits the Deposit as provided herein in which event the interest, along with the Deposit, shall be retained by the Monitor for the benefit of the Vendor. If there is any dispute with respect to the application of the Deposit, the Monitor shall pay the Deposit into Court and shall be relieved of any further obligation with respect to the Deposit.

2.07 Assumed Realty Leases

- (a) Attached hereto as **Schedule "B"** is a list of those leases in respect of the Leased Premises that the Purchaser does not agree to assume (the "**Excluded Leases**") and which Excluded Leases shall form part of the Excluded Assets.
- (b) Attached hereto as **Schedule "B-1"** is a list of those of the lease or leases (singularly, a "**Concession Lease**" and, collectively, the "**Concession Leases**"), in respect of the Leased Premises which the Purchaser is prepared to assume only if certain concessions and/or amendments, the details of which are set out in **Schedule "B-1"** are granted by the landlord of such Leased Premises location(s) to the terms of the respective lease(s) (collectively, the "**Concessions**").
- (c) The Vendor shall exercise its commercially best efforts (but without the obligation to make any payment to the landlord), in consultation with the Purchaser, to achieve such Concessions.
- (d) If the Parties successfully achieve the Concessions in respect of a Concession Lease, then such Concession Lease shall be deemed to be an Assumed Realty Lease. If the Vendor is unable to achieve the Concessions in respect of one or more of the Concession Leases by the date that is 7 Business Days prior to the Closing Date, it shall advise the Purchaser, in writing, of that fact, and the Purchaser shall, within 48 hours thereafter, advise the Vendor in writing whether such Concession Lease(s) shall be: (i) Assumed Realty Leases; or (ii) form part of the Excluded Leases, in which case there shall be no adjustment to the Purchase Price.
- (e) To the extent required by the applicable Assumed Realty Lease, the Vendor and the Purchaser shall request from each landlord of an Assumed Realty Lease, the landlord's consent to the assignment of the Assumed Realty Lease from Vendor to Purchaser.

2.08 Sales and Transfer Taxes; HST Election

- (a) The Purchaser shall be responsible for the payment on Closing of any Taxes that are required to be paid or remitted in connection with the consummation of the transactions contemplated in this Agreement.
- (b) At the Closing, the Vendor and the Purchaser shall, if applicable, jointly execute an election under Section 167 of the *Excise Tax Act* (Canada) to cause the sale of the Purchased Assets to take place on a HST-free basis under Part IX of the

Excise Tax Act (Canada) and the Purchaser shall file such election with its HST return for the applicable reporting period in which the sale of the Purchased Assets takes place. The Purchaser shall provide the Vendor with supporting documentation to confirm that such elections have been properly filed with Canada Revenue Agency.

2.09 Assumed Obligations

At Closing, the Purchaser shall assume and be liable for or entitled to, as the case may be, the following (the “**Assumed Obligations**”):

- (a) the Vendor’s Claims and Liabilities under any of the Assumed Contracts, the Assumed Realty Leases, the Assumed Subleases and the Assumed Capital Leases that arise out of, are incurred, or relate to the period from and after the Effective Time;
- (b) all Liabilities and Claims arising or accruing from the use of the Purchased Assets from and after the Effective Time;
- (c) all Permitted Encumbrances; and
- (d) all Taxes arising or accruing from and after the Effective Date from the use of the:
 - (i) Purchased Assets, including, without limitation, HST to be collected and remitted to Canada Revenue Agency when due in accordance with the terms of the Membership Contracts and Personal Training Contracts (including the HST to be collected and remitted on the Personal Training Accounts Receivable); and
 - (ii) Transferred Employees from and after the Effective Time.

2.10 Excluded Liabilities

Except for the Assumed Obligations, the Purchaser is not assuming, and shall not be deemed to have assumed, any Liabilities, contracts (written or unwritten) or commitments of the Vendor not specifically assumed (collectively, the “**Excluded Liabilities**”), which Excluded Liabilities include, but are not limited to, the following:

- (a) all Liabilities and Claims associated with any of the Excluded Assets;
- (b) all Liabilities and Claims arising or accruing from the use of the Purchased Assets prior to the Effective Time
- (c) all Employee Liabilities that arise out of, or result from the employment or engagement by the Vendor (or any predecessor to the Vendor) of any of the Employees (unless otherwise imposed by law) and/or the termination or severance of such engagement or employment; and
- (d) all Encumbrances.

2.11 Assignment of Purchased Assets

Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign or transfer the Purchased Assets or any right thereunder if an attempted assignment or transfer, without the consent of a third Person, would constitute a breach or in any way adversely affect the rights of the Purchaser hereunder. To the extent that any of the Purchased Assets to be transferred to the Purchaser on the Closing, or any claim, right or benefit arising under or resulting from such Purchased Assets (collectively, the “Rights” and each a “Right”) is not capable of being transferred without the approval, consent or waiver of any third Person, or if the transfer of a Right would constitute a breach of any obligation under, or a violation of, any Applicable Law unless the approval, consent or waiver of such third Person is obtained, then, except as otherwise expressly provided in this Agreement, in the Approval and Vesting Order or in another order of the Court made in the CCAA proceedings compelling assignment and without limiting the rights and remedies of the Purchaser contained elsewhere in this Agreement, this Agreement shall not constitute an agreement to transfer such Rights unless and until such approval, consent or waiver has been obtained or an order of the Court is granted under the CCAA compelling assignment. After the Closing and until all such Rights are transferred to the Purchaser, the Vendor shall:

- (a) hold the Rights as bare trustee for the Purchaser;
- (b) cooperate with the Purchaser in any reasonable and lawful arrangements designed to provide the benefits of such Rights to the Purchaser; and
- (c) enforce, at the reasonable request of the Purchaser, any rights of the Vendor arising from such Rights against any third Person, including the right to elect to terminate any such Rights in accordance with the terms of such Rights upon the written direction of the Purchaser.

In order that the full value of the Rights may be realized for the benefit of the Purchaser, the Vendor shall, at the request and expense and under the direction of the Purchaser and in consultation with the Monitor, in the name of the Vendor or otherwise as the Purchaser may specify, take all such action and do or cause to be done all such things as are, in the opinion of the Purchaser, acting reasonably, necessary or proper in order that the obligations of the Vendor under such Rights may be performed in such manner that the value of such Rights is preserved and enures to the benefit of the Purchaser, and that any moneys due and payable and to become due and payable to the Purchaser in and under the Rights are received by the Purchaser. The Vendor shall hold as bare trustee and promptly pay to the Purchaser all moneys collected by or paid to the Vendor in respect of every such Right. The Purchaser shall indemnify and hold the Vendor harmless from and against any claim or liability under or in respect of such Rights arising because of any action of the Vendor taken in accordance with this Section.

**ARTICLE III
CLOSING ARRANGEMENTS**

3.01 Closing

Closing shall take place at 10:00 a.m. (the "**Closing Time**") on the Closing Date at the offices of the Vendor's Solicitors, or such other time and location as the Parties may agree upon in writing.

3.02 Tender

Any tender of documents or money under this Agreement may be made upon the Parties or their respective counsel and money may be tendered by official bank draft drawn upon a Canadian chartered bank, by negotiable cheque payable in Canadian funds and certified by a Canadian chartered bank or trust company, or by wire transfer of immediately available funds to the account specified by that Party.

3.03 Vendor's Closing Deliveries

At the Closing, the Vendor shall deliver to the Purchaser the following:

- (a) if applicable, the election referred to in Section 2.08;
- (b) a copy of the Approval and Vesting Order and the Monitor's Certificate contemplated thereby;
- (c) an undertaking to readjust pursuant to Section 2.03 and 2.04;
- (d) a bring down certificate dated as of the Closing Date, confirming that all of the representations and warranties of the Vendor contained in this Agreement are true and correct as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (e) instruments of transfer, conveyance or assignment as may be required to transfer the Purchased Assets to the Purchaser and assign the Assumed Contracts, Assumed Capital Leases and Assumed Realty Leases to the Purchaser, each in a form reasonably satisfactory to the Purchaser;
- (f) a valid Purchase Certificate in respect of the Business issued by Ontario's Workplace Safety & Insurance Board within the 30-day period before the Closing Date, if the Vendor is registered, or required to be registered, under the *Workplace Safety and Insurance Act, 1997* (Ontario) in respect of any of the Employees;
- (g) a statement of adjustment from the Vendor in respect to each location that is the subject of an Assumed Realty Lease; and
- (h) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to complete the transactions provided for in this Agreement.

3.04 Purchaser's Closing Deliveries

At the Closing, the Purchaser shall deliver to the Vendor the following:

- (a) all payments in respect of the amounts referred to in Section 2.03;
- (b) an instrument of assumption of liabilities with respect to the Assumed Obligations in a form satisfactory to the Vendor, acting reasonably;
- (c) if applicable, the election referred to in Section 2.08;
- (d) an undertaking to readjust pursuant to Section 2.03 and 2.04;
- (e) a bring down certificate dated as of the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true and correct as of the Closing Date, with the same effect as though made on and as of the Closing Date; and
- (f) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to complete the transactions provided for in this Agreement.

