UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	**Chapter 11**
24 HOUR FITNESS WORLDWIDE, INC., *et al.*,	:	**Case No. 20–11558 (KBO)**
Debtors.[1]	:	**(Jointly Administered)**

NOTICES, RESTRICTIONS, AND PROCEDURES REGARDING OWNERSHIP AND APPROVING RESTRICTIONS ON (A) CERTAIN TRANSFERS OF INTERESTS IN THE DEBTORS AND (B) CLAIMS OF CERTAIN WORTHLESS EQUITY DEDUCTIONS

Pursuant to that certain *Interim Order Establishing Notification Procedures and Approving Restrictions on (A) Certain Transfers of Interests in the Debtors and (B) Claims of Certain Worthless Equity Deductions* (the "**Interim Order**") of the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") entered on June 16, 2020, Docket No. 131, the following restrictions, notification requirements, and/or other procedures (the "**Procedures**") apply to all trading and transfers of, and all claims of Worthless Equity Deductions by a Majority Holder with respect to, its beneficial ownership of the Common Equity[2] (including indirectly or through the issuance or transfer of Options to acquire beneficial ownership of the Common Equity):

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are 24 Hour Holdings II LLC (N/A); 24 Hour Fitness Worldwide, Inc. (5690); 24 Hour Fitness United States, Inc. (8376); 24 Hour Fitness USA, Inc. (9899); 24 Hour Fitness Holdings LLC (8902); 24 San Francisco LLC (3542); 24 New York LLC (7033); 24 Denver LLC (6644); RS FIT Holdings LLC (3064); RS FIT CA LLC (7007); and RS FIT NW LLC (9372). The Debtors' corporate headquarters and service address is 12647 Alcosta Blvd., Suite 500, San Ramon, CA 94583.

[2] Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the *Motion of Debtors for Entry of Interim and Final Orders Establishing Notification Procedures and Approving*

i. Definitions. For purposes of these Procedures, the following terms have the following meanings:

1. "**Entity**" has the meaning as such term is defined in section 1.382-3(a) of title 26 of the Code of Federal Regulations (the "**Treasury Regulations**"), including any group of persons acting pursuant to a formal or informal understanding among themselves to make a coordinated acquisition of the Common Equity (as defined below).

2. "**Common Equity**" shall mean any beneficial ownership (including direct and indirect ownership) of the common equity of the Debtors. For the avoidance of doubt, by operation of the definition of beneficial ownership, an owner of an Option (as defined below) to acquire beneficial ownership of the Common Equity may be treated as the owner of such Common Equity.

3. "**Option**" shall mean any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest regardless of whether it is contingent or otherwise not currently exercisable.

4. "**Beneficial ownership**" of the Common Equity or Options to acquire the Common Equity shall be determined in accordance with applicable rules under section 382 of the title 26 of the United States Code (the "**Tax Code**"), the Treasury Regulations, rulings issued by the Internal Revenue Service (the "**IRS**"), and the rules described herein, and shall include, without limitation, (i) direct and indirect ownership, determined without regard to any rule that treats stock of an entity as to which the constructive ownership rules apply as no longer owned by that entity (*e.g.*, a holding company would be considered to beneficially own all stock owned or acquired by its subsidiaries), (ii) ownership by a holder's family members, (iii) ownership by any Entity, (iv) to the extent set forth in Treasury Regulations section 1.382-4, the ownership of an Option to acquire beneficial ownership of the Common Equity, and (v) the ownership of an Option to acquire beneficial ownership of the Common Equity that would result in the tax deconsolidation of the Debtors from the consolidated group of which 24 Hour Holdings I Corp. is the common parent. Thus, for the avoidance of doubt, the transfer of the stock of 24 Hour Holdings I Corp. would be considered to be a transfer of beneficial ownership of the equity interests of the Debtors.

5. "**Substantial Holder**" shall mean any person or Entity that beneficially owns at least 4.75% of all of the issued and outstanding Common Equity by value (such rules as to percentage ownership in Common Equity to be determined on the basis of section 382 and the Treasury Regulations thereunder).

6. "**Majority Holder**" shall mean any person that would be a "50-percent shareholder" (within the meaning of section 382(g)(4)(D) of the Tax Code) with respect to its beneficial ownership of the Common Equity if such person claimed a Worthless Equity Deduction at any time on or after the Petition Date (such rules as to percentage ownership in

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Restrictions on (A) Certain Transfers of Interests in, and Claims Against, the Debtors and (B) Claims of Certain Worthless Equity Deductions [Docket No. 16] (the "**Motion**").

Common Equity to be determined on the basis of section 382 and the Treasury Regulations thereunder).

