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COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

**IN THE MATTER OF THE NOTICE OF INTENTION TO
FILE A PROPOSAL OF INTERNATIONAL FITNESS
HOLDINGS INC., INTERNATIONAL FITNESS
HOLDINGS LP AND WORLD HEALTH NORTH LP**

**KPMG INC., IN ITS CAPACITY AS PROPOSAL
TRUSTEE**

DOCUMENT

FIRST REPORT OF THE PROPOSAL TRUSTEE

ADDRESS FOR SERVICE AND
CONTRACT INFORMATION OF
PARTY FILING THIS DOCUMENT:

PROPOSAL TRUSTEE

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1. INTRODUCTION

1. On April 23, 2021, International Fitness Holdings Inc., International Fitness Holdings LP, and World Health North LP (together the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”), pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”), and KPMG Inc. (“**KPMG**”) was appointed as trustee under the proposal (the “**Proposal Trustee**”).
2. The NOI provides the Company with a stay of proceedings until May 23, 2021 (the “**Initial Stay Period**”).
3. Attached hereto as **Appendix “A”** are copies of the certificates of filing a Notice of Intention to Make a Proposal issued by the Official Receiver. Information on these proceedings can be accessed on the Proposal Trustee’s website at <https://home.kpmg/ca/internationalfitness>.

Purposes of the Report

4. The purpose of the First Report of the Proposal Trustee (the “**First Report**” or this “**Report**”) is to provide this Honourable Court with the Proposal Trustee’s views on the following matters:
 - a) A summary of certain background information about the Company;
 - b) The objectives of the NOI Proceedings and information concerning the creditors of the Company;
 - c) The Company’s statement of projected cash flow for the five-week period from April 23, 2021 – May 28, 2021 (the “**Cash Flow Forecast**”);
 - d) The Company’s request for Court approval of DIP interim financing (the “**DIP Financing**”) and an interim lender’s charge (the “**Interim Lender’s Charge**”);
 - e) The requested five-day extension to the Initial Stay Period from May 24, 2021 to and including May 28, 2021 (the “**First Extension**”), as permitted under section 50.4(9) of the BIA;
 - f) The Company’s request for Court approval of a charge in favour of the Proposal Trustee and the Proposal Trustee’s counsel (the “**Administration Charge**”) for professional fees and costs; and

- g) The Company's request for a charge in favour of its directors and officers (the "**Directors' Charge**").

Restrictions and Scope Limitation

5. In preparing this First Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, unaudited and other financial information and certain records (together, the "**Information**") prepared by the Company and/or their representatives, and discussions with Company's management and/or representatives. The Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants Handbook, and accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information.
6. Some information referred to in this report may consist of forecasts and projections, which were prepared based on management's estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable, and as a consequence, no assurance can be provided regarding the forecasted or projected results. The reader is cautioned that the actual results will likely vary from the forecasts or projections; even if the assumptions materialize, the variations could be significant.
7. The information contained in this report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Company.
8. Capitalized terms not otherwise defined herein are defined in the Company's application materials. The First Report should be read in conjunction with the Peter Melnychuk affidavit sworn on April 26, 2021 (the "**Melnchuk Affidavit**") as certain information contained in the Peter Melnychuk Affidavit has not been included herein to avoid unnecessary duplication.
9. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

Background

10. International Fitness Holdings Inc. (“**IFH**”) is a privately-owned company incorporated under the Alberta Business Corporations Act, whose head office is located in Calgary, Alberta. IFH is the general partner of International Fitness Holdings LP, and World Health North LP.
11. The Company operates 21 fitness clubs in Calgary and Edmonton, as well as spin and CrossFit studios, branded as GYMVMT, HER GYMMVMT, ClubFit and Banker’s Hall Club (one location).
12. At the date of filing, the Company had 35,000 members across its twenty-one locations and in excess of 700 employees.
13. The Company’s financing arrangements with Trifit Holdings Limited Partnership, by its general partner Trifit Holdings (GP) Ltd. (collectively, “**TriFit**”) are described in further detail below and in the Melnychuk Affidavit. Additionally, IFH has a term loan facility with the Canadian Imperial Bank of Commerce (“**CIBC**”) (the “**CIBC Credit Facility**”).
14. In April 2018, the CIBC Credit Facility was amended and restated to provide an additional \$9 million to assist with the completion of the acquisition of World Health Edmonton Inc., increasing the term commitment to \$47.5 million.
15. The CIBC Credit Facility was further amended and restated in January and February 2019, and in September 2020, pursuant to which amendments CIBC and TriFit agreed to each lend IFH \$11.5 million (the “**Restated CIBC Credit Facility**”). The purpose of the Restated CIBC Credit Facility was to allow IFH to execute a turnaround strategy.
16. In response to various factors, including a weakened economy in Alberta, increased competition, declining membership, and a dated brand and facilities, in late 2019 the Company rebranded the business to target the more active 18 to 34-year-old demographic, spent approximately \$8.3 million on extensive club improvements, diversified service offerings, overhauled its information technology infrastructure, and optimized its real estate portfolio.
17. TriFit and CIBC were supportive of the Company’s plans to transform its business, agreeing to providing additional capital through the Restated CIBC Credit Facility.

18. Subsequent to the Alberta Government’s decision to increase COVID-related restrictions, the Company closed all its clubs and laid off a significant number of employees in mid-March 2020 and implemented a number of strategies to attempt to safeguard the longer-term operations including:
 - a) Negotiating rent deferrals with landlords;
 - b) Revising options available to members; and
 - c) Accessing the Canada Emergency Wage Subsidy (“CEWS”) program, and the Canada Emergency Commercial Rent Assistance and Canada Emergency Rent Subsidy (“CERS”) and programs, the latter two of which covered approximately 25% of the Company’s lease obligations.
19. In line with loosening of Provincial restrictions, the Company re-opened its facilities in June of 2020 to reduced membership numbers; subsequently there have been varying degrees of restrictions to its ability to open.
20. In September of 2020, the Company engaged MNP Ltd. (“MNP”) to lead a strategic process, including a sale of the Company’s assets, in order to maximize value for all stakeholders, which steps included:
 - a) Performing analyses and developing a list of potential purchasers of the IFH Group’s assets;
 - b) Contacting 120 potential purchasers; and
 - c) Providing non-disclosure agreements, confidential information memorandums and access to an electronic data room to 25 potentially interested parties.
21. A total of four parties submitted letters of interest for the purchase of the Company’s assets by the November 11, 2020 deadline (collectively, the “**Interested Parties**”). Negotiations from November 12, 2020 to February 24, 2021 with the Interested Parties yielded only one potential viable transaction involving an arms-length purchaser (the “**Purchaser**”). The Proposal Trustee understands that an asset purchase agreement has been executed between the Company and the Purchaser.

Objectives of the NOI proceedings

22. The primary objectives of the NOI proceedings are to:
- a) Ensure the ongoing operations of the Company;
 - b) Restructure the Company's operations, including the proposed closure of underperforming clubs and lease disclaimers in respect thereof; and
 - c) Finalize a proposed sale transaction.

Creditors

23. Summarized below are the secured and unsecured creditors of the Company that the Proposal trustee was made aware of at the date of the NOI filing:

IFH Consolidated creditors		
In CAD \$000's Unaudited	Period	Amount
Secured creditors	As at March 31, 2021	72,861
Unsecured creditors	As at April 23, 2021	40,236
Total		113,097

Secured creditors

24. The Company has two main secured lenders CIBC and TriFit, with amounts outstanding as at March 31, 2021, of approximately \$72.9 million.
25. Additionally, there are security interests registered in the Alberta personal property registry against IFH, including:
- a) Registrations in favour of CIBC with respect to all present and after-acquired property of the Company;
 - b) Registrations in favour of CIBC granting a floating charge over land of the Company;
 - c) A registration in favour of Bankers Hall LP, Bankers Hall GP Inc., BCIMC Realty Corporation and Bankers Hall GP Trust against IFH and International Fitness Holdings LP;

- d) A registration in favour of Summit Acceptance Corp. against IFH in respect of a 2015 Ford Escape; and
- e) Next Generation Properties Ltd. and Martello Property Services Inc. have registered reports of seizure of collateral, seized under landlord distress, for \$122,042 and \$179,246 respectively.