ARTICLE IV CONDITIONS PRECEDENT

4.01 Conditions Precedent of the Purchaser

The Purchaser shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Purchaser and may be waived, in whole or in part, in writing, by the Purchaser at any time; and the Vendor agrees with the Purchaser to take all such actions, steps and proceedings within its reasonable control as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Time:

- (a) *Representations and Warranties.* The representations and warranties of the Vendor in Section 5.01 shall be true and correct at the Closing Time;
- (b) *Vendor's Compliance.* The Vendor shall have performed and complied with all of the terms and conditions in this Agreement on its part to be performed or complied with at or before the Closing Time and shall have executed and delivered to the Purchaser at the Closing Time all the deliveries contemplated in Section 3.03 or elsewhere in this Agreement;
- (c) *No Litigation.* There shall be no litigation or proceedings pending or order issued by a Governmental Authority against any of the Parties, or involving any of the Purchased Assets, for the purpose of enjoining, preventing or restraining the

completion of the transactions contemplated hereby or otherwise claiming that such completion is improper; and

- (d) *Approval and Vesting Order.* The Approval and Vesting Order shall have been issued by the Court and shall not be stayed, varied or vacated and no order shall have been issued and no action or proceeding pending to restrain or prohibit the completion of the transaction contemplated herein.
- (e) *Assumed Realty Leases.* The Assumed Realty Leases shall be current and in good standing, subject to any default arising solely by the Vendor's declaration of insolvency.
- (f) *Assumed Capital Leases.* The Assumed Capital Leases shall be current and in good standing, subject to any default arising solely by the Vendor's declaration of insolvency.
- (g) *Landlord Consents.* Subject to Section 2.07, the landlords under the Assumed Realty Leases shall have consented to an assignment of the Assumed Realty Leases, if required, or an order shall have been granted under the CCAA compelling the assignment.
- (h) *Consents of Capital Lessors.* The lessors under the Assumed Capital Leases shall have consented to an assignment of the Assumed Capital Leases, if required, or an order of the Court shall have been granted under the CCAA compelling the assignment.
- (i) *Material Change.* There shall be no material change in (i) the nature or conduct of the Business from that existing on January 18, 2013, nor change to the methodology for selling memberships or personal training; or (ii) the nature and extent of the Purchased Assets, including, without limitation, the number of Membership Contracts in effect and/or Personal Training Contracts in effect, between the Condition Date and the Closing Date.

4.02 Conditions Precedent of the Vendor

The Vendor shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Vendor, and may be waived, in whole or in part, in writing by the Vendor at any time; and the Purchaser agrees with the Vendor to take all such actions, steps and proceedings within its reasonable control as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Time:

- (a) *Representations and Warranties.* The representations and warranties of the Purchaser in Section 5.02 shall be true and correct at the Closing Time;
- (b) *Purchaser's Compliance.* The Purchaser shall have performed and complied with all of the terms and conditions in this Agreement on its part to be performed

by or complied with at or before the Closing Time and shall have executed and delivered to the Vendor at the Closing Time all the deliveries contemplated in Section 3.04 or elsewhere in this Agreement;

- (c) *No Litigation.* There shall be no litigation or proceedings pending or order issued by a Governmental Authority against any of the Parties, or involving any of the Purchased Assets, for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated hereby or otherwise claiming that such completion is improper; and
- (d) *Approval and Vesting Order.* The Approval and Vesting Order shall have been issued by the Court and shall not be stayed, varied or vacated and no order shall have been issued and no action or proceeding pending to restrain or prohibit the completion of the transaction contemplated herein.

4.03 Non-Satisfaction of Conditions

If any condition precedent set out in this Article IV is not satisfied or performed prior to the time specified therefor, the Party for whose benefit the condition precedent is inserted may:

- (a) waive compliance with the condition, in whole or in part, in its sole discretion by written notice to the other Party (but may not claim for any matter waived) and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect on written notice to the other Party to terminate this Agreement.

ARTICLE V REPRESENTATIONS AND WARRANTIES

5.01 Representations and Warranties of the Vendor

As a material inducement to the Purchaser entering into this Agreement and completing the transactions contemplated by this Agreement and acknowledging that the Purchaser is entering into this Agreement in reliance upon the representations and warranties of the Vendor set out in this Section 5.01, the Vendor hereby represents and warrants to the Purchaser as follows:

- (a) *Incorporation and Power.* The Vendor is a corporation duly incorporated under the laws of the jurisdiction of its incorporation and is duly organized, validly subsisting and in good standing under such laws;
- (b) *Corporate Power and Authorization.* The Vendor has the requisite corporate power to own its property and assets, including the Purchased Assets, and to carry on the Business as it is currently conducted;
- (c) *Due Authorization.* Subject to the granting of the Approval and Vesting Order, the Vendor has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as

contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments;

- (d) *Enforceability of Obligations.* Subject to the granting of the Approval and Vesting Order, this Agreement constitutes a valid and binding obligation of the Vendor, enforceable against the Vendor, in accordance with its terms;
- (e) *HST.* The Vendor is a registrant under Part IX of the *Excise Tax Act* (Canada) and its Business Number is 89517 4795 RT0001;
- (f) *Residency.* The Vendor is not a non-resident within the meaning of section 116 of the *Income Tax Act* (Canada); and
- (g) *No Litigation.* There is no litigation, action, suit or proceeding pending against the Vendor, or involving any of the Purchased Assets, for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated hereby or otherwise claiming that such completion is improper.

5.02 Representations and Warranties of the Purchaser

As a material inducement to the Vendor entering into this Agreement and completing the transactions contemplated by this Agreement and acknowledging that the Vendor is entering into this Agreement in reliance upon the representations and warranties of the Purchaser set out in this Section 5.02, the Purchaser hereby represents and warrants to the Vendor as follows:

- (a) *Incorporation of the Purchaser.* The Purchaser is a corporation duly incorporated under the laws of the jurisdiction of its incorporation and is duly organized, validly subsisting and in good standing under such laws;
- (b) *Due Authorization.* The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments;
- (c) *Enforceability of Obligations.* Subject to the granting of the Approval and Vesting Order, this Agreement constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser, in accordance with its terms;
- (d) *Approvals and Consents.* Except as otherwise provided herein, no authorization, consent or approval of, or filing with or notice to any governmental agency, regulatory body, court or other Person is required in connection with the execution, delivery or performance of this Agreement by the Purchaser or the purchase of any of the Purchased Assets hereunder;
- (e) *Litigation.* There are no proceedings before or pending before any Governmental Authorities by or against the Purchaser affecting the legality, validity or

enforceability of this Agreement or the consummation of the transactions contemplated hereby by the Purchaser;

- (f) *HST*. The Purchaser is a registrant under Part IX of the *Excise Tax Act* (Canada) and its registration number is R 86958 3484 0001; and
- (g) *Residency*. The Purchaser is not a non-resident within the meaning of section 116 of the *Income Tax Act* (Canada).

5.03 Survival of Representations and Warranties

- (a) The representations and warranties of the Vendor contained in Section 5.01 or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive the Closing.
- (b) The representations and warranties of the Purchaser contained in Section 5.02 or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive the Closing.

5.04 Acquisition of Assets on "As Is, Where Is" Basis

The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an "as is, where is" basis as they shall exist on the Closing Date, subject to the terms of the Approval and Vesting Order. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations, expressed or implied, pursuant to the *Sale of Goods Act* (Ontario) or similar legislation do not apply hereto and have been waived by the Purchaser. The description of the Purchased Assets contained in the Schedules hereto is for the purpose of identification only. No representation, warranty or condition has or will be given by the Vendor or the Monitor concerning the completeness or accuracy of the description of the Purchased Assets contained in the Schedules hereto. The Purchaser further acknowledges that all written and oral information (including analyses, financial information and projections and studies) obtained by the Purchaser from the Vendor or any of their directors, officers, employees, professional consultants or advisors with respect to the Purchased Assets or otherwise relating to the transactions contemplated in this Agreement has been obtained for the convenience of the Purchaser only and is not warranted to be accurate or complete.

ARTICLE VI INTERIM PERIOD

6.01 Approval and Vesting Order

As soon as practicable after the execution and delivery of this Agreement by the Parties, and in any event by no later than 7 Business Days following such execution and delivery, the Vendor shall file a motion with the Court for an order substantially in the form and substance attached hereto as **Schedule "C"** approving this Agreement and the transactions contemplated hereby and vesting, upon the filing of the Monitor's Certificate referenced below, all right, title and interest of the Vendor in and to the Purchased Assets to the Purchaser, free and clear of all Claims and Encumbrances pursuant to the terms and conditions of this Agreement (the "**Approval and Vesting Order**"). The Approval and Vesting Order shall vest title to the Purchased Assets as aforesaid in the Purchaser subject to the Monitor filing a certificate with the Court to the effect that the transactions contemplated herein have closed and that portion of the Purchase Price payable on the Closing Date has been paid. The Approval and Vesting Order shall be served upon the necessary parties, and in the time frame, as approved by the Purchaser, acting reasonably.

6.02 Access

During the Interim Period and subject to the terms herein, the Purchaser shall have reasonable access to the Purchased Assets during normal business hours and at such other times as agreed to by the Vendor to, among other things, conduct such inspections of the Purchased Assets as it deems appropriate. Such inspection shall only be conducted in the presence of a representative of the Vendor or the Monitor. The Purchaser shall not be provided with access to any of the foregoing to the extent that such access would violate or conflict with:

- (a) any Applicable Law to which the Vendor or any of the Purchased Assets is subject; or
- (b) any agreement, instrument or understanding by which the Vendor is bound.