7. "**Worthless Equity Deduction**" shall mean any claim (for U.S. federal income tax reporting purposes) of a worthlessness deduction under section 165 of the Tax Code with respect to the beneficial ownership of Common Equity.

ii. Notice of Substantial Ownership. Any person or Entity that beneficially owns, at any time on or after the Petition Date, Common Equity in an amount sufficient to qualify such person or Entity as a Substantial Holder shall file with the Bankruptcy Court, and serve upon (i) the Debtors, 12647 Alcosta Blvd., Suite 500, San Ramon, CA 94583 (Attn: Dan Hugo); (ii) counsel for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Ray C. Schrock, P.C.; Ryan P. Dahl, Esq.; Kevin Bostel, Esq.); (iii) co-counsel for the Debtors, Pachulski Stang Ziehl & Jones LLP, 919 North Market Street 17th Floor, Wilmington, Delaware 19801 (Attn: Laura Davis Jones, Esq., Timothy P. Cairns, Esq., and Peter J. Keane, Esq.); (iv) counsel to any statutory committee of unsecured creditors appointed in these cases (a "**Creditors' Committee**"); (ii) counsel to the Ad Hoc Group, O'Melveny & Myers LLP, 7 Times Square, New York, New York 10036 (Attn: Daniel S. Shamah, Esq., Diana M. Perez, Esq., and Adam P. Haberkorn, Esq.); (iii) counsel to the Prepetition Agent, Latham & Watkins LLP, 885 3rd Avenue, New York, NY 10022 (Attn: Alfred Xue, Esq.); (iv) counsel to the DIP Agent, Covington & Burling LLP, 620 Eighth Avenue, New York, New York 10018 (Attn.: Ronald Hewitt); (v) counsel to the Sponsors; and (vi) counsel to the lenders under the Debtors' proposed debtor in possession financing (collectively, the "**Disclosure Parties**") a notice of such person's or Entity's substantial ownership (a "**Substantial Ownership Notice**"), in substantially the form annexed to the Proposed Orders as **Exhibit 2**, which describes specifically and in detail such person's or Entity's beneficial ownership of the Common Equity, on or before the date that is the later of (x) twenty (20) calendar days after the entry of an order granting the relief requested in the Motion, and (y) ten (10) business days after such person or Entity qualifies as a Substantial Holder. At the election of the Substantial Holder, the Substantial Ownership Notice to be filed with the Bankruptcy Court (but not the Substantial Ownership Notice that is served upon the Disclosure Parties) may be redacted to exclude the Substantial Holder's taxpayer identification number and the amount of the Common Equity that the Substantial Holder beneficially owns.

iii. Acquisition of the Common Equity. At least twenty (20) business days prior to the proposed date of any transfer of the beneficial ownership of Common Equity (including indirectly or through the grant or transfer of Options to acquire beneficial ownership of the Common Equity) or exercise of any Option to acquire beneficial ownership of the Common Equity that would result in an increase in the amount of the Common Equity beneficially owned by any person or Entity that currently is or, as a result of the proposed transaction, would be a Substantial Holder (a "**Proposed Acquisition Transaction**"), such acquiring or increasing person or Entity or Substantial Holder (a "**Proposed Transferee**") shall file with the Bankruptcy Court and serve upon the Disclosure Parties a notice of such Proposed Transferee's intent to purchase, acquire, or otherwise accumulate the beneficial ownership of Common Equity and/or Options to acquire beneficial ownership of the Common Equity (an "**Acquisition Notice**"), in substantially the form annexed to the Proposed Orders as **Exhibit 3**, which describes specifically and in detail the Proposed Acquisition Transaction. At the election of the filer, the Acquisition

Notice to be filed with the Bankruptcy Court (but not the Acquisition Notice that is served upon the Disclosure Parties) may be redacted to exclude the Proposed Transferee's taxpayer identification number and the amount of the Common Equity that the Proposed Transferee beneficially owns.

iv. Disposition of the Common Equity. At least twenty (20) business days prior to the proposed date of any transfer or other disposition of the beneficial ownership of Common Equity (including indirectly or through the issuance or transfer of Options to acquire beneficial ownership of the Common Equity) that would result in either a decrease in the amount of the Common Equity beneficially owned by a Substantial Holder or a person or Entity ceasing to be a Substantial Holder (a "**Proposed Disposition Transaction**" and, together with a Proposed Acquisition Transaction, a "**Proposed Transaction**"), such person, Entity, or Substantial Holder (a "**Proposed Transferor**") shall file with the Bankruptcy Court and serve upon the Disclosure Parties a notice of such Proposed Transferor's intent to sell, trade, or otherwise transfer the beneficial ownership of Common Equity or Options to acquire beneficial ownership of the Common Equity (a "**Disposition Notice**" and, together with an Acquisition Notice, a "**Trading Notice**"), in substantially the form annexed to the Proposed Orders as **Exhibit 4**, which describes specifically and in detail the Proposed Disposition Transaction. At the election of the filer, the Disposition Notice to be filed with the Bankruptcy Court (but not the Disposition Notice that is served upon the Disclosure Parties) may be redacted to exclude the Proposed Transferor's taxpayer identification number and the amount of the Common Equity that the Proposed Transferor beneficially owns.