Unsecured creditors

26. Below is a summary of the unsecured creditors:

IFH Consolidated unsecured creditors		
In CAD \$000's Unaudited	Period	Amount
Landlords	As at April 23, 2021	5,381
Trade payables	As at April 23, 2021	885
Unsecured loans	As at March 31, 2021	33,970
Total		40,236

27. The Company estimates approximately \$40.2 million in unsecured claims. The total amount includes \$5.4 million in landlord rent, \$34.0 million in unsecured loans by former shareholders and \$0.9 million in accounts payables.

2. CASH FLOW FORECAST

28. The Company has prepared a cash flow forecast of its receipts and disbursements for the period from April 23, 2021 to May 28, 2021. The detailed Cash Flow Forecast is attached as **Appendix “B”** to this report and is summarized below:

International Fitness Holdings (Consolidated)	
Consolidated cash flow forecast	
For the period April 23, 2021 to May 28, 2021	
In CAD\$ Unaudited	Total
Receipts	
Assumed Billings	1,391,236
Other Receipts	400,000
Total Receipts	1,791,236
Operating Disbursements	
Wages and Benefits	1,312,000
Wages and Benefits - Accrual for future payments relating to DIP funded obligatio	240,000
Rent & General Expenses	1,953,837
GST	65,000
GST - Accrual for future payments relating to DIP funded obligations	65,000
Total Disbursements	3,635,837
Net Cash Flow from Operations	(1,844,601)
Less: Wages and Benefits in Arrears (Pre-filing Obligations of Vendor)	(490,000)
Less: GST Accrual (Pre-filing Obligation of Vendor)	(65,000)
Less: Key Supplier AP Payments (Pre-filing Obligations of Vendor)	(210,000)
DIP Facility Funding	1,844,601
Opening Cash Balance	1,000,000
Ending Cash Balance	235,000

29. The Company has prepared the Cash Flow Statement for the purpose described in the notes, using Probable and Hypothetical Assumptions set out in Notes 1 to 14 of the Cash Flow Statement.
30. The Proposal Trustee has reviewed the Cash Flow Forecast to the standard required by section 50.4(2) of the BIA. Section 50.4(2) requires the Proposal Trustee to review the debtor’s cash flow statement as to its reasonableness and to file a report with the Office of the Superintendent of Bankruptcy on the Proposal Trustee’s findings. The Canadian Association of Insolvency and Restructuring Professional’s Standards of Professional Practice include a standard for proposal

trustees fulfilling their statutory responsibilities under the BIA in respect of a proposal trustee's report on the Cash Flow Forecast.

31. Our review consisted of inquiries, analytical procedures, and discussions related to information supplied to us by certain of the Company's management and employees. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. We have also reviewed the support provided by management of the Company for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
32. Based on our review, nothing has come to our attention that causes us to believe that in all material respects:
 - a) the hypothetical assumptions are not consistent with the purpose of the cash-flow statement;
 - b) as at the date of this Report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the cash-flow statement, given the hypothetical assumptions; or
 - c) the cash-flow statement does not reflect the probable and hypothetical assumptions.
33. Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved.
34. The Cash Flow Forecast has been prepared solely for the purpose described on the face of the Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

3. INTERIM FINANCING AND INTERIM LENDER'S CHARGE

35. The Company has negotiated an interim financing agreement (the “**Interim Financing Agreement**”) with First Canadian Cardio-Fitness Clinics Ltd (the “**Interim Lender**”). The Interim Lender is a related entity to the purchaser. A copy of the Interim Financing Agreement is attached hereto as **Appendix “C”**. The key terms of the Interim Financing Agreement are summarized as follows:

- a) The Interim Lender will provide a non-revolving credit facility (the “**Interim Facility**”) with a maximum principal amount of \$10 million to be used by the Company for operating costs from the filing date. The availability of the Interim Facility will be limited to an initial maximum of \$2 million (the “**Initial Availability Amount**”). The difference between the Initial Availability Amount and the full amount of the Interim Facility (the “**Further Availability Amount**”) will be available only upon satisfaction of various conditions as set out in the Interim Financing Agreement;
- b) The interest rate is equal to 10% per annum, compounded monthly and payable monthly in arrears in cash on the last Business Day of each month, and upon the occurrence and during the continuation of an Event of Default, all overdue amounts shall bear interest at the applicable interest rate plus an additional 2% per annum payable on demand in arrears;
- c) The maturity date of the Interim Facility is the earlier of:
 - i. A demand in writing by the Interim Lender upon the occurrence of any Event of Default (as defined in the Interim Financing Agreement);
 - ii. The implementation of a proposal within the NOI Proceedings which has been approved by the majority of the creditors;
 - iii. The closing of a BIA sale within the NOI Proceedings which has been approved by Court Order;
 - iv. The conversion of the NOI Proceedings into a bankruptcy or receivership process under the BIA or the commencement of proceedings under the Companies’ Creditors Arrangement Act (“**CCAA**”); or

v. May 31, 2021.

- d) The Interim Facility will be secured by a Court ordered Interim Lender's Charge on all of the existing and after-acquired real and personal property of the Company. The Interim Lender's Charge will only be subordinate to the Permitted Priority Liens (as that term is defined in the Interim Financing Agreement);
- e) The Interim Facility also includes certain customary ongoing covenants and events of default. The Interim Facility will be made available in accordance with the terms of an agreed DIP Budget (as that term is defined in the Interim Financing Agreement). The Company will update and propose a revised DIP Budget to the Interim Lender every two weeks; and
- f) The Company must deliver a variance calculation between the DIP Budget and the actual receipts and disbursements on the last business day of every month.

36. The Proposal Trustee has reviewed the Interim Financing Agreement and conducted a comparison of the Interim Facility to other publicly disclosed Canadian Interim Facility financing transactions of which the Proposal Trustee has knowledge. The Proposal Trustee is of the view that the interest rate, and terms of the Interim Facility as set out in the Interim Facility Agreement as reasonable, customary, and within the range of other transactions of this nature.

37. The Proposal Trustee has reviewed the key factors to be considered pursuant to section 50.6(5) of the BIA. The Proposal Trustee is satisfied that these factors are met, specifically:

- a) Section 50.6(5)(a) - The Interim Facility has a maturity date which will give the Company a reasonable timeframe within which to restructure;
- b) Section 50.6(5)(b) – The Company's business and financial affairs are intended to be managed in the normal course throughout the NOI proceedings;
- c) Section 50.6(5)(c) - CIBC and TriFit support the restructuring proceedings;
- d) Section 50.6(5)(d) – The Company is forecasting negative cash flow and requires funding to continue to operate. The Company is forecast to draw \$1.8 million during the five week period of the Cash Flow Forecast. The Interim Financing Agreement

offers financial stability and, without this funding, the Company would be unable to operate in the normal course;

- e) Section 50.6(5)(e) – The nature and value of the Company’s assets, exceeds the Initial Availability Amount; and
- f) Section 50.6(5)(f) – The Proposal Trustee does not believe that any creditor will be materially prejudiced by the Interim Financing Agreement or the Interim Lender’s Charge created by the Court.

4. DIRECTORS' CHARGE

38. The Company is seeking approval of a directors' and officers' charge (the "**Directors' Charge**") to form a first charge over all assets, rights, undertakings and properties of the Company of every nature and kind whatsoever, and wherever situated including all proceeds thereof, up to a maximum of \$600,000.
39. The Company asserts that a successful restructuring of the Company will only be possible with the continued participation of the Company's directors and officers. These individuals have specialized expertise and relationships with the Company's stakeholders. In addition, the directors and officers have gained significant knowledge that cannot be easily replicated or replaced. The Proposal Trustee agrees that the directors and officers are likely essential to a successful restructuring.
40. The Proposal Trustee understands that the amount of the Directors' Charge was calculated based on the estimated maximum liability of the directors and officers arising from statutory obligations for employee-related liabilities and sales taxes that may arise and be payable during the BIA proceedings.
41. The estimate of the maximum exposure included the following:
- a) Employee related liabilities for salaries and wages and the cost of supplemental benefits (such as health care and group life insurance), based on the recent employee costs that accrue between payment intervals in the normal course of operations; and
 - b) Estimate made for goods and Service Tax ("**GST**") obligations, based on recent GST accrued between payment intervals in the normal course of operations.
42. The Company, to the extent possible, intends to fund the estimated liability of the directors and officers from operations as reflected in the Cash Flow Forecast.
43. As detailed in the Melnychuk Affidavit, the Company maintains an insurance policy in respect of the potential liability for its directors and officers (the "**D&O Insurance**"). Although the D&O Insurance insures the directors and officers of the Company for certain claims that may arise against them in their capacity as directors and/or officers of the Company, the Company noted that the coverage is subject to several exclusions and limitations and there is a potential for insufficient coverage in respect to potential director and officer liabilities. The directors and officers of the

Company have expressed their desire for certainty with respect to potential liability if they continue in their current capacities in the context of the NOI Proceedings.