The Purchaser shall indemnify and hold harmless the Vendor from and against all claims, demands, losses, damages, actions and costs incurred or arising from or in any way related to the inspection of the Purchased Assets by the Purchaser or attendance by the Purchaser at the Leased Premises, save and except for any claims, demands, losses, damages, actions and costs incurred or resulting from the negligence or wilful misconduct of the Vendor.

6.03 Discussions with Employees

Immediately following the execution of this Agreement, the Vendor will provide access to and undertake all reasonable efforts to make available to the Purchaser all individuals who are then Employees of the Vendor for the purpose of permitting the Purchaser to conduct interviews and/or to offer to employ or otherwise engage any of these Employees after the Effective Time on such terms as the Purchaser, in its sole discretion, determines, but any such offer to employ or any expression of interest shall be made subject to (a) confidentiality; (b) the issuance of the Approval and Vesting Order; and (c) Closing.

The Purchaser shall provide the Vendor with a running list, updated and delivered by 5:00 p.m. daily, indicating:

- (a) those Employees to whom offers of employment or expressions of interest have been made;
- (b) those Employees who have accepted any such offer; and
- (c) those Employees who the Purchaser has determined will not be offered employment with the Purchaser.

6.04 Access to Member, Personal Training and Accounts Receivable Database(s)

Immediately following the execution of this Agreement, the Vendor shall make available to Purchaser's representatives the Vendor's Member database, for purposes of permitting the Purchaser to plan for the transition to the Purchaser's database(s) on Closing. The Vendor shall also provide access to Employees and third party vendors who are involved in updating and maintaining database(s) to assist in answering questions and providing information or data needed for the data integration planning.

6.05 Attendance at Leased Premises

During the Interim Period, the Vendor shall permit employees of the Purchaser, selected by Purchaser and approved in advance by Vendor, to be present at the Leased Premises during operating hours, to observe the Vendor's operations, to ask questions and to plan for the transition of the Business on Closing provided that the Purchaser does not cause disruption to the operation of the Business being carried on at such Leased Premises.

6.06 Risk of Loss

The Purchased Assets shall remain at the risk of the Vendor, to the extent of its interest, until the Effective Time. From and after the Effective Time, the Purchased Assets shall be at the risk of the Purchaser.

6.07 Purchaser's Right to Close or Terminate

If, prior to Closing, a material portion of the Purchased Assets are substantially damaged or destroyed by fire or other casualty, then, at its option, the Purchaser may elect to acquire such Purchased Assets on an "as is" basis and take an assignment of the proceeds of insurance referable to such damage or destruction provided that such damage or destruction is insured or, otherwise, to an abatement agreed between the Vendor and the Purchaser, each acting reasonably, or decline to complete the transaction and may terminate this Agreement. Such option shall be exercised within 5 days after notification to the Purchaser by the Vendor of the occurrence of damage or destruction (or prior to the Closing Date if such occurrence takes place within 5 days of the Closing Date). If the Purchaser elects to decline to complete the transaction in accordance with this Section, this Agreement shall be terminated automatically and the Purchaser shall be entitled only to a return of the Deposit paid under Section 2.06 but without any other compensation.

6.08 Transfer of Purchased Assets

The Vendor shall execute and deliver to the Purchaser all such bills of sale, assignments, instruments of transfer, deeds, assurances, consents and other documents as shall be reasonably necessary to effectively transfer to the Purchaser all the Vendor's right, title and interest in, to and under, or in respect of, the Purchased Assets, provided that any such documents shall contain no representations or warranties of the Vendor except for those provided herein and shall not require the acknowledgement of any Person. The Vendor shall execute and deliver such documents to effect registrations, recordings and filings with Governmental Authorities as may be reasonably required in connection with the transfer of ownership to the Purchaser of the Purchased Assets.

6.09 Delivery of Purchased Assets

- (a) Subject to Section 6.09(b), the Vendor shall deliver up or cause to be delivered up to the Purchaser the Purchased Assets, including, without limitation, all Purchased Assets located at or used in the Business carried on at the Leased Premises free and clear of all Claims and Encumbrances pursuant to the Approval and Vesting Order.
- (b) Any of the Purchased Assets located at the Leased Premises which are the subject of the Excluded Leases shall be removed by the Purchaser at its sole expense promptly after the Closing Time. In addition, any payment obligation that arises in favour of a landlord of an Excluded Lease which reasonably relates solely to the occupation of those premises after Closing for the purpose of accommodating the Purchaser's removal of such Purchased Assets from the said premises, shall be at the sole cost of the Purchaser. The Purchaser hereby covenants and agrees to indemnify and hold the Vendor and/or the Monitor harmless from any and all Claims of any landlord of an Excluded Lease relating to any loss or damages to such premises caused solely by the Purchaser's removal of such Purchased Assets.

ARTICLE VII EMPLOYEES

7.01 Employment Offers

The Purchaser may, in its sole discretion, offer new employment, conditional upon Closing and effective as of the Effective Time, to such of the Employees as determined by the Purchaser, in its sole discretion (the "**Transferred Employees**"), on terms and conditions that may or may not be the same or substantially similar to their respective terms and conditions of employment with the Vendor existing as of the Closing Date.

7.02 Employee Liabilities

The Vendor shall be responsible for all Employee Liabilities with respect to the Employees, including the Transferred Employees, that arise out of, or result from, the Employees' employment or engagement with the Vendor (and/or any predecessor to the Vendor).

Specifically, in respect of the Transferred Employees, the Monitor, on behalf of the Vendor and from the proceeds of sale, will pay to the Transferred Employees the full amount of their respective outstanding vacation pay accrued up to and including the Effective Time by no later than the Release Date.

7.03 Files/Records of Transferred Employees

The Vendor will provide the Purchaser with the access to and the right to make copies of personnel files/records of all Transferred Employees, subject to, and in accordance with, all Applicable Law.

7.04 Transition Services

- (a) Upon notice in writing being provided by the Purchaser to the Vendor identifying such Employees, which notice shall be made in accordance with Section 10.12 hereof, the Vendor will use its best efforts to make certain of the Employees, other than Transferred Employees (the "**Service Providers**"), available to the Purchaser for a reasonable period following the Closing (the "**Transition Period**"), for the purposes of assisting the Purchaser with data integration and responding to Member questions (the "**Transition Services**"). The Service Providers shall be employed by the Vendor during the Transition Period, and Purchaser will prepay the Vendor for all anticipated costs and expenses relating to the provision of the Transition Services during the Transition Period, including, without limitation, all wage costs expected to be incurred by the Vendor, subject to a final reconciliation of actual costs and expense relating to the provision of the Transition Services being undertaken by the Parties at the end of the Transition Period (the "**Transition Services Adjustment**"). The Transition Services Adjustment shall be included as an adjustment item in arriving at the calculation of the Additional Consideration for the benefit of the Purchaser in the case of an overpayment or as an Adjustment Amount for the benefit of the Vendor in the case of an underpayment.
- (b) Upon reasonable notice being provided to the Purchaser, the Purchaser will make best efforts to provide the Vendor, at no cost to the Vendor, with access to the head office space within the Thornhill premises for sixty (60) days following the Closing Date, if such premises form part of an Assumed Lease.
- (c) The Vendor will process all payments that fall due under Membership Contracts on April 1, 2013 on behalf of the Purchaser (the "**April Payments**"). The April Payments shall be transferred to a bank account designated by Purchaser, subject to charge backs and NSF charges, failing which the aggregate value of the April Payments shall be included as an adjustment item for the benefit of the Purchaser in arriving at the calculation of the Additional Consideration or the Adjustment Amount as contemplated in Section 2.04. The Purchaser shall reimburse the Vendor for the Vendor's costs and expenses associated with processing the April Payments.

ARTICLE VIII TERMINATION

8.01 Termination by the Parties

This Agreement may be terminated:

- (a) upon the mutual written agreement of the Vendor and the Purchaser;
- (b) pursuant to Section 4.03(b) by either Party; and
- (c) pursuant to Section 6.07 by the Purchaser.

8.02 Remedies for Breach of Agreement

If this Agreement is terminated as a result of any breach of a representation or warranty, or failure to satisfy a covenant or obligation of a Party, the terminating Party's right to pursue all legal remedies with respect to such breach shall survive such termination. For greater certainty, if any order of the Court is made which directly or indirectly results in the termination of this Agreement, then no Party shall have any remedy, legal or otherwise, against the other Party or its Property and the Deposit shall be returned to the Purchaser with any accrued interest thereon.

8.03 Vendor's Right to Retain Deposit

If the Purchaser fails to comply with the terms of this Agreement, the Vendor may by notice to the Purchaser elect to treat this Agreement as having been repudiated by the Purchaser. In that event, the Deposit, together with any accrued interest thereon, and any other payments made by the Purchaser shall be forfeited to the Vendor and retained by the Monitor on behalf of the Vendor on account of its liquidated damages (and not as a penalty), and the Purchased Assets may be resold and/or reassigned by the Vendor. In addition, the Purchaser shall pay to the Vendor, on demand, the deficiency, if any, arising upon such resale and reassignment (after deducting the expenses of resale and reassignment) together with interest and all other damages or charges occasioned by or resulting from the default by the Purchaser.

