

Bally Total Fitness

Illustrative Liquidation Analysis

(\$ in thousands)	Estimated Recovery Rate			Estimated Liquidation Proceeds		Note
	Balance (A)	Low	High	Low	High	
Estimated Proceeds from Liquidation:						
Customer base	\$53,542	50.0%	60.0%	\$26,771	\$32,125	B
Cash	54,988	100.0%	100.0%	54,988	54,988	C
Deferred income taxes	17,801	0.0%	0.0%	-	-	
Prepaid expenses	16,073	0.0%	0.0%	-	-	
Other current assets	20,040	10.0%	20.0%	2,004	4,008	D
Property and equipment, net						E
Building & improvements	60,559	1.0%	10.0%	606	6,056	
Leaseholds	108,185	1.0%	10.0%	1,082	10,819	
Equipment & furnishings	53,051	1.0%	5.0%	531	2,653	
Owned Real Estate	50,000	80.0%	100.0%	40,000	50,000	F
Trademark	86,376	2.0%	6.0%	1,728	5,183	G
Member relationship asset, net	154,057	0.0%	0.0%	-	-	H
Other intangible assets, net						H
Leasehold rights	212,874	0.0%	0.0%	-	-	
Other intangibles	857	0.0%	0.0%	-	-	
Goodwill	257,460	0.0%	0.0%	-	-	H
Other assets	40,820	1.0%	2.0%	408	816	I
Total Estimated Proceeds	\$1,186,682	10.8%	14.0%	\$128,116	\$166,647	
Assumed Allocation of Proceeds:						
Wind-down Administrative Costs		Fee %		Fee		
Liquidation agent fee		2.0%		2,562	3,333	J
Professional fees				4,500	4,500	K
Wind-down operating losses				9,349	9,349	L
Total Assumed Admin Costs				\$16,411	\$17,182	
Remaining Available Proceeds				\$111,705	\$149,465	
		% Recovery		Estimated Recovery		M
	Estimated Claims	Low	High	Low	High	
Less: Pre-Petition Revolving Facility	50,000	100.0%	100.0%	\$50,000	\$50,000	
Less: Swap Debt	7,440	24.9%	40.1%	\$1,849	\$2,981	
Less: Pre-Petition Term Loan	240,800	24.9%	40.1%	\$59,856	\$96,484	
Net Remaining Available Proceeds				\$0	\$0	
Senior Secured Notes	247,338	0.0%	0.0%	\$0	\$0	
Senior Subordinated Toggle Notes	200,000	0.0%	0.0%	\$0	\$0	

Notes

- A - All balances used herein are the un-audited net book values as of April 30, 2009 (excluding the Customer base asset). These values are assumed to be the values at the time of liquidation.
- B - In calculating the Customer base asset a 2.0x multiple (representing two months of payment) was assumed on markets generating greater than \$200K/month in payments from active members and no value was assumed for markets below this threshold.
- C - All cash and cash equivalents held are assumed collectible.
- D - Other current assets primarily consist of inventory and other prepaid expenses. Management's low recovery estimate is based on the nature of the asset and management's expected ability to recover value.
- E - Property and Equipment consists of land, buildings, leasehold improvements, and equipment. Management's estimated land recovery is impaired due to the decline in the economic environment from the time of appraisal. Management believes the buildings and leasehold improvements have little liquidation value as they do not believe there would be much of a market for these health club modeled facilities. Equipment and furnishings are assumed to have little liquidation value as they are highly depreciated and little value could be obtained at auction.
- F - Per Hilco estimate.
- G - Trademark and tradenames are assumed to be recoverable in the range of approximately \$2 million to \$5 million.
- H - Membership Relationship asset, Other intangible assets, and Goodwill are assumed non-recoverable. The Customer base asset, calculated separately, is theoretically included within these line items.
- I - Other assets include various deposits of which management estimates low recovery due to the nature of the asset.
- J - Liquidation agent fee assumed to be 2% of total estimated proceeds.
- K - Professional fees during the liquidation estimated at \$1.5 million for three months.
- L - Wind-down costs assume three months of operating losses in order to wind down business.
- M - Actual recoveries to secured and unsecured lenders may differ based on actual liquidation proceeds from unencumbered real estate assets.