44. The Proposal Trustee supports the Directors' Charge pursuant to section 64.1(1) of the BIA on the basis that the creation of the Directors' Charge is reasonable in the circumstances.

5. ADMINISTRATION CHARGE

45. The Company is seeking approval of an Administration Charge over all of the property, assets, and undertakings of the Company in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, in an amount not to exceed \$300,000, in favour of the Proposal Trustee and Osler, Hoskin & Harcourt LLP in order to secure payment of their respective reasonable fees and disbursements incurred at their standard rates and charges.
46. The Proposal Trustee supports the Administration Charge pursuant to section 64.2(1) of the BIA on the basis that it provides certainty for the professionals involved that they will be paid such that they can actively participate in the NOI proceedings.
47. In the event that the Company does not file a proposal or if the proposal filed is not approved by the Company's creditors or the Court, then the Company will be deemed to have made an assignment in bankruptcy. KPMG would be appointed Trustee in Bankruptcy and would certain statutory duties. If the assets of the Company are fully encumbered by secured claims, then without the benefit of the Administration Charge, KPMG would be at risk of non-payment of its fees.
48. The Proposal Trustee understands that the secured creditors most directly impacted by the proposed charge, either consent to or do not oppose the granting of the charge.

6. EXTENSION OF THE STAY PERIOD

49. The Company is seeking an order extending the Initial Stay Period to and including May 28, 2021, to provide it with the time required to complete the sale transaction, seek approval of the asset purchase agreement and close the transaction.
50. The Proposal Trustee notes that this is only a five day extension to the Initial Stay Period. The Proposal Trustee is of the view that the Company is acting in good faith and with due diligence. The Proposal Trustee considers the stay extension period to be reasonable considering the time required to close the potential transaction.
51. The Proposal Trustee does not believe that any creditor will be materially prejudiced by the extension of the Initial Stay Period to May 28, 2021.

7. PROPOSAL TRUSTEE'S RECOMMENDATION

52. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court issue an order:

- a) Approving the Administration Charge;
- b) Approving the Interim Financing and the Interim Lender's Charge;
- c) Approving the Directors' Charge; and
- d) Approving the extension of the stay period until May 28, 2021.

This Report is respectfully submitted this 27th day of April 2021.

KPMG Inc.

**In its capacity as Proposal Trustee of International Fitness Holdings Inc.,
International Fitness Holdings LP and World Health North LP
and not in its personal or corporate capacity**



Per: Neil Honess
Senior Vice President

APPENDIX “A”

CERTIFICATES OF FILING A NOTICE OF INTENTION

TO MAKE A PROPOSAL



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2731795
Estate No. 25-2731795

In the Matter of the Notice of Intention to make a proposal of:

International Fitness Holdings Inc.

Insolvent Person

KPMG INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

April 23, 2021

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 23, 2021, 17:30

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2731797
Estate No. 25-2731797

In the Matter of the Notice of Intention to make a proposal of:

International Fitness Holdings LP

Insolvent Person

KPMG INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

April 23, 2021

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 23, 2021, 17:32

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2731799
Estate No. 25-2731799

In the Matter of the Notice of Intention to make a proposal of:

World Health North LP

Insolvent Person

KPMG INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

April 23, 2021

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 23, 2021, 17:33

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada

APPENDIX "B"
CASH FLOW FORECAST

International Fitness Holdings (Consolidated)
Cash Flow Projection - DIP APPROVAL - OUTPUT
23-Apr-21 to 28-May-21

For the week ending, In CAD	Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Total
		30-Apr-21	07-May-21	14-May-21	21-May-21	28-May-21	
Opening Cash Balance		1,000,000	439,773	235,000	235,000	235,000	1,000,000
Less: Wages and Benefits in Arrears (Pre-filing Obligations of Vendor)	1	(490,000)					(490,000)
Less: GST Accrual (Pre-filing Obligation of Vendor)	2	(65,000)					(65,000)
Less: Key Supplier AP Payments (Pre-filing Obligations of Vendor)	3	(210,000)					(210,000)
NOI Filing Date Net Cash Position	4	235,000					235,000
DIP Facility							
DIP Facility True-up Payment	5	-	-	-	-	-	-
Ongoing DIP Facility Requirement	6	-	631,324	184,917	446,625	581,736	1,844,601
Total DIP Facility Funding		-	631,324	184,917	446,625	581,736	1,844,601
Billings		304,773	292,016	303,956	306,000	255,488	1,462,233
	Factor:	100.0%	97.5%	95.0%	92.5%	90.0%	
Other Receipts		100,000	100,000	100,000	100,000	100,000	500,000
		100.0%	75.0%	75.0%	75.0%	75.0%	
Receipts							
Assumed Billings	7	304,773	284,716	288,758	283,050	229,939	1,391,236
Other Receipts	8	100,000	75,000	75,000	75,000	75,000	400,000
Total Receipts		404,773	359,716	363,758	358,050	304,939	1,791,236
Standard Wages and Benefits		-	670,000	230,000	550,000	190,000	1,640,000
	Factor:	100.0%	80.0%	80.0%	80.0%	80.0%	
General Expenses		200,000	200,000	200,000	200,000	200,000	1,000,000
	Factor:	100.0%	80.0%	80.0%	80.0%	80.0%	
Operating Disbursements							
Wages and Benefits	9	-	536,000	184,000	440,000	152,000	1,312,000
Wages and Benefits - Accrual for future period payments relating to DIP funded obligations	10	-	-	-	-	240,000	240,000
Rent & General Expenses	11, 12	200,000	659,813	364,675	364,675	364,675	1,953,837
GST	13	-	-	-	-	65,000	65,000
GST - Accrual for future period payments relating to DIP funded obligations	14	-	-	-	-	65,000	65,000
Total Disbursements		200,000	1,195,813	548,675	804,675	886,675	3,635,837
Net Cash Flow from Operations		204,773	(836,097)	(184,917)	(446,625)	(581,736)	(1,844,601)
Net Cash Flow After DIP Funding		204,773	(204,773)	-	-	-	-
Ending Cash Balance		439,773	235,000	235,000	235,000	235,000	235,000

Notes

- Consists of payroll in arrears for one week pre filing
- Standard GST remittance accrual relating to prior period obligations
- Payments relating to AP outstanding with key suppliers as at filing date
- NOI Filing Date Net Cash Position of \$235,000
- DIP true-up payment to cover interim period funded by NOI Filing Date Net Cash
- Implied DIP facility funding requirement
- Based on projected billings
- Consists of payments collected in-club and other miscellaneous point of sale transactions
- Ongoing wages and benefits
- Accrual to capture obligations of current entity relating to wages earned pre Outside Date but paid post Outside Date
- Based on one full month (May) rent payment for disclaimed clubs; negotiated rent for clubs operated on an ongoing basis
- Ongoing up-front payments to suppliers critical to ongoing operations
- Standard projected GST remittances
- Accrual to capture GST obligations of current entity concerning amounts incurred pre Outside Date but paid post Outside Date

Note: Professional fees have not been projected and are assumed to be paid out of cash proceeds generated from the sale transaction

APPENDIX “C”

DIP INTERIM FINANCING TERM SHEET AGREEMENT

DIP INTERIM FINANCING TERM SHEET AGREEMENT

Dated as of April 23, 2021

WHEREAS the Borrower has requested and the Lender has agreed to provide interim financing to the Borrower during the pendency of the Borrower's restructuring proceedings (the "**NOI Proceedings**") brought before the Court of Queen's Bench of Alberta (the "**Court**"), which are intended to be commenced by way of a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), all in accordance with the terms and conditions set out in this term sheet (this "**Term Sheet**").