8.04 Termination If No Breach of Agreement

If this Agreement is terminated other than as a result of a breach of a representation or warranty, or failure to satisfy a covenant or obligation of a Party, then:

- (a) all obligations of each of the Vendor and the Purchaser hereunder shall be at an end;
- (b) the Deposit shall be returned to the Purchaser, together with any accrued interest thereon;
- (c) the Purchaser's obligations with respect to the Confidentiality Agreement shall continue; and

- (d) neither party shall have any right to specific performance, to recover damages or expenses or to any other remedy or relief other than as provided herein.

ARTICLE IX POST-CLOSING MATTERS

9.01 Post-Closing Receipts

If, following the Closing Date, any of the Purchased Assets are paid to or otherwise received by the Vendor, or if any of the Excluded Assets are paid to or otherwise received by the Purchaser, then the Vendor or the Purchaser, as the case may be, shall hold such assets in trust for the other and shall promptly deliver such assets to the Vendor or the Purchaser, as the case may be.

9.02 Books and Records

The Purchaser shall preserve and keep the Books and Records which relate to the Purchased Assets for a period of five years from the Closing Date or for any longer period as may be required by any Applicable Law or Governmental Authority. Upon reasonable advance notice, after the Closing Date, the Purchaser will grant the Vendor, the Monitor, National Bank of Canada, Golub Capital Incorporated, Falconhead Capital, LLC (or any of their assigns) and, in the event the Vendor is adjudged bankrupt, any trustee of the estate of either of the Vendor and its representatives, reasonable access during normal business hours, to use such Books and Records included in the Purchased Assets, including, without limitation, any personnel files/records of the Transferred Employees relating to the period up to the Effective Time and any Employees engaged by the Vendor at or in respect of the Purchased Assets up to and including the Closing Date, and computer systems, tapes, disks, records and software acquired as part of the Purchased Assets.

9.03 Transferred Employees

Following the Closing Time, the Purchaser shall make available to the Vendor and/or the Monitor, a receiver or trustee in bankruptcy, as applicable, on a reasonable basis and during normal business hours, the Transferred Employees as may be reasonably requested by the Vendor or the Monitor from time to time as is needed to administer their respective duties in the Vendor's proceedings under the CCAA provided that the provision of the Transferred Employees as aforesaid does not cause unreasonable disruption to or interference with the business operations of the Purchaser, with such reasonable assistance to be provided at no cost to the Vendor and/or the Monitor, receiver or trustee in bankruptcy, as applicable.

ARTICLE X GENERAL CONTRACT PROVISIONS

10.01 Headings and Sections

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

10.02 Number and Gender

Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders. Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".

10.03 Currency

Except as otherwise expressly provided in this Agreement, all dollar amounts referred to in this Agreement are stated in Canadian dollars.

10.04 Statute References

Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.

10.05 Time Periods

Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

10.06 Consent

Whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.

10.07 No Strict Construction

The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party, including, without limitation, the doctrine of *contra preferentum*.

10.08 Entire Agreement

This Agreement, the Confidentiality Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and sets out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties relating to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, including, without limitation, the LOI. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement.

10.09 Expenses

Each Party shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred in connection with the transactions contemplated in this Agreement, and the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement.

10.10 Confidentiality

The Purchaser acknowledges and agrees that the Purchaser has entered into and remains bound by the Confidentiality Agreement and that the terms of the Confidentiality Agreement continue to apply in respect of the transactions contemplated hereunder. From and after Closing, the Confidentiality Agreement shall be terminated and be of no further force and effect with respect to the Purchased Assets.

10.11 Announcements

Except as required by Applicable Law, all public announcements concerning the transactions provided for in this Agreement or contemplated by this Agreement shall be jointly approved in advance as to form, substance and timing by the Parties after consultation.

10.12 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile:

(a) in the case of a notice to the Vendor at:

Extreme Fitness, Inc.
8281 Yonge Street
Thornhill, ON L3T 2C7

Attention: Alan Hutchens
Fax No.: (416) 847-5201

with a copy to:

Aird & Berlis LLP
Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Attention: Steven Graff and Ian Aversa
Fax No: (416) 863-1515

with a copy to the Monitor:

FTI Consulting Canada Inc.
TD Waterhouse Tower
79 Wellington Street West
Toronto Dominion Centre, Suite 2010
Toronto, ON M5K 1G8

Attention: Steven Bissell
Fax No: (416) 649-8101

with a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Attention: Melaney Wagner
Fax No.: (416) 979-1234

(b) in the case of a notice to the Purchaser at:

GoodLife Fitness Centres Inc.
201 King Street
London, ON N6A 1C9

Attention: Stephanie Ross
Fax No: (519) 434-6701

with a copy to:

Miller Thomson LLP
One London Place
255 Queens Avenue, Suite 2010
London, ON N6A 5R8

Attention: Alissa Mitchell
Fax No: (519) 858-8511

and:

Siskinds LLP
680 Waterloo Street
London, ON N6A 3V8

Attention: Henry Berg
Fax No: (519) 660-7787

Any notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving notice to the other Party in accordance with the provisions of this Section.

10.13 Successors and Assigns

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns including a receiver or trustee in bankruptcy of the Vendor. Neither Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its respective rights or obligations under this Agreement without the prior written consent of the other Party. Notwithstanding the above, the Purchaser may at any time assign any of its rights or obligations arising under this Agreement to any affiliate of the Purchaser and, upon such assignment and completion of the transactions contemplated by this Agreement, the Purchaser shall be released and discharged from all obligations hereunder but not before Closing.

10.14 Third Party Beneficiaries

Unless where provided to the contrary by the specific terms hereof, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

10.15 Time of the Essence

Time shall be of the essence in respect of the obligations of the Parties arising prior to Closing under this Agreement.

10.16 Amendment

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any Party, shall be binding unless executed in writing by the Party to be bound thereby.

10.17 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Closing Date, provided that the reasonable costs and expenses of any actions taken after the Closing Date at the request of a Party shall be the responsibility of the requesting Party.

10.18 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

10.19 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Ontario. Notwithstanding the foregoing, any and all documents or orders that may be filed, made or entered in the CCAA Proceedings, and the rights and obligations of the Parties thereunder, including all matters of construction, validity and performance thereunder, shall in all respects be governed by, and interpreted, construed and determined in accordance with the CCAA, without regard to the conflicts of law principles thereof. The Parties consent to the jurisdiction and venue of the Court for the resolution of any such disputes, regardless of whether such disputes arose under this Agreement.

10.20 Dispute Resolution

If any dispute arises:

- (a) under Section 6.07 as to whether any damage or destruction is substantial;
- (b) with respect to the dollar amount of the Purchased Assets; or
- (c) with respect to any other matter related to the transactions contemplated by this Agreement,

such dispute will be determined by the Court in the CCAA proceedings, or by such other Person or in such other manner as the Court may direct.

10.21 Execution and Delivery

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed and delivered either in original or faxed form or by electronic delivery in portable document format (PDF) and the parties adopt any signatures received by a receiving fax machine as original signatures of the parties; provided, however, that any party providing its signature in such manner shall promptly forward to the other party an original of the signed copy of this Agreement which was so faxed or electronically delivered.

10.22 Non-Merger

The representations, warranties and covenants of each Party contained in this Agreement will not merge on and will survive the closing of the Transaction and will continue in full force and effect, notwithstanding the closing of the Transaction or any investigation or knowledge acquired by or on behalf of the other Party.

10.23 Independent Legal Representation or Advice

As this Agreement has been prepared with the assistance of the Vendor's Solicitors, the Parties acknowledge that they are aware that such solicitors have had a continuing solicitor/client relationship with certain of the shareholders of the Vendor and that the Vendor's Solicitors may continue now and in the future to act for such shareholders, and no Party hereto shall in any manner attempt to have the Vendor's Solicitors' continuing role terminated for any reason.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS OF WHICH the Parties have executed this Agreement.

EXTREME FITNESS, INC.

Per: Alan Hutchens
Name: Alan Hutchens
Title: Interim Chief Financial Officer

I have authority to bind the Corporation.

GOODLIFE FITNESS CENTRES INC.

Per: _____
Name: Stephanie Ross
Title: Corporate Counsel

I have authority to bind the Corporation.

Acknowledged and agreed to solely for the purposes of Sections 2.03, 2.04, 2.06, 3.03(b), 6.07, 7.02, 8.03 and 8.04 of this Agreement this 19th day of March, 2013.

FTI CONSULTING CANADA INC.,
in its capacity as the Court-appointed Monitor of
Extreme Fitness, Inc., and not in its personal or
corporate capacity

Per: _____
Name: Steven Bissell
Title: Managing Director

I have authority to bind the Corporation.

IN WITNESS OF WHICH the Parties have executed this Agreement.

EXTREME FITNESS, INC.

Per: _____
Name: Alan Hutchens
Title: Interim Chief Financial Officer

I have authority to bind the Corporation.

GOODLIFE FITNESS CENTRES INC.

Per: _____
Name: Stephanie Ross
Title: Corporate Counsel

I have authority to bind the Corporation.

