

*** NEWS RELEASE ***

IN-SHAPE HEALTH CLUBS AGREES TO SETTLE DISTRICT ATTORNEYS' CLAIMS OF UNFAIR BUSINESS PRACTICES

FOR IMMEDIATE RELEASE

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Monterey County District Attorney Dean D. Flippo announced today that In-Shape Health Clubs, which owns 5 health clubs in Monterey County, has agreed to settle allegations that it engaged in deceptive membership promotions and other illegal business practices to finance its expansion from 40 to 70 health clubs between 2010 and 2013. The settlement, set forth in a judgment approved by Monterey County Superior Court Judge Thomas Wills, obligates In-Shape to provide thousands of its past and current members with different forms of restitution valued at over \$23 million. Additionally, In-Shape agreed to be bound by a 5-year injunction to comply with California law and pay a \$3 million penalty.

The Monterey County District Attorney, joined by the District Attorneys for Kern and Santa Cruz, opened its investigation in 2014 in response to consumer complaints about membership promotions, unauthorized billings, cancellation practices and collection actions. The civil complaint alleges that In-Shape violated California's Health Studio Act, False Advertising Law and other consumer protection laws through practices like: (a) selling memberships through promotional offerings touting "free" services without fully disclosing membership terms; (b) refusing to accept cancellation requests; (c) issuing unauthorized billings; and (d) pursuing collections on invalid debts.

For consumers affected by the alleged illegal practices between March 2010 and August 2015, In Shape agreed to make different forms of restitution, including:

- Paying as much as \$1,453,910.00 to members who suffered financial harm from cancellation refusals and unauthorized charges;
- For members sent to collections, In-Shape will: (a) immediately cease collections on over \$22 million in uncollected debt, and (b) take steps to reverse any negative credit rating and provide the affected member with notification of that fact; and,
- Members who signed a contract before February 2016 will be permitted to immediately cancel their membership without penalty.

Without admitting any liability, In-Shape and its legal counsel worked cooperatively with the District Attorneys to cease problematic, past practices, to identify members affected by those practices and to create compliant contracts and more transparent cancellation practices. For general questions about the settlement, consumers can call In-Shape at 209-938-1777.