AND WHEREAS the Lender has agreed to provide interim financing in order to fund certain obligations of the Borrower during the NOI Proceedings and for certain other purposes as hereinafter set forth.

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as set forth herein.

1. **BORROWER:** International Fitness Holdings Inc., a body corporate subsisting under the laws of Alberta (the "**Borrower**").
2. **LENDER:** First Canadian Cardio-Fitness Clinics Ltd. (the "**Lender**").
3. **GUARANTORS:** International Fitness Holdings LP and World Health North LP (collectively, the "**Guarantors**", and together with the Borrower, the "**Loan Parties**").
4. **CREDIT FACILITY:** A secured non-revolving credit facility (the "**DIP Facility**") up to a maximum principal amount of \$10,000,000 (as such amount may be advanced or reduced from time to time pursuant to sections 10 or 11 hereof, the "**Facility Amount**"), subject to the terms and conditions contained herein. The Facility Amount shall be made available to the Borrower as provided herein, from the Effective Date until the Maturity Date.
5. **AVAILABILITY:** Provided that no Default or Event of Default has occurred and is then continuing, on and after the date on which the Initial Availability Conditions shall have been satisfied, the Borrower may request advances under the DIP Facility up to the Facility Amount; provided always that until the Further Availability Conditions shall have been satisfied, the availability of the Facility Amount shall be limited to a maximum of \$2,000,000 (the "**Initial Availability Amount**"). For greater certainty, the difference between the Facility Amount and the Initial Availability Amount (the "**Further Availability Amount**") shall be available to the Borrower only upon satisfaction of the Further Availability Conditions.
6. **DRAWDOWNS:** (a) **Draws in respect of the Initial Availability Amount**

Provided that no Default or Event of Default has occurred and is then continuing, and subject always to the provisions of section 5, on and after the date on which the Initial Availability Conditions have been satisfied, the Lender shall make up to the Initial Availability Amount available to the Borrower the day following the day on which the Initial Availability Conditions have been satisfied or waived; provided that the Borrower shall have provided the Lender with a drawdown request certificate in the form attached as Schedule "B" hereto (a "**Drawdown Request**") two Business Days prior to the requested funding date (provided that such initial Drawdown Request may be made prior to the Initial Availability Conditions have been satisfied as long as such conditions are satisfied or waived by the funding date). For clarity, the initial Drawdown Request shall include amounts to cover all operating costs from the original filing date of the NOI Proceedings (with necessary reimbursement of operating costs incurred from working capital from such original filing date to the date of such first funding – to maintain the NOI Filing Date Cash Position (as defined in the APA)).

(b) **Draws in respect of the Further Availability Amount**

Provided that no Default or Event of Default has occurred and is then continuing, and subject always to the provisions of section 5, on and after the date on which the Further Availability Conditions have been satisfied, the Lender shall make available to the Borrower and the Borrower may request advances under the DIP Facility by providing the Lender with a Drawdown Request by 10:00 a.m. (Mountain time) at least two Business Days prior to the proposed date of advance.

In all cases each Drawdown Request and each advance shall be made (i) in accordance with the DIP Budget (as may be updated in accordance with the provisions of this Term Sheet), and (ii) subject to satisfaction of the Initial Availability Conditions (for a request or advance under the Initial Availability Amount) and the Further Availability Conditions (for a request or advance under the Further Availability Amount). Advances under the DIP Facility shall be in a minimum aggregate amount that is no less than \$100,000 and in multiples of \$50,000 in excess thereof.

7. INTEREST RATE: Interest shall be payable in cash on the aggregate outstanding amount of advances under the DIP Facility from the date of the funding thereof at a rate equal to 10% per annum, compounded monthly and payable monthly in arrears in cash on the last

Business Day of each month. Upon the occurrence and during the continuation of an Event of Default, all overdue amounts shall bear interest at the applicable interest rate plus an additional 2% per annum payable on demand in arrears in cash.

All interest shall be computed on the basis of a 365-day (or 366-day, as applicable) year, in each case for the actual number of days elapsed in the period during which it accrues.

If any provision of this Term Sheet or any of the other Loan Documents would obligate the Borrower to make any payment of interest or other amount payable to the Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Lender of interest at a criminal rate (as construed under the *Criminal Code* (Canada)), then notwithstanding that provision, that amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or result in a receipt by the Lender of interest at a criminal rate, the adjustment to be effected, to the extent necessary, as follows:

- (c) first, by reducing the amount or rate of interest required to be paid to the Lender under this Term Sheet; and
- (d) thereafter, by reducing any other amounts (other than costs and expenses) (if any) required to be paid to the Lender which would constitute interest for purposes of section 347 of the *Criminal Code* (Canada).

For the purposes of the *Interest Act* (Canada), the parties acknowledge and agree that all calculations of interest under this Term Sheet are to be made on the basis of the nominal interest rate described herein and not on the basis of effective yearly rates or on any other basis which gives effect to the principle of deemed reinvestment of interest.

8. MATURITY DATE: The DIP Facility shall be repayable in full on the earlier of:

- (e) a demand for repayment in writing has been made by the Lender upon the occurrence of any Event of Default which is continuing and has not been cured (and for which notice of such Event of Default has been given to the Loan Parties at least two Business Days prior to such a demand for repayment and such Event of Default has not been cured);
- (f) the implementation of a proposal within the NOI Proceedings (a “**Proposal**”) which has been approved by the requisite majorities of the Borrower’s creditors (other than any Proposal, plan of compromise or arrangement

which involves the completion of the sale pursuant to the APA);

- (g) the closing of a BIA Sale within the NOI Proceedings which has been approved by Court Order (other than the sale pursuant to the APA);
- (h) the conversion of the NOI Proceedings into a bankruptcy or receivership process under the BIA or proceedings under the CCAA; or
- (i) the date which is the Outside Date as defined in the APA,

(the earliest of such dates being the “**Maturity Date**”). The Guarantors hereby guarantee the repayment of all such amounts that become repayable by the Borrower pursuant to this section 8. The Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the Lender for such period and on such terms and conditions as the Lender may agree in its sole discretion.

9. PERMITTED USE OF PROCEEDS: The Borrower shall use proceeds of the DIP Facility solely for the following purposes, in each case in accordance with the DIP Budget and during and for the purposes of the Borrower’s pursuit of a BIA Sale:

- (j) to fund the Loan Parties’ funding requirements during the NOI Proceedings and in accordance with the APA, including funding, during such period (i) working capital, (ii) costs for disclaimed leases, and (iii) other general corporate purposes of the Loan Parties, in each case in accordance with the DIP Budget; and
- (k) to pay the interest owing to the Lender under the Loan Documents.

For greater certainty, the Borrower may not use the proceeds of the DIP Facility to pay any pre-filing obligations of the Loan Parties without the prior written consent of the Lender, and shall not use the proceeds of the DIP Facility to pay any management fees to the Borrower, any of its affiliates or its shareholders.

10. VOLUNTARY PREPAYMENTS: The Borrower may, without notice, bonus, premium or penalty, prepay any amounts outstanding under the DIP Facility at any time prior to the Maturity Date. Any amount repaid under this section 10 may not be reborrowed.

11. MANDATORY REPAYMENTS: Unless otherwise consented to in writing by the Lender, the DIP Facility shall be promptly repaid and the Facility Amount shall be permanently reduced upon a sale of a substantial portion of the

assets of the Loan Parties outside of the Ordinary Course, in an amount equal to the net cash proceeds of such sale (for greater certainty, net of transaction fees and applicable taxes in respect thereof). The Guarantors hereby guarantee the repayment of any amounts required to be repaid by the Borrower pursuant to this section 11. Any amount repaid under this section 11 may not be reborrowed.