Acknowledged and agreed to solely for the purposes of Sections 2.03, 2.04, 2.06, 3.03(b), 6.07, 7.02, 8.03 and 8.04 of this Agreement this 19th day of March, 2013.

**FTI CONSULTING CANADA INC.,
in its capacity as the Court-appointed Monitor of
Extreme Fitness, Inc., and not in its personal or
corporate capacity**

Per: _____
Name: Steven Bissell
Title: Managing Director

I have authority to bind the Corporation.

IN WITNESS OF WHICH the Parties have executed this Agreement.

EXTREME FITNESS, INC.

Per: _____
Name: Alan Hutchens
Title: Interim Chief Financial Officer

I have authority to bind the Corporation.

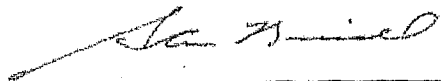
GOODLIFE FITNESS CENTRES INC.

Per: _____
Name: Stephanie Ross
Title: Corporate Counsel

I have authority to bind the Corporation.

Acknowledged and agreed to solely for the purposes of Sections 2.03, 2.04, 2.06, 3.03(b), 6.07, 7.02, 8.03 and 8.04 of this Agreement this ___ day of March, 2013.

FTI CONSULTING CANADA INC.,
in its capacity as the Court-appointed Monitor of
Extreme Fitness, Inc., and not in its personal or
corporate capacity

Per: 
Name: Steven Bissell
Title: Managing Director

I have authority to bind the Corporation.

SCHEDULE "A"
ASSUMED CAPITAL LEASES

Lease Number	Outstanding Balance March 31, 2013
CLE Leasing Enterprise Ltd. – Lease Agreement No. 101467	\$11,074
De Lage Landen Financial Services – Lease Agreement No. 506664	55,594
Dell Financial Services Canada – Contract #200-0210873-005	40,508
Dell Financial Services Canada – Contract #200-0210873-006	977
Dell Financial Services Canada – Contract #200-0210873-007	5,321
Dell Financial Services Canada – Contract #200-0210873-008	2,008
Dell Financial Services Canada – Contract #200-0210873-009	9,970
Dell Financial Services Canada – Contract #200-0210873-010	6,504
DSM Leasing – Lease No. 15006	58,063
DSM Leasing – Lease No. 15022	56,964
DSM Leasing – Lease No. 15023	142,960
DSM Leasing – Lease No. 15024	76,563
Essex Capital Leasing Group – Lease No. 10122	27,377
IndCom Leasing Inc. – Lease No. EX2661-12661	31,032
IndCom Leasing Inc. – Lease No. EX3125-13125	7,411
Heffner Auto Finance Corp. – Master Lease No. MF017	
Heffner Auto Finance Corp. – Master Lease No. MF017; Lease Order No. F1552	16,144
Heffner Auto Finance Corp. – Master Lease No. MF017; Lease Order No. G041	155,471
Heffner Auto Finance Corp. – Master Lease No. MF017; Lease Order No. G052	75,130
Heffner Auto Finance Corp. – Master Lease No. MF017; Lease Order No. G057	43,659

Heffner Auto Finance Corp. – Master Lease No. MF017; Lease Order No. G068	74,686
Heffner Auto Sales and Leasing Inc. – Master Lease No. M001	
Heffner Auto Sales and Leasing Inc. – Master Lease No. M001; Lease Order No. J395 and any supplement or amendment thereto	4,665
Heffner Auto Sales and Leasing Inc. – Master Lease No. M001; Lease Order No. J404	24,025
Heffner Auto Sales and Leasing Inc. – Master Lease No. M001; Lease Order No. J407	33,779
Heffner Auto Sales and Leasing Inc. – Master Lease No. M001; Lease Order No. J419	26,237
Heffner Leasing Limited – Master Lease No. M007	
Heffner Leasing Limited – Master Lease No. M007; Lease Order No. 6483	19,215
TOTAL	\$1,005,338

SCHEDULE "B"
EXCLUDED LEASES

Nil.

SCHEDULE "B-1"

CONCESSION LEASES

A. Bloor Street 80 Bloor Street West, Toronto, ON M5S 2V1

Landlord: Krugarand Corporation

Lease Documents: Surrender of Bally Lease dated July 30, 2008
Lease dated August 1, 2008
Landlord Consent Agreement dated August 1, 2008
Letter Agreement dated August 11, 2008

Required Concessions/Amendments:

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”
2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife’s benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife’s typical assignment clause, as follows:

“Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act*

(Ontario)) without Landlord's approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a "Permitted Transferee". The Tenant shall be entitled to license or sublet, without Landlord's approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord."

7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. Needs lease extension and removal of demolition clause
9. Reduce rent/size equivalent to \$300 000p.a.
10. Leasehold allowance \$10/sq.ft
11. Delete requirement for Letter of Credit
12. Consent to registration of notice of Tenant's leasehold interest on title
13. Add an exclusive use clause in favour of the Tenant for a health and fitness centre, suntanning, yoga, and personal training studio

B. Cedarbrae 3495 Lawrence Ave East, Scarborough, ON M1H 1B3

Landlord: First Capital (Cedarbrae) Corporation

Lease Documents: Lease dated July 27, 2001
Assignment of Lease dated January 28, 2003
Consent to Assignment of Lease and Lease Amending
Agreement Dated May 18, 2007
Lease Assignment Agreement dated May 24, 2007
Letter Agreement re Extension dated May 31, 2007

Required Concessions/Amendments:

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”

2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife’s benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife’s typical assignment clause, as follows:

“Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord’s approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a “Permitted Transferee”. The Tenant shall be entitled to license or sublet, without Landlord’s approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord.”

7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. New lease in standard GoodLife/First Capital format
9. 10 year term – 1-5 \$13.25 (as is) 6-10 \$14.25/sq.ft
10. 2 x 5 year options at fixed rent
11. Leasehold allowance \$15/sq.ft.
12. Addition of yoga and personal training studio to the exclusive use clause

C. Danforth 635 Danforth Avenue, Toronto ON M4K 1R2

Landlord: 1079268 Ontario Inc.

Lease Documents: Lease dated October 30, 2006
Letter Agreement dated August 19, 2008
Renewal Letter dated October 12, 2007

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”
2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.

4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife's benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife's typical assignment clause, as follows:

"Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord's approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a "Permitted Transferee". The Tenant shall be entitled to license or sublet, without Landlord's approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord."

7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. Fix renewal rate for 2nd renewal option at \$27.381/sq.ft
9. Additional 2x5 year options at fixed rate

D. Dundas 319 Yonge Street, Toronto ON M5B 1R7

Landlord: Metropolis Entertainment Holdings Inc. (formerly Penex Metropolis Ltd.)

Lease Documents: Agreement to Lease dated September 15, 2007
Letter Agreement re Extension dated September 26, 2007
Letter Agreement dated September 29, 2008
Notice and Direction to Tenants dated March 4, 2010 re sale of property

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”

2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife’s benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife’s typical assignment clause, as follows:

“Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord’s approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a “Permitted Transferee”. The Tenant shall be entitled to license or sublet, without Landlord’s approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord.”

7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. Reduce size/rent to equate to \$1 million p.a. gross rent (currently \$2.1 million)
9. Addition of yoga to the exclusive use clause

E. Dunfield 110 Eglinton Ave East, Toronto, ON M4P 2Y1

Landlord: 110 Eglinton Avenue East Inc.

Lease Documents: Lease dated January 1, 1996
 Amending Agreement dated June 17, 1998
 Amending Agreement dated September 20, 1999
 Amending Agreement dated June 8, 2001
 Letter re parking arrangement dated April 26, 2006
 Amending Agreement dated November 27, 2006
 Assignment of Lease Agreement dated May 16, 2007
 Lease Amending Agreement dated May 25, 2007
 Renewal Letter dated May 31, 2007
 Correction letter re renewal dated October 20, 2010

Required Concessions/Amendments:

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”
2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.

4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife's benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife's typical assignment clause, as follows:

“Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord's approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a “Permitted Transferee”. The Tenant shall be entitled to license or sublet, without Landlord's approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord.”
7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. No rent increase in 2016
9. Potentially downsize and eliminate squash
10. Fix 2020 option rate at \$15.50/s.ft
11. Additional 2x 5 year options at fixed rate
12. Leasehold allowance \$200,000
13. Addition of yoga and personal training studio to the exclusive use clause

F. Interchange 90 Interchange Way, Vaughan, ON L4K 5C3

Landlord: 2748355 Canada Inc.

Lease Documents: Lease dated December 7, 1999
Amendment of Lease dated May 30, 2000
Lease Addendum dated December 28, 2000
Commencement Date Agreement dated January 29, 2001
Assignment of Lease dated September 25, 2001
Assignment of Lease dated May 23, 2007

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”

2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife’s benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife’s typical assignment clause, as follows:

“Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord’s approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the

franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a "Permitted Transferee". The Tenant shall be entitled to license or sublet, without Landlord's approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord."

7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. Fix first 2 option rents at \$15.25, \$16.50/sq.ft.
9. Leasehold allowance \$250,000 (exercise 1st option now)
10. Remove letter of credit
11. Remove radius restriction
12. Addition of yoga and personal training studio to the exclusive use clause

G. North York 4950 Yonge Street, Toronto, ON M2N 6K1

Landlord: Redbourne Madison Property Inc. and Redbourne Madison LP Inc.