v. Notice of Status as a Majority Holder. Any person or Entity that currently is or becomes a Majority Holder shall file with the Bankruptcy Court and serve upon the Disclosure Parties a notice of such status (a "**Majority Holder Notice**"), in substantially the form annexed to the Proposed Orders as **Exhibit 5**, which describes specifically and in detail such person's beneficial ownership of the Common Equity, on or before the date that is the later of (x) twenty (20) calendar days after the entry of an order granting the relief requested in the Motion and (y) ten (10) business days after such person qualifies as a Majority Holder. At the election of the Majority Holder, the Majority Holder Notice to be filed with the Bankruptcy Court (but not the Majority Holder Notice that is served upon the Disclosure Parties) may be redacted to exclude the Majority Holder's taxpayer identification number.

vi. Notice of Intent to Claim a Worthless Equity Deduction. At least twenty (20) business days before a Majority Holder files any federal income tax return, or any amendment to such a return, claiming a Worthless Equity Deduction for a tax year of the Majority Holder ending on or before the effective date of a chapter 11 plan of reorganization for the Debtors, such Majority Holder shall file with the Bankruptcy Court and serve upon the Disclosure Parties advanced written notice of the intended Worthless Equity Deduction (a "**Worthless Equity Deduction Notice**"), in substantially the form annexed to the Proposed Orders as **Exhibit 6**. At the election of the Majority Holder, the Worthless Equity Deduction Notice to be filed with the Bankruptcy Court (but not the Worthless Equity Deduction Notice that is served upon the Disclosure Parties) may be redacted to exclude the Majority Holder's taxpayer identification number.

vii. Objection Procedures. The Debtors shall have fifteen (15) business days after the filing of a Trading Notice or a Worthless Equity Deduction Notice (the "**Objection Period**") to file with the Bankruptcy Court and serve on a Proposed Transferee or a Proposed Transferor, as the case may be, or a Majority Holder, as applicable, an objection (each, an "**Objection**") to any Proposed Transaction described in such Trading Notice or any Worthless Equity Deduction described in such Worthless Equity Deduction Notice. If the Debtors file an Objection by the expiration of the Objection Period (the "**Objection Deadline**"), then the applicable Proposed Transaction or Worthless Equity Deduction shall not be effective unless approved by a final and nonappealable order of the Bankruptcy Court. If the Debtors do not file an Objection by the Objection Deadline or if the Debtors provide written authorization to the Proposed Transferee or the Proposed Transferor, as the case may be, or the Majority Holder, as applicable, approving the Proposed Transaction or the Worthless Equity Deduction prior to the Objection Deadline, then such Proposed Transaction or Worthless Equity Deduction may proceed solely as specifically described in the applicable Trading Notice or Worthless Equity Deduction Notice. Any further Proposed Transaction or Worthless Equity Deduction must be the subject of an additional Trading Notice or Worthless Equity Deduction Notice and Objection Period.

viii. Noncompliance with the Procedures. Any acquisition, disposition, trading of, or claim of Worthless Equity Deduction with respect to, beneficial ownership of the Common Equity or Options to acquire beneficial ownership of the Common Equity in violation of these Procedures shall be null and void *ab initio* as an act in violation of the automatic stay under section 362 of the Bankruptcy Code and pursuant to the Bankruptcy Court's equitable powers under section 105(a) of the Bankruptcy Code. In the event that a Majority Holder claims a Worthless Equity Deduction in violation of these Procedures, such holder shall be required to file an amended federal income tax return revoking such deduction. Furthermore, any person or Entity that acquires, disposes of, trades, or claims a Worthless Equity Deduction with respect to beneficial ownership of the Common Equity or Options to acquire beneficial ownership of the Common Equity in violation of these Procedures shall be subject to sanctions as provided by law.

ix. Debtors' Right to Waive. The Debtors may, in their sole discretion, waive, in writing, any and all restrictions, stays, and notification Procedures contained in this Notice.

Dated: Wilmington, Delaware
June 17, 2020

BY ORDER OF THE COURT