12. CONDITIONS TO INITIAL AVAILABILITY:

The Lender's agreement to make the Initial Availability Amount available to the Borrower shall be subject to satisfaction of the following conditions precedent for each advance in respect thereof (the "**Initial Availability Conditions**"):

- (l) the Loan Parties shall have executed and delivered this Term Sheet to the Lender;
- (m) the Court shall have issued and entered an immediately effective order (the "**DIP Order**") in a form acceptable to the Lender (or its counsel), which shall include the grant by the Court of a super-priority charge in favour of the Lender (the "**Lender Charge**") on the assets and equipment of the Loan Parties, securing all obligations owing by the Borrower to the Lender under the Loan Documents including, without limitation, the principal, interest, and costs and expenses of the Lender as set out in section 14 (collectively, the "**Financing Obligations**") and providing, among other things, that the Lender Charge shall have priority on such assets over all Liens, other than solely and exclusively the Permitted Priority Liens, and such DIP Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in any manner that adversely affects the Lender, without the written consent of the Lender in its sole discretion;
- (n) since the Filing Date there shall not have occurred any payment, prepayment, redemption, purchase or exchange of any pre-filing indebtedness or equity, or amendment or modification of any of the terms thereof, except as expressly permitted by the terms of the DIP Order;
- (o) the DIP Budget shall be provided to the Lender in a form and substance satisfactory to the Lender, in its sole discretion (although acting reasonably in connection with the first revised DIP Budget to the extent it is consistent with the initial DIP Budget);
- (p) the applicable expenses of the Lender incurred in connection with the DIP Facility shall have been paid in accordance with section 14 (which documented

expenses shall be deducted from the first advance of the DIP Facility);

- (q) no order is issued in the NOI Proceedings or in any other court of competent jurisdiction relating to the DIP Facility or the Loan Documents which could reasonably be expected to materially adversely affect the interests of the Lender; and
- (r) a duly completed and executed Drawdown Request shall have been delivered by the Borrower to the Lender in accordance with section 6.

For greater certainty, the Lender shall not be obligated to advance or otherwise make available any funds until all of the foregoing conditions have been satisfied and all of the foregoing documentation and confirmations have been obtained, each in form and substance satisfactory to the Lender, acting reasonably, provided further that the Lender may, in its sole discretion, waive satisfaction of any one or more of such conditions precedent.

13. CONDITIONS TO FURTHER AVAILABILITY:

The Lender's agreement to the Further Availability Amount available to the Borrower shall be subject to its sole discretion and satisfaction of the following conditions precedent for each advance in respect thereof (the "**Further Availability Conditions**"):

- (s) the Initial Availability Conditions have been satisfied and the Initial Availability Conditions in paragraphs (b), (c), (d) and (f) thereof continue to be satisfied; and
- (t) a duly completed and executed Drawdown Request shall have been delivered by the Borrower to the Lender in accordance with section 6.

For greater certainty, the Lender shall not be obligated to advance or otherwise make available any funds until all of the foregoing conditions have been satisfied and all of the foregoing documentation and confirmations have been obtained, each in form and substance satisfactory to the Lender, in its sole discretion, provided further that the Lender may, in its sole discretion, waive satisfaction of any one or more of such conditions precedent.

14. COSTS AND EXPENSES:

The Borrower will reimburse, without duplication, the Lender for up to 100% of all reasonable and documented out of pocket expenses (including reasonable and documented legal and professional fees and expenses of the Lender), in connection with the negotiation and development of (i) this Term Sheet, and (ii) the DIP Facility, including review and negotiation of filing

materials relating to the DIP Order, negotiation and documentation of the Loan Documents and related documentation and the on-going monitoring and administration of each and the enforcement of the Lender Charge. For certainty, such reimbursement shall not include any expenses incurred in respect of due diligence or any matters related to the negotiation of, entering into or Court Orders respecting the APA or the NOI Proceedings more broadly.

All such reasonable and documented out-of-pocket expenses (including reasonable and documented legal and professional fees and expenses on a full indemnity basis) of the Lender under paragraph (ii) above shall be included in the Financing Obligations and secured by the Lender Charge.

- 15. SECURITY:** All obligations of the Loan Parties under or in connection with the DIP Facility, this Term Sheet and the other Loan Documents shall be secured by the Lender Charge. The Lender Charge shall be in respect of all of the existing and after acquired real and personal, tangible and intangible, assets of the Borrower.
- 16. PRIORITY:** The Lender Charge shall be subordinate only to the Permitted Priority Liens.
- 17. DIP BUDGET AND VARIANCE REPORTING:** Attached hereto as Schedule "C" is a copy of the agreed summary DIP Budget (excluding the supporting documentation provided directly to the Lender in connection therewith), which is, in form and substance, satisfactory to the Lender. The DIP Budget shall be the DIP Budget referenced in this Term Sheet until such time as a revised DIP Budget has been approved by the Lender in accordance with this section 17.

The Borrower shall update and propose a revised DIP Budget to the Lender every two weeks (unless otherwise consented to by the Lender), in each case to be delivered to the Lender and its counsel, no earlier than the Friday of the second week following the date of the delivery of the prior DIP Budget. If the Lender and the Proposal Trustee approve such revised DIP Budget, such revised DIP Budget shall become the DIP Budget for purposes of this Term Sheet.

On the last Business Day of every month, the Borrower shall deliver to the Lender and its counsel, a variance calculation (the "**Variance Report**") setting forth (i) actual receipts and disbursements for the preceding month, and (ii) actual receipts and disbursements on a cumulative basis since the beginning of the period covered by the then-current DIP Budget, in each case as against the then-current DIP Budget. The Variance Report may reflect variances of up to, but not exceeding, a 10% variance from the Borrower's disbursements or receipts, in each case measured against the then-current DIP Budget.

- 18. REPRESENTATIONS AND WARRANTIES:** Each of the Loan Parties represents and warrants to the Lender, upon which the Lender is relying in entering into this Term Sheet and the other Loan Documents, that:
- (u) each Loan Party has been duly formed and is validly existing under the law of its jurisdiction of incorporation;
 - (v) each Loan Party has the requisite power and authority to enter into this Term Sheet and perform its obligations hereunder;
 - (w) all necessary action, corporate or otherwise, has been taken to authorize the execution, delivery and performance by each Loan Party of this Term Sheet. Each Loan Party has duly executed and delivered this Term Sheet and, upon granting of the DIP Order, such Term Sheet constitutes legal, valid and binding obligations of such Loan Party, enforceable against such Loan Party in accordance with its terms, subject only to any limitation under Applicable Laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally, and (ii) the discretion that a court may exercise in the granting of equitable remedies;
 - (x) except for the entry of the DIP Order, filings or recordings already made or to be made pursuant to any federal law, rule or regulation, no authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or other Person, is required for:
 - (i) the due execution, delivery, recordation, filing or performance by any Loan Party of this Term Sheet or for the consummation of each of the transactions contemplated hereby; or
 - (ii) the grant by any Loan Party of the Liens and security interests granted or to be granted by it pursuant to the Loan Documents;
 - (y) the execution, delivery and performance by each Loan Party of this Term Sheet, the borrowing under the DIP Facility and the grant of security in connection therewith do not and will not conflict with, result in any breach or violation of, or constitute a default under, the terms, conditions or provisions of (i) the charter or constating documents or by laws of, or any shareholder agreement or declaration relating to, such Loan Party, (ii) any law, regulation, judgment, decree or order binding on or applicable to such Loan Party or to which its property is subject, or (iii) any material contract or any material lease, licence, permit or other instrument to which such

Loan Party is a party or is otherwise bound or by which such Loan Party benefits or to which its property is subject (except for any default or breach resulting from commencement of the NOI Proceedings or the entry of the DIP Order or any other default in respect of which the exercise of enforcement rights or remedies against the applicable Loan Party would be stayed by virtue of the NOI Proceedings);

- (z) since December 31, 2020, the business operations of the Loan Parties have been and continue to be conducted in material compliance with all laws of each jurisdiction in which the business has been or is carried out, except to the extent that failure to comply would not reasonably be expected to cause a Material Adverse Change;
- (aa) each Loan Party maintains adequate insurance coverage, as is customary with companies in the same or similar business of such type, in such amounts and against such risks as is prudent for a business of its nature with financially sound and reputable insurers and that contain reasonable coverage and scope;
- (bb) except as otherwise disclosed to the Lender in writing, or payments which are otherwise addressed in the DIP Budget, each Loan Party has, in respect of all prior fiscal periods (i) filed all material tax returns, except in respect of any prior fiscal period for which the due date for filing the applicable tax return has not yet occurred, and (ii) paid all material taxes owing for all prior fiscal periods except for any taxes that are not yet due and payable;
- (cc) except as otherwise disclosed to the Lender in writing, or payments which are otherwise addressed in the DIP Budget, since December 31, 2020, each Loan Party has maintained and paid current its material obligations for payroll, source deductions, retail sales tax, and all other applicable taxes, and is not in arrears of its statutory obligations to pay or remit any amount in respect of these obligations;
- (dd) other than as stayed pursuant to the NOI Proceedings or disclosed in writing to the Lender, there is not now pending or, to the knowledge of any of the senior officers or directors of any Loan Party, threatened against any Loan Party, nor has any Loan Party received notice in respect of, any claim, potential claim, litigation, action, suit, arbitration or other proceeding by or before any court, tribunal, governmental entity or regulatory body, which would be reasonably likely to result in, individually

or in the aggregate, a Material Adverse Change; and

- (ee) since the date hereof, no Default or Event of Default has occurred and is continuing.