Lease Documents: Fitness Premises Lease dated March 24, 2000
Renewal Letter dated April 24, 2000
Fitness Lease Amending Agreement dated November 30, 2004
Consent to Transfer dated May 26, 2006
Landlord Notice dated June 30, 2006
Second Fitness Lease Expansion and Amending Agreement dated
December 20, 2006
Third Fitness Lease Expansion and Amending Agreement dated
December 11, 2009
Fourth Fitness Lease Expansion and Amending Agreement dated
March 15, 2011
Spa Premises Lease dated March 24, 2000
Spa Lease Amending Agreement dated November 26, 2004
Lease Extension and Amending Agreement dated December 11,
2009

Juice Bar Premises Lease dated March 24, 2000
Juice Bar Amending Agreement dated November 26, 2004
Lease Extension and Amending Agreement dated December 11,
2009

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”

2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife’s benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife’s typical assignment clause, as follows:

“Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord’s approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a “Permitted Transferee”. The Tenant shall be entitled to license or sublet, without Landlord’s approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or

substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord.”

7. Remove radius clause
8. Fix first option at \$0.50/sq. ft annual increases
9. Leasehold allowance \$100,000
10. Addition of yoga and personal training studio to the exclusive use clause

H. Pickering 1755 Pickering Pkwy, Pickering, ON L1V 6K5

Landlord: RRVP Operations Inc./Les Operations RRVP Inc.

Lease Documents: Lease dated October 28, 1998
Agreement dated January 19, 1999 (correct name of tenant)
Agreement dated February 2, 1999 (short form of lease for registration?)
Agreement dated April 6, 1999
Agreement dated June 22, 1999
Agreement dated August 17, 1999
Lease Amending Agreement dated November 22, 2004 - is now void
Letter Agreement dated February 1, 2005- is now void
Letter Agreement dated October 28, 2005- is now void
Partial Surrender Agreement dated November 20, 2005
Consent to Transfer dated May 26, 2006 Required
Concessions/Amendments

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“The Leased Premises shall be used solely for the operation of a health and fitness club, such fitness club to include the use of a variety of fitness equipment, whirlpool spas, saunas, and personal training and fitness classes (the “Principal Use”). In addition to the Principal Use and on an ancillary basis, the Tenant may offer: (i) sun tanning; (ii) child minding services; (iii) a juice bar or nutrition bar; (iv) physiotherapy, chiropractic services and massage therapy (by duly certified and licensed professionals); (v) the sale, at retail, of promotional branded clothing and related accessories; (vi) the sale of personal care products and health and weight loss products and counselling; and (vii) rental of videos and DVDs to club members, (collectively the “Ancillary Uses”), which Ancillary Uses shall not occupy more than 5,000 square feet of the entire Leased Premises”.

2. Consent to the change of the Tenant's operating name to "GoodLife Fitness" and/or "GoodLife Fitness for Women".
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife's benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife's typical assignment clause, as follows:

"Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Leased Premises to a franchisee or affiliated body corporate (as defined in the Business Corporations Act (Ontario)) without Landlord's approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a "Permitted Transferee". The Tenant shall be entitled to license or sublet, without Landlord's approval, portions of the Leased Premises, not exceeding ten (10%) per cent of the area of the Leased Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord."

7. Fix options at \$12, \$13/sq.ft
8. Addition 2x 5 year options; 1st option at \$14 psf, second option at market rate, not less than \$14 psf

I. Richmond 267 Richmond St. West, Toronto, ON M5V 3M6

Landlord: Festival Hall Developments Ltd.

Lease Documents: Lease dated December 22, 2006

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“The Leased Premises shall be used solely for the operation of a health and fitness club, such fitness club to include the use of a variety of fitness equipment, whirlpool spas, saunas, and personal training and fitness classes (the “Principal Use”). In addition to the Principal Use and on an ancillary basis, the Tenant may offer: (i) sun tanning; (ii) child minding services; (iii) a juice bar or nutrition bar; (iv) physiotherapy, chiropractic services and massage therapy (by duly certified and licensed professionals); (v) the sale, at retail, of promotional branded clothing and related accessories; (vi) the sale of personal care products and health and weight loss products and counselling; and (vii) rental of videos and DVDs to club members, (collectively the “Ancillary Uses”). The Tenant shall operate under the advertised name “GoodLife Fitness or GoodLife Fitness for Women” or such other name as used by the Tenant in a majority of its gym/health club facilities in Toronto. The Landlord represents and acknowledges the Tenant’s reliance thereon that the Leased Premises can be used as a gym or health club facility”.

2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife’s benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Reduce Tax and operating cost/rent by \$2/sq.ft and reduce fixed options by same amount
7. Leasehold allowance \$15/sq.ft
8. Add an exclusive use clause in favour of the Tenant for a health and fitness centre, suntanning, yoga, and personal training studio

J. Thornhill 8281 Yonge Street, Thornhill, ON L3T 2C7

\ Landlord: 2079843 Ontario Inc.
Lease Documents: Lease dated July 8, 1996

Lease Amending Agreement dated May 27, 1998
Second Lease Amending Agreement dated September 1, 1998
Third Lease Amending Agreement dated June, 2006
Parking Lot Lease dated June 2006
Letter Agreement re Parking Lot Lease dated September, 2006

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”

2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife’s benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife’s typical assignment clause, as follows:

“Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord’s approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a “Permitted Transferee”. The Tenant shall be entitled to license or sublet, without Landlord’s approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to

above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord.”

7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. downsize (eliminate office space)
9. Resolve parking issue
10. reduce rent by \$2/sq.ft to \$15/sq.ft for 5 years and first option to \$16/sq.ft for 5 years.
11. delete requirement to remove swimming pool and restore pool area to base building at end of term
12. Addition of yoga and personal training studio to the exclusive use clause

K. Wellington 111 Wellington St. West, Toronto, ON M5J 2S6

Landlord: 2125879 Ontario Inc.

Lease Documents: Lease dated June 1, 2007

Renewal Letter dated June 1, 2007

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”

2. Consent to the change of the Tenant's operating name to "GoodLife Fitness" and/or "GoodLife Fitness for Women".
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife's benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife's typical assignment clause, as follows:

"Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord's approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a "Permitted Transferee". The Tenant shall be entitled to license or sublet, without Landlord's approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord."
7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. Redo lease terms - \$23/sq.ft years 1-5 \$25/sq.ft years 6-10
9. 2 x 5 year options
10. Leasehold allowance \$10/sq.ft

11. In the damage/destruction clause, add a provision that the rent will abate in the proportion of the premises that are rendered unusable while repairs are being made
12. Section 7.5(b) of the Lease contains general release language, but also specifically provides that Landlord is not responsible for the existence, discharge, spillage or leakage of Hazardous Materials. Add a provision to make it clear that the Tenant is not responsible for any Hazardous Materials unless they are present due to the Tenant's use and occupancy of the Premises.
13. Representation and warranty from the Landlord that the floor loads are at least 100 pounds per square foot, and that the Landlord is not aware of any issues with noise and vibration from the premises.

L. Whitby 75 Consumers Drive, Whitby, ON

Landlord: Whitby Entertainment Holdings Inc.

Lease Documents: Agreement to Lease dated May 30, 2002
Renewal Letter dated May 30, 2002
Amending Letter dated June 14, 2002
Amendment to Agreement to Lease dated June 18, 2003
Second Amendment to Agreement to Lease dated October 17, 2003
Assignment Agreement dated November 27, 2003
Third Amendment to Agreement to Lease dated January 13, 2004
Fourth Amendment to Agreement to Lease dated March 22, 2004
Subordination, Non-Disturbance and Attornment Agreement dated September 8, 2004
Agreement to Lease Pylon Signage dated March 28, 2005
Consent to Transfer dated May 26, 2006
Fifth Amendment to Agreement to Lease dated June 1, 2009

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD's”

2. Consent to the change of the Tenant's operating name to "GoodLife Fitness" and/or "GoodLife Fitness for Women".
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife's benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.
6. Amendment to include GoodLife's typical assignment clause, as follows:

"Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord's approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a "Permitted Transferee". The Tenant shall be entitled to license or sublet, without Landlord's approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord."
7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. Redo lease terms - \$17/sq.ft Years 1-5, \$18.50 years 6-10
9. Reduce Cam & Taxes - \$12.76/sq.ft too high should be \$8-\$9/sq.ft
10. Additional 2 x 5 year options at fixed rates

11. Confirm rent deferral is written off.
12. Addition of yoga to the exclusive use clause

M. Delisle 1521 Yonge Street, Toronto, ON M4T 1Z2

Landlord: 1521 Yonge Street Limited

Lease Documents: Lease dated November 4, 1999
Lease Amending Agreement dated November 10, 1999
Lease Amending Agreement dated September 26, 2001
Assignment of Lease and Consent to Assignment of Lease dated
May 15, 2007
Lease Amending Agreement dated May 15, 2007

Required Concessions/Amendments

1. Consent to GoodLife specific use clause, as follows:

“the principal purpose of operating a health and fitness club which includes a variety of fitness equipment, sun-tanning services, personal training and fitness classes, and as ancillary to such principal use: (a) child minding services; (b) a juice and nutrition bar; (c) where permitted by zoning, related medical services and paramedical services including: physiotherapy, chiropractic, therapeutic massage and other similar paramedical services; (d) the sale, at retail of promotional clothing, towels, running gear, and personal care, health and weight loss products and counseling; and (e) the loaning to its members of videos and DVD’s”
2. Consent to the change of the Tenant’s operating name to “GoodLife Fitness” and/or “GoodLife Fitness for Women”.
3. For any lease provisions that are stated to apply or be effective in the event that the Tenant is Extreme Fitness (or a predecessor of Extreme), amendment of the provision or specific acknowledgement by the Landlord that the provision continues to apply to the benefit of GoodLife.
4. Agreement by the Landlord that any provision for the benefit of the Tenant (for example exclusives) that is expressed only to apply to the extent that Tenant is not in default, remains in full force and effect and will continue for GoodLife’s benefit, notwithstanding any existing or prior default by Extreme (or a predecessor of Extreme).
5. Consent of Landlord to replacement of the existing signage with typical GoodLife signage in accordance with plans to be provided by GoodLife and approved by Landlord, acting reasonably.

