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FITNESS EVOLUTION AGREES TO SETTLE CONSUMER FRAUD CASE

Santa Cruz County District Attorney Jeffrey Rosell announced today that Fitness Evolution gyms has agreed to a settlement paying approximately \$1.8 million dollars in penalties, restitution and costs. This settlement brings an end to an action for unfair business practices and false advertising which alleged that the company engaged in deceptive membership promotions and other illegal business practices to finance its expansion of gyms over the last four years. The settled resolution is set forth in a stipulated judgment in an action filed by a joint District Attorney task force in Santa Cruz County Superior Court. The stipulated judgment obligates Fitness Evolution to provide thousands of its past and current members with the right to cancel their contracts with the gyms and forgive past due consumer collections valued at approximately \$11 million. Additionally, Fitness Evolution agreed to be bound by a 5-year injunction to prevent future unfair practices.

The Santa Cruz County District Attorney's Office, joined by the Offices of Monterey, Santa Clara, San Joaquin, Fresno, Stanislaus, Merced, and Tulare Counties, opened a joint task force investigation in 2015 in response to consumer complaints about membership promotions, unauthorized billings, cancellation practices and collection actions. A civil action was filed in Santa Cruz County in July of 2016 and has settled with a judgment against several Fitness Evolution entities operating the gyms in California. A separate judgment was entered against the personal training entities. The civil complaint alleges that Fitness Evolution violated California's Health Studio Act, False Advertising Law and other consumer protection laws.

For consumers affected by the alleged illegal practices between June 2011 and September 2015, Fitness Evolution agreed to make different forms of restitution, including: Paying \$500,000.00 in restitution to members who suffered ascertainable financial harm from unauthorized charges, to forgive the debts of members on over \$11 million in collections, to reverse any negative reports to credit rating bureaus, including providing the affected member with notification of the forgiveness, training of its personnel to prevent future abuses, and finally, to allow any member who signed a contract before September 2015, to immediately cancel their membership without penalty. This settlement follows on the heels of a previous gym settlement with similar terms against In Shape Health Clubs.

Fitness Evolution and its legal counsel worked cooperatively with the task force to cease problematic past practices, to identify members affected by those practices, and to create legally compliant contracts and cancellation practices.