19. AFFIRMATIVE COVENANTS:

Each of the Loan Party agrees to do, or cause to be done, the following, other than with the prior written consent of the Lender or in accordance with and as expressly permitted by the NOI Proceedings:

- (ff) duly and punctually pay, or cause to be duly and punctually paid, to the Lender all amounts payable hereunder and under the Loan Documents when due;
- (gg) comply with the provisions of all Court Orders;
- (hh) use reasonable commercial efforts to comply with the DIP Budget;
- (ii) provide the Lender's counsel with draft copies of all material motions, applications or proposed orders that any Loan Party intends to file in the NOI Proceedings as soon as is reasonably practicable in advance of the service of such materials to the service list in respect of the NOI Proceedings; provided that the Loan Parties shall use reasonable commercial efforts to ensure all such filings by a Loan Party shall be in form and substance acceptable to the Lender and its counsel, acting reasonably and in good faith, to the extent that any such filings affect the rights and interests of the Lender;
- (jj) keep the Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Loan Parties and the NOI Proceedings,
- (kk) promptly provide notice to the Lender and its counsel, and keep them otherwise apprised, of any material notices, orders, decisions, letters, or other documents, materials, information or correspondence received from any regulatory authority having jurisdiction over any Loan Party that could materially and adversely impact the rights and interests of the Lender and promptly provide the Lender with regular status updates in respect of any Proposal, the closing of a BIA Sale within the NOI Proceedings which has been approved by Court Order, the conversion of the NOI Proceedings into a bankruptcy or receivership process under the BIA or proceedings under the CCAA, the closing of the transaction under the APA and the termination of the NOI Proceedings under

the APA and the termination of the NOI Proceedings;

- (ll) deliver to the Lender the reporting and other information from time to time reasonably requested by the Lender and that are set out in the Loan Documents including, without limitation, the Variance Reports at the times set out herein;
- (mm) use the proceeds of the DIP Facility only in accordance with section 9 and with the restrictions set out herein;
- (nn) notify the Lender of any Default or Event of Default; and
- (oo) at all times maintain adequate insurance coverage, as is customary with companies in the same or similar business of such type, in such amounts and against such risks as is prudent for a business of its nature with financially sound and reputable insurers and that contain reasonable coverage and scope.

20. NEGATIVE COVENANTS:

Each of the Loan Parties covenants and agrees not to do, or cause not to be done, the following, other than with the prior written consent of the Lender or with the express consent required as outlined below or in accordance with and as expressly permitted by the NOI Proceedings:

- (pp) transfer, lease or otherwise dispose of all or any part of their property, assets or undertaking outside of the Ordinary Course, except for (i) the disposition of obsolete or worn out equipment or assets consistent with past practice, and (ii) the distribution of any shares of the Purchaser received under the APA;
- (qq) make any payment, including, without limitation, any payment of principal, interest or fees, in respect of pre-filing indebtedness, or in respect of any other pre-filing liabilities, including payments with respect to pre-filing trade or unsecured liabilities of the Loan Parties, other than as required or permitted pursuant to the DIP Order, the APA (including distribution of the Secured Promissory Note and the Purchaser Consideration Shares (as defined in the APA)) or as otherwise expressly permitted under this Term Sheet or the DIP Budget;
- (rr) make (i) any distribution, dividend, return of capital or other distribution in respect of equity securities (in cash, securities or other property or otherwise), or (ii) a retirement, redemption, purchase or repayment or other acquisition of equity securities or indebtedness (including any payment of principal, interest, fees or any other

payments thereon), other than a distribution of any shares of the Purchaser received under the APA;

- (ss) (i) enter into, renew, amend or modify any transaction or contractual relationship with any Related Party, or (ii) make any payment with respect to, or perform any obligation under, an agreement with a Related Party other than in accordance with the DIP Budget, or as may be required in order for such Loan Party to comply with Applicable Law related to the COVID-19 pandemic;
- (tt) enter into, renew, amend, modify or assume any employment, consulting or analogous agreement or arrangement with any director, senior or executive officer or senior management of the Loan Parties, or make any payment to any such Person in respect of any bonus, change of control payment or severance package of any kind whatsoever other than (i) as consented to by the Proposal Trustee and approved by the Court on prior notice to the Lender, (ii) as consented to by the Lender, acting reasonably, and (iii) as permitted by the APA;
- (uu) make any investments or acquisitions of any kind, direct or indirect, in any business or otherwise other than as reflected in the DIP Budget;
- (vv) create or permit to exist any Liens on any of its properties or assets other than the Permitted Liens;
- (ww) seek, obtain or support any Court Order or any amendment or modification to a Court Order except with the prior written consent of the Lender (i) in its sole discretion in respect of any Court Order or amendment thereto relating to the DIP Facility, and (ii) acting reasonably in respect of any other Court Order or amendment thereto;
- (xx) take any steps to advance or implement any transaction whether by way of a Proposal, BIA Sale, plan, arrangement, reorganization or otherwise that would impair the DIP Facility, the Loan Documents or the Lender Charge, or impair any amounts owing to the Lender;
- (yy) enter into any settlement agreement or agree to any settlement arrangements in connection with any material litigation, arbitration, other investigations, proceedings or disputes or other similar proceedings which are threatened or pending against any one of them without the prior written consent of the Lender, acting reasonably, or make any payments or repayments to

customers, outside the Ordinary Course, other than those set out in the DIP Budget; and

- (zz) seek, or consent to the appointment of, a receiver or trustee in bankruptcy or any similar official in any jurisdiction, other than the Proposal Trustee.

21. EVENTS OF DEFAULT:

The occurrence of any one or more of the following events shall constitute an event of default (each an “**Event of Default**”) under this Term Sheet:

- (aaa) failure of the Borrower to pay principal, interest or other amounts (other than any amounts under section 14) within five Business Days of such amounts becoming due under this Term Sheet or any other Loan Document;
- (bbb) breach or default in the due performance by a Loan Party of any of its obligations (other than payment of any amounts under section 14) under this Term Sheet or the other Loan Documents (other than a breach or default described elsewhere in this section 21) and such breach or default (i) remains unremedied for longer than seven Business Days, or (ii) where a longer specific grace period is allowed in the Loan Documents for that breach or default, such breach or default remains unremedied at the end of such longer grace period permitted by the applicable Loan Document;
- (ccc) any representation or warranty by a Loan Party made or deemed to be made in this Term Sheet or any other Loan Document is or proves to be incorrect or untrue in any material respect as of the date made or deemed to be made; provided that, in the event the Lender or its representatives had knowledge that such representation or warranty (as applicable) was incorrect or untrue on or prior to the date made or deemed to be made, the existence of such incorrect or untrue representation or warranty will not constitute an Event of Default;
- (ddd) issuance of an order (i) dismissing the NOI Proceedings or lifting the stay in the NOI Proceedings to permit the enforcement of any security against any Loan Party, the appointment of a receiver, interim receiver or similar official, an assignment in bankruptcy, or the making of a bankruptcy order or receiving order against or in respect of any Loan Party, in each case which order is not stayed pending appeal thereof, and other than in respect of a non-material asset not required for the operations of any Loan Party’s business and which is subject to a Permitted Priority Lien, and unless such orders are being used to implement the APA, (ii) granting any other Lien

in respect of the assets of the Loan Parties that is in priority to or *pari passu* with the Lender Charge other than as permitted pursuant to this Term Sheet, or (iii) staying, reversing, vacating or otherwise modifying this Term Sheet or the other Loan Documents or any Court Order without the prior written consent of the Lender, (x) in its sole discretion in respect of any Court Order or amendment thereto relating to the DIP Facility, and (y) acting reasonably in respect of any other amendment;