6. Amendment to include GoodLife's typical assignment clause, as follows:

"Notwithstanding the foregoing, the Tenant shall be entitled to sublet the Premises to a franchisee or affiliated body corporate (as defined in the *Business Corporations Act* (Ontario)) without Landlord's approval but on notice to Landlord provided that it shall remain responsible for all obligations of the Tenant under the Lease and provided that the franchisee or affiliated body corporate agrees in writing with the Landlord to be responsible for all obligations of the Tenant under the Lease. A franchisee or affiliated body corporate is hereinafter referred to as a "Permitted Transferee". The Tenant shall be entitled to license or sublet, without Landlord's approval, portions of the Premises, not exceeding ten (10%) per cent of the area of the Premises in the aggregate so licensed, to licensees or subtenants for the purposes of carrying on the Ancillary Uses referred to above. Provided further that in the event that there is a going concern sale of all or substantially all of the assets or shares of the GoodLife Fitness club organization or if there is a going public transaction involving the Tenant, consent of the Landlord shall not be required, but notice of such transaction shall be given to the Landlord."

7. Amendment of any provision requiring that Tenant remove leasehold improvements at the end of the Term, or that provides that Landlord may require Tenant to remove leasehold improvements at the end of the term, to provide instead that Tenant has the option to remove leasehold improvements at the end of the term, but shall not be obligated to do so. Specifically, for any locations with a pool, amendment to provide that Tenant is not obligated to remove the pool at the end of the term.
8. Reduce rent by \$2/sq.ft
9. Review why Taxes and operating costs are \$18 +/sq.ft
10. Eliminate rent increase of \$2/sq.ft
11. Reduce 2 x 5 year option rent increases to \$2/sq.ft.
12. There is a mutual obligation for Landlord and Tenant to indemnify each other in respect of Hazardous Substances. Clarify this language such that the Tenant's obligation to indemnify is limited to the presence of Hazardous Substances resulting from the Tenant's use and occupancy of the Premises.
13. Deletion in Section 15.2 of ability of Landlord to suspend services and utilities if Tenant is in default
14. In addition, for this location, consent of Loblaws would be required for GoodLife to acquire this club, as GoodLife is subject to a radius restriction that this club falls within
15. Addition of yoga and personal training studio to the exclusive use clause

SCHEDULE "C"
APPROVAL AND VESTING ORDER

See attached.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**




THE HONOURABLE M) , THE DAY
JUSTICE)
) OF , 2013

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

APPROVAL AND VESTING ORDER

THIS MOTION, made by Extreme Fitness, Inc. (the "**Applicant**"), for an order, *inter alia*, approving the sale transaction (the "**Transaction**") contemplated by an asset purchase agreement between the Applicant and GoodLife Fitness Centres Inc. (the "**Purchaser**") dated March , 2013 (the "**APA**") and appended, in redacted form, to the affidavit of Alan Hutchens sworn March , 2013, filed (the "**Hutchens Affidavit**"), and included, in unredacted form, in the Confidential Supplement to the Second Report of FTI Consulting Canada Inc., in its capacity as the Court-appointed monitor of the Applicant (in such capacity, the "**Monitor**") dated March , 2013, filed (the "**Second Report**"), and vesting in the Purchaser the Applicant's right, title and interest in and to assets described in the APA (the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Hutchens Affidavit and the Second Report, and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, counsel for the Purchaser,

counsel for Golub Capital Incorporated and counsel for National Bank of Canada, no one appearing for any other person on the service list, although duly served as appears from the affidavit of Susy Moniz sworn March 28, 2013, filed,

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the APA by the Applicant is hereby authorized and approved, with such minor amendments as the Applicant, with the consent of the Monitor, may deem necessary. The Applicant is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor's certificate to the Purchaser substantially in the form attached as **Schedule "A"** hereto (the "**Monitor's Certificate**"), all of the Applicant's right, title and interest in and to the Purchased Assets described in the APA shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Orders of this Court in the within proceedings; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on **Schedule "B"** hereto; but excluding the Permitted Encumbrances (as defined in the APA) (all of which are collectively referred to as the "**Encumbrances**") and, for greater certainty, this Court orders that

all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

4. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

5. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Applicant is authorized and permitted to disclose and transfer to the Purchaser: (i) all human resources and payroll information in the Applicant's records pertaining to the Applicant's Transferred Employees (as defined in the APA); and (ii) all personal information in the Applicant's records pertaining to the Applicant's Members and to Persons subject to Personal Training Contracts (as those terms are defined in the APA). The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Applicant.

6. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;

- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Applicant,

the APA, the Transaction and the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

8. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Applicant and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

Schedule "A"
Form of Monitor's Certificate

Court File No. CV-13-10000-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EXTREME FITNESS, INC.

APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (the "**Court**") dated February 7, 2013, Extreme Fitness, Inc. (the "**Applicant**") was declared a company to which the *Companies' Creditors Arrangement Act* applied and FTI Consulting Canada Inc. was appointed as the Monitor of the Applicant (the "**Monitor**").

B. Pursuant to an Order of the Court dated ~~***~~, 2013, the Court approved the asset purchase agreement between the Applicant and GoodLife Fitness Centres Inc. (the "**Purchaser**") dated March ~~***~~, 2013 (the "**APA**") and provided for the vesting in the Purchaser of the Applicant's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Purchaser of a certificate confirming: (i) the payment by the Purchaser of that portion of the Purchase Price for the Purchased Assets payable on the Closing; (ii) that the conditions to Closing as set out in Article

IV of the APA have been satisfied or waived by the Applicant and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals shall have the meanings ascribed to them in the APA.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and Monitor has received that portion of the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the APA;
2. The conditions to Closing as set out in section Article IV of the APA have been satisfied or waived by the Applicant and the Purchaser;
3. The Transaction has been completed to the satisfaction of the Monitor; and
4. This Certificate was delivered by the Monitor at _____ on _____, 2013.

FTI Consulting Canada Inc., in its capacity as the Court-appointed Monitor of Extreme Fitness, Inc., and not in its personal or corporate capacity

Per: _____
Name: Steven Bissell
Title: Managing Director

Schedule "B"
Claims to be Deleted and Expunged



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF EXTREME FITNESS, INC.

Court File No. CV-13-10000-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

APPROVAL AND VESTING ORDER

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Lawyers for Extreme Fitness, Inc.

SCHEDULE "D"
EXCLUDED ASSETS

Nil.

SCHEDULE "E"

LEASED PREMISES

1. 80 Bloor Street West, Toronto, ON M5S 2V1
2. 3495 Lawrence Avenue East, Scarborough, ON M1H 1B3
3. 635 Danforth Avenue East, Toronto, ON M4K 1R2
4. 1521 Yonge Street, Toronto, ON M4T 1Z2
5. 319 Yonge Street, Toronto, ON M5B 1R7
6. 110 Eglinton Avenue East, Toronto, ON M4P 2Y1
7. 90 Interchange Way, Vaughan, ON L4K 5C3
8. 4950 Yonge Street, Toronto, ON M2N 6K1
9. 1755 Pickering Parkway, Pickering, ON L1V 6K5
10. 267 Richmond Street West, Toronto, ON M5V 3M6
11. 8281 Yonge Street, Thornhill, ON L3T 2C7
12. 111 Wellington Street West, Toronto, ON M5J 2S6
13. 75 Consumers Drive, Whitby, ON L1N 9S2

SCHEDULE "F"

ALLOWANCE FOR DOUBTFUL ACCOUNTS

See attached.

Extreme Fitness, Inc.