- (eee) unless consented to in writing by the Lender, the expiry without further extension of the stay of proceedings provided for in the DIP Order;
- (fff) a Variance Report is not delivered when due under this Term Sheet;
- (ggg) unless the Lender has consented thereto in writing, the filing by any of the Loan Parties of any motion or proceeding which (i) is not consistent with any provision of this Term Sheet, the Loan Documents or any Court Order, as applicable, (ii) seeks to continue the NOI Proceedings under the jurisdiction of a court other than the Court;
- (hhh) any Proposal or other arrangement, compromise or restructuring is sanctioned by any Loan Party which is not consistent with or contravenes any provision of this Term Sheet or other Loan Document;
- (iii) the entry of an order avoiding or requiring disgorgement of any portion of the payments made on account of the obligations owing to the Lender under any of the Loan Documents;
- (jjj) the making by any Loan Party of a material payment of any kind that is not permitted by this Term Sheet or the Loan Documents or is not consistent with the DIP Budget;
- (kkk) the denial or repudiation by any Loan Party of the legality, validity, binding nature or enforceability of this Term Sheet, any other Loan Document or the Lender Charge; or
- (III) except as stayed by order of the Court, the entry of one or more final judgments, writs of execution, garnishment or attachment representing a claim or claims in excess of \$2,000,000 in the aggregate for all such claims, against any Loan Party that is not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by

an insurer within 30 days after their entry, commencement or levy.

22. REMEDIES:

Upon the occurrence and during the continuance of an Event of Default, and subject to the Court Orders, the Lender may terminate its commitment under the DIP Facility and declare the obligations owing to it under the Loan Documents to be immediately due and payable.

Without limiting the foregoing remedies, upon the occurrence and during the continuance of an Event of Default, the Lender may:

(mmm) apply to a court for the appointment of a receiver, an interim receiver or a receiver and manager over a substantial portion of the assets of the Loan Parties, or for the appointment of a trustee in bankruptcy of the Borrower or any of the other Loan Parties;

(nnn) subject to obtaining prior approval from the Court, exercise the powers and rights of a secured party under the *Personal Property Security Act* (Alberta), or any legislation of similar effect; and

(ooo) subject to obtaining prior approval from the Court, exercise all such other rights and remedies under this Term Sheet, the other Loan Documents, the Court Orders and Applicable Law.

**23. CURRENCY;
JUDGMENT
CURRENCY:**

Unless otherwise stated, all monetary denominations shall be in lawful currency of Canada and all payments made by the Borrower or any Guarantor under this Term Sheet shall be in Canadian dollars.

24. INDEMNITIES:

The Loan Parties agree, on a joint and several basis, to indemnify and hold harmless the Lender and its directors, officers, employees, agents, attorneys, counsel and advisors (all such Persons being referred to hereafter as "**Indemnified Persons**") from and against any and all actions, suits, proceedings, claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against any Indemnified Person (collectively, "**Claims**") as a result of or arising out of or in any way related to the DIP Facility, this Term Sheet and the other Loan Documents and, upon demand, to pay and reimburse any Indemnified Person for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding or Claim; provided, however, the Borrower and other Loan Parties shall not be obligated to indemnify pursuant to this

paragraph any Indemnified Person against any loss, Claim, damage, expense or liability (x) to the extent it resulted from the gross negligence or wilful misconduct of such Indemnified Person as finally determined by a court of competent jurisdiction, or (y) to the extent arising from any dispute solely among Indemnified Persons other than any Claims arising out of any act or omission on the part of the Borrower or the other Loan Parties. Each of the Indemnified Persons undertakes to repay any and all costs paid to such Indemnified Person in accordance with this Section 24 if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor. The Loan Parties shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages.

The indemnities granted under this Term Sheet shall survive any termination of the DIP Facility.

- 25. LIABILITIES JOINT AND SEVERAL:** The obligations and liabilities of the Loan Parties hereunder are joint and several.
- 26. EVIDENCE OF INDEBTEDNESS:** The Lender's accounts and records constitute, in the absence of manifest error, prima facie evidence of the indebtedness of the Borrower to the Lender pursuant to the DIP Facility.
- 27. FURTHER ASSURANCES:** The Loan Parties shall, at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Lender may reasonably request for the purpose of giving effect to this Term Sheet.
- 28. AMENDMENTS AND WAIVERS:** No waiver or delay on the part of the Lender in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing by the Lender and delivered in accordance with the terms of this Term Sheet, and then such waiver shall be effective only in the specific instance and for the specific purpose given.
- No amendment of this Term Sheet shall be effective unless signed by all parties hereto and, in the case of any material amendment, agreed to by the Proposal Trustee.
- 29. ASSIGNMENT:** The Lender may not assign, transfer or delegate any of its rights or obligations under the DIP Facility, this Term Sheet or the other Loan Documents without the prior written consent of the Borrower; provided that the Lender may assign, transfer or delegate any of its rights or obligations under the DIP Facility, this Term Sheet or the other Loan Documents to an affiliate of the Lender (provided that the Lender shall not be relieved of its obligations hereunder) without the prior written consent of the

Borrower, and the Lender shall provide notice of assignment to the Borrower at least five Business Days in advance of any such proposed assignment, transfer or delegation.

None of the Loan Parties may assign, transfer or delegate any of its rights or obligations under this Term Sheet or the other Loan Documents without the prior written consent of the Lender, except for an assignment by the Borrower to the Purchaser on the Closing on the terms contemplated by the APA, provided that any amounts drawn on the DIP Facility and assumed on Closing shall rank in priority to the Secured Promissory Note (as defined in the APA) and shall not bear interest at a rate higher than as provided in section 7.

- 30. SEVERABILITY:** Any provision in this Term Sheet which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.
- 31. NOTICES:** Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to such party at its address set out on its signature page hereof. Any such notice, request or other communication hereunder shall be concurrently sent to the Proposal Trustee and its counsel.
- Any such notice shall be deemed to be given and received when received, unless received after 5:00 p.m. Mountain Time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.
- 32. GOVERNING LAW:** This Term Sheet shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein. Without prejudice to the ability of the Lender to enforce this Term Sheet in any other proper jurisdiction, the Loan Parties irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta.
- 33. PROPOSAL TRUSTEE:** The Proposal Trustee shall be authorized to communicate with the Lender, and shall be entitled to share information with the Lender as may be requested by the Lender from time to time.
- 34. COUNTERPARTS; ELECTRONIC SUBMISSION:** This Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission including "pdf email", each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS HEREOF, the parties hereby execute this Term Sheet as at the date first above mentioned.

BORROWER:

**INTERNATIONAL FITNESS HOLDINGS
INC.**

By: 
Name: Jeffrey Belford
Title: Director

Notice:

International Fitness Holdings Inc.
c/o 4600, 400 – 3rd Avenue SW
Calgary, AB T2P 4H2

Attn: Jeff Belford and Ryan Giles
Email: jbelford@trivest.ca and rgiles@trivest.ca

GUARANTORS:

WORLD HEALTH NORTH LP, by its general partner INTERNATIONAL FITNESS HOLDINGS INC.

By: 
Name: Jeffrey Belford
Title: Director

INTERNATIONAL FITNESS HOLDINGS LP, by its general partner INTERNATIONAL FITNESS HOLDINGS INC.

By: 
Name: Jeffrey Belford
Title: Director

Notice:

World Health North LP; and International Fitness Holdings LP

c/o 4600, 400 – 3rd Avenue SW
Calgary, AB T2P 4H2

Attn: Jeff Belford and Ryan Giles
Email: jbelford@trivest.ca and rgiles@trivest.ca

LENDER:

First Canadian Cardio-Fitness Clinics Ltd.

E-SIGNED by David Patchell-Evans
on 2021-04-23 18:17:56 GMT

By: _____

Name:

Title:

Notice:

680 Waterloo Street
London, Ontario
N6A 3V8

Attn: President

Email: _____

SCHEDULE "A"

DEFINED TERMS

"Administration Charge" means an administration charge in an aggregate amount not to exceed \$300,000.

"APA" means the asset purchase agreement dated April 23, 2021 among the Borrower, the Guarantors, Spa Lady (West) Inc. and the Purchaser.

"Applicable Law" means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws and regulations and all applicable official directives, orders, judgments and decrees of any Governmental Authority having the force of law.

"BIA" has the meaning given in the recitals.