AR Reserve Analysis

For the Period Ending January 31, 2013

Member Status	Aging (Based on Last Payment)	Total			Extreme			Buyer		
		AR	Member Count	AR Balance > \$2,000	Reserve %	Reserve	Net AR	Reserve %	Reserve	Net AR
NA	Less than 3 months	\$ 175,120	258	13	25%	\$ 43,780	\$ 131,340	25%	\$ 43,780	\$ 131,340
	Less than 6 months	12,963	38	-	75%	9,723	3,241	75%	9,723	3,241
	Less than 9 months	20,703	35	3	75%	15,527	5,176	75%	15,527	5,176
	Less than 12 months	18,148	32	2	90%	16,333	1,815	90%	16,333	1,815
	Less than 15 months	73,112	87	13	90%	65,801	7,311	100%	73,112	-
	Less than 18 months	52,023	74	9	90%	46,821	5,202	100%	52,023	-
	No Payment New Contract	11,690	49	-	90%	10,521	1,169	100%	11,690	-
	18 months or more	231,879	808	19	100%	231,879	-	100%	231,879	-
	No Payment	64,488	156	3	100%	64,488	-	100%	64,488	-
Sub-Total NA		\$ 660,127	1,537	62		\$ 504,873	\$ 155,254		\$ 518,556	\$ 141,571
Percent of AR/Member Total										
NOT OK	Less than 3 months	\$ 993,385	1,499	92	25%	\$ 248,346	\$ 745,039	25%	\$ 248,346	\$ 745,039
	Less than 6 months	261,353	493	25	75%	196,015	65,338	75%	196,015	65,338
	Less than 9 months	377,500	564	47	75%	283,125	94,375	75%	283,125	94,375
	Less than 12 months	435,670	711	44	90%	392,103	43,567	90%	392,103	43,567
	Less than 15 months	420,794	642	55	90%	378,715	42,079	100%	420,794	-
	Less than 18 months	332,038	792	29	90%	298,835	33,204	100%	332,038	-
	No Payment New Contract	1,141	4	-	90%	1,027	114	90%	1,027	114
	18 months or more	4,691,648	9,461	531	100%	4,691,648	-	100%	4,691,648	-
	Not Paid	727,859	1,519	38	100%	727,859	-	100%	727,859	-
Sub-Total NOT OK		\$ 8,241,389	15,685	861		\$ 7,217,672	\$ 1,023,716		\$ 7,292,956	\$ 948,433
Percent of AR/Member Total										
OK	Less than 3 months	\$ 3,628,612	3,961	422	10%	\$ 362,861	\$ 3,265,751	10%	\$ 362,861	\$ 3,265,751
	Less than 6 months	217,982	305	30	75%	163,487	54,496	75%	163,487	54,496
	Less than 9 months	162,399	245	21	75%	121,799	40,600	75%	121,799	40,600
	Less than 12 months	139,278	208	18	75%	104,459	34,820	75%	104,459	34,820
	Less than 15 months	97,845	142	13	75%	73,384	24,461	100%	97,845	-
	Less than 18 months	113,983	206	15	75%	85,487	28,496	100%	113,983	-
	No Payment New Contract	43,841	168	-	10%	4,384	39,457	10%	4,384	39,457
	18 months or more	197,042	681	28	100%	197,042	-	100%	197,042	-
	Not Paid	24,458	59	3	100%	24,458	-	100%	24,458	-
Sub-Total - OK		\$ 4,625,440	5,975	550		\$ 1,137,361	\$ 3,488,079		\$ 1,190,318	\$ 3,435,122
Percent of AR/Member Total										
Total	Less than 3 months	\$ 4,797,116	5,718	527	14%	\$ 654,987	\$ 4,142,129	14%	\$ 654,987	\$ 4,142,129
	Less than 6 months	492,299	836	55	75%	369,224	123,075	75%	369,224	123,075
	Less than 9 months	560,602	844	71	75%	420,451	140,150	75%	420,451	140,150
	Less than 12 months	593,096	951	64	86%	512,895	80,201	86%	512,895	80,201
	Less than 15 months	591,752	871	81	88%	517,900	73,852	100%	591,752	-
	Less than 18 months	498,044	1,072	53	87%	431,143	66,902	100%	498,044	-
	No Payment Q4 2011 Contract	56,672	221	-	28%	15,932	40,740	30%	17,101	39,571
	18 months or more	5,120,569	10,950	578	100%	5,120,569	-	100%	5,120,569	-
	Not Paid	816,806	1,734	44	100%	816,806	-	100%	816,806	-
Total		\$ 13,526,956	23,197	1,473		\$ 8,859,907	\$ 4,667,049		\$ 9,001,829	\$ 4,525,126

SCHEDULE "G"
FINANCIAL STATEMENTS

See attached.

Extreme Fitness, Inc.

Balance Sheet

As of November 30, 2012

ASSETS

Current

Cash	\$	933,465
Sundry Receivables		201,380
Accounts Receivable, Net		5,075,994
Inventory		-
Deposits and Prepaid Expenses		2,848,894
Advances To Related Companies		526,490
Total Current Assets		<u>9,586,222</u>

Other

Deferred Lease Costs, Net		8,210
Deferred Financing Costs, Net		1,955,843
Goodwill, Net		30,956,199
Intangibles, Net		500,000
Total Other Assets		<u>33,420,252</u>

Fixed Assets

Cost		49,378,803
Accumulated amortization		<u>(31,188,587)</u>
Total Fixed Assets		18,190,216

Total Assets

\$ 61,196,690

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts Payable	\$	1,017,487
Taxes Payable		4,582,773
Accrued Liabilities		4,477,014
Due to Shareholders		838,612
Deferred Revenue-Membership		2,501,405
Deferred Revenue-PT		2,624,532
Customer Deposit		41,571
Current Portion of Capital Leases		294,952
Current Portion of Capital Long Term Debt		<u>11,315,743</u>
Total Current Liabilities		27,694,090

Other

Deferred Lease Inducement		1,751,055
Future Income Taxes Payable		(2,980,000)
Capital Lease Obligations		886,920
Long Term Debt		<u>30,535,335</u>
Total Other Liabilities		30,193,310

Shareholders' equity

Capital Stock		36,822,997
Transaction Costs		(1,496,402)
Dividends		(848,909)
Retained Deficit		(29,262,601)
Net Income (Loss)		<u>(1,905,795)</u>
Total Shareholders' Equity		3,309,290

Total Liabilities and Shareholders' Equity

\$ 61,196,690

Extreme Fitness, Inc.

Statement of Cash Flows

Cash provided by (used in)	Year to Date November 2012	
Operating Activities		
Net Income/(Loss) For The Period	\$	(12,715,476)
Depreciation and Amortization		3,662,405
Amortization of Intangible Assets		6,600
Deferred Lease Costs		5,720
Deferred Financing Costs		821,800
Unrealized Gain / (Loss) on Foreign Exchange		(411,012)
Cash provided by Operations		(8,629,962)
Changes in Non-Cash Working Capital		
Accounts Payable and Accrued Liabilities		598,443
Taxes Payable		1,070,684
Deferred Revenue		507,254
Change in Non-Cash Assets		490,465
Cash provided by (used in) Non-Cash Working Capital		2,666,846
Cash provided by Operating activities		(5,963,116)
Investing Activities		
Purchase of Capital Assets		(790,934)
Cash provided by (used in) investing activities		(790,934)
Financing Activities		
Repay Bank Overdraft		(381,594)
Repayment of Capital Lease Obligations		(226,415)
Capital Stock Repurchase		(225,703)
Increase in Long Term Debt		8,521,230
Cash provided by (used in) financing activities		7,687,517
Change in Cash during the period	\$	933,467
Cash - Beginning of period	\$	-
Cash - End of Period	\$	933,468

Extreme Fitness, Inc.

Income Statement

	<u>Year to Date November 2012</u>	
Net Revenue	\$	44,679,167
Operating Expenses		
Salaries, Wages and Commission		(18,737,730)
Advertising and Promotions		(3,477,172)
Administration		(3,549,275)
Facility Costs		(15,955,663)
Total Operating Expenses		<u>(41,719,840)</u>
Gym EBITDA	\$	2,959,327
Less:Overheads		
Head Office Support Functions	\$	2,685,511
Operations Management		1,703,400
Total Overhead		<u>4,388,911</u>
Company EBITDA	\$	(1,429,583)
Less: Depreciation and Interests Expenses		
Depreciation Expenses	\$	1,328,743
Amortization of Leasehold Improvements		2,333,663
Amortization of Deferred Lease Cost		5,720
Interest - Capital Leases		162,684
Total Depreciation and Interest Expense		<u>3,830,809</u>
Net Profit (Loss) Before Undernoted Items	\$	(5,260,392)
Undernoted Items		
Interest Expense on Long Term Debt	\$	3,531,969
Interest (Expense)/Earned		13,724
Amortization of Deferred Financing Cost		821,800
Amortization of Intangible Assets		6,600
Management Fee - FHC		447,018
Acquisition Cost/Donation		7,529
Director's Fees		27,700
Unrealized Gain/(Loss) on Foreign Exchange		(411,012)
Restructuring Costs		3,009,756
Total Undernoted Items		<u>7,455,083</u>
Net Profit/(Loss)	\$	<u><u>(12,715,476)</u></u>

SCHEDULE "H"
SUNDRY RECEIVABLES

See attached.

14037312.22

Extreme Fitness, Inc.
Summary of Sundry Receivables

Sundry Receivables	Account #	as at Jan 31/13
Corporate dues receivable	1140-99	99,454.61
Membership Revenue	1140-01 to 1140-20	<u>121,385.38</u>
Total Sundry Receivables		<u><u>220,839.99</u></u>