"BIA Sale" means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court, including the transaction contemplated by the APA.

"Borrower" has the meaning given thereto in section 1.

"Business Day" means any day other than a Saturday, Sunday or any other day in which banks in Calgary, Alberta are not open for business.

"CCAA" means the *Companies' Creditors Arrangement Act* (Canada).

"Closing" has the meaning given thereto in the APA.

"Court" has the meaning given in the recitals.

"Court Order" means any of the DIP Order and all other orders of the Court entered in connection with the NOI Proceedings.

"Default" means an event or circumstance which, after the giving of notice or the passage of time, or both, will result in an Event of Default.

"DIP Budget" means the weekly financial projections prepared by the Loan Parties covering the period commencing on the week beginning April 23, 2021 and ending on the week ending May 28, 2021, on a weekly basis, which shall be in form and substance acceptable to the Lender, acting reasonably (as to scope, detail and content), which financial projections may be amended from time to time in accordance with section 17. For greater certainty, for purposes of this Term Sheet, the DIP Budget shall include all supporting documentation provided in respect thereof to the Lender.

"DIP Facility" has the meaning given thereto in section 4.

"DIP Order" has the meaning given thereto in section 12(b).

"Effective Date" means the date that the Initial Availability Conditions have been satisfied.

"Event of Default" has the meaning given thereto in section 21.

“Facility Amount” has the meaning given thereto in section 4.

“Filing Date” means the date of commencement of the NOI Proceedings.

“Financing Obligations” has the meaning given thereto in section 12(b).

“Further Availability Amount” has the meaning given thereto in section 5.

“Further Availability Conditions” has the meaning given thereto in section 13.

“Governmental Authority” means any federal, provincial, state, municipal, local or other government, governmental or public department, commission, board, bureau, agency or instrumentality, domestic or foreign and any subdivision, agent, commission, board or authority of any of the foregoing.

“Guarantors” has the meaning given thereto in section 3.

“Initial Availability Amount” has the meaning given thereto in section 5.

“Initial Availability Conditions” has the meaning given thereto in section 12.

“Lender” has the meaning given thereto in section 2.

“Lender Charge” has the meaning given thereto in section 12(b).

“Liens” means all liens, hypothecs, charges, mortgages, trusts, deemed trusts (statutory or otherwise), encumbrances and security interests of every kind and nature whatsoever.

“Loan Documents” means this Term Sheet and all other agreements, instruments and documents entered or delivered in connection therewith.

“Loan Parties” has the meaning given thereto in section 3.

“Material Adverse Change” means any change, condition, event or occurrence, which, when considered individually or together with all other changes, conditions, events or occurrences, could reasonably be expected to have a material adverse effect on: (i) the condition (financial or otherwise), business, performance, operation, assets or property of the Loan Parties as a whole (including a material adverse qualification (other than a ‘going concern’ qualification resulting from the NOI Proceedings) to any of the financial statements of any Loan Party; a material adverse misstatement of the financial statements of any Loan Party; or if after the Effective Date, it is determined by any Loan Party, its auditors or accountants that a restatement of any Loan Party’s financial statements is or is likely to be necessary or there is a material adverse restatement of any Loan Party’s financial statements); (ii) the ability of any Loan Party to carry on its business as presently conducted; (iii) the ability of any Loan Party to timely and fully perform any of its obligations under this Term Sheet or any of the Loan Documents, or any Court Order; or (iv) the validity or enforceability of this Term Sheet or any Loan Documents, or the rights and remedies of the Lender under this Term Sheet or any of the Loan Documents.

“Maturity Date” has the meaning given thereto in section 8.

“NOI Proceedings” has the meaning given in the recitals.

“Ordinary Course” means, in respect of any Loan Party, the ordinary course of business of such Loan Party consistent with past practice, as such practice is, may have been or may be modified as a result of the NOI Proceedings or by any Applicable Laws (including those in connection with the COVID-19 pandemic) which were in effect at the applicable time and with which such Loan Party is required to comply.

“Permitted Liens” means (i) the Lender Charge; (ii) validly perfected Liens existing prior to the date hereof; (iii) inchoate statutory Liens arising after the Filing Date in respect of any accounts payable arising after the Filing Date in the Ordinary Course, subject to the obligation to pay all such amounts as and when due; and (iv) the Permitted Priority Liens.

“Permitted Priority Liens” means the (i) the Administration Charge; (ii) Liens in favour of secured parties that did not receive notice of the application for the DIP Order (to the extent the Lender (or its counsel) agreed based on the service list that such secured parties would not be served); (iii) Liens in respect of claims that are individually and in the aggregate immaterial, solely to the extent such Liens are not registered under a personal property registry system; (iv) purchase money security interests; (v) validly perfected Liens existing prior to the date hereof with respect to any landlord(s) of any Loan Party; and (vi) any amounts payable by a Loan Party for wages, vacation pay, employee deductions, sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada) (net of input credits), income tax and workers compensation claims, in the case of this item (v) solely to the extent such amounts are given priority by Applicable Law and only to the extent that the priority of such amounts have not been subordinated to the Lender Charge pursuant to the Court Orders).

“Person” means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Proposal” has the meaning given thereto in section 8.

“Proposal Trustee” means KPMG Inc., in its capacity as proposal trustee to the notice of intention to make a proposal of the Borrower under the BIA.

“Purchaser” means 2819066 Ontario Inc.

“Related Party” means, in respect of any Person, such Person’s affiliates and the directors, officers, partners, members, trustees, employees, controlling Persons, agents, administrators, managers, representatives and advisors of such Person and of such Person’s affiliates.

“Variance Report” has the meaning given thereto in section 17.

SCHEDULE "B"
FORM OF DRAWDOWN REQUEST

DRAWDOWN REQUEST

TO: First Canadian Cardio-Fitness Clinics Ltd. (the "**Lender**")

FROM: International Fitness Holdings Inc. (the "**Borrower**")

DATE: [●], 20[●]

Pursuant to the DIP interim financing term sheet dated as of [●], 2021 (as amended, restated and otherwise modified from time to time, the "**Term Sheet**") between the Lender, the Borrower and the Guarantors, the Borrower is required as a condition precedent to each advance to deliver this Drawdown Request to the Lender. Unless otherwise defined herein, all capitalized terms used in this Drawdown Request will have the meanings given to such terms in the Term Sheet.

The Borrower hereby certifies that:

- (a) the advance requested under this Drawdown Request is in accordance with the DIP Budget;
- (b) the representations and warranties set forth in section 18 of the Term Sheet are true and accurate in all material respects as of the date hereof, as though made on and as of the date hereof;
- (c) the Loan Parties are in compliance with the covenants and all other terms and conditions set forth in the Loan Documents, other than those that have been waived in writing by the Lender; and
- (d) no Default or Event of Default has occurred and is continuing nor will the making of the requested advance result in the occurrence of any such event.

The Borrower hereby requests an advance under the DIP Facility and directs the Lender to make such advance as follows:

Date of advance: [●]

Total amount of advance: [●]

Advance to be split to two Loan Parties: Yes / No

Loan Party(ies) to which advance is to be made:	Amount of advance	Bank Account Information

[•]	\$(•)	[•]
[•]	\$(•)	[•]

IN WITNESS WHEREOF the undersigned has executed this Drawdown Request on the date first above written.

**INTERNATIONAL FITNESS HOLDINGS
INC.**

By: _____
Name:
Title:

SCHEDULE "C"

SUMMARY DIP BUDGET

See attached.

International Fitness Holdings (Consolidated)
Cash Flow Projection - DIP APPROVAL - OUTPUT
23-Apr-21 to 28-May-21

	Notes	Week					Total
		1	2	3	4	5	
		30-Apr-21	07-May-21	14-May-21	21-May-21	28-May-21	
Opening Cash Balance							
Less: Wages and Benefits in Arrears (Pre-filing Obligations of Vendor)	1	1,000,000	439,773	235,000	235,000	235,000	1,000,000
Less: GST Accrual (Pre-filing Obligation of Vendor)	2	(490,000)	(65,000)				(490,000)
Less: Key Supplier AP Payments (Pre-filing Obligations of Vendor)	3	(210,000)					(210,000)
NOI Filing Date Net Cash Position	4	<u>235,000</u>					<u>235,000</u>
DIP Facility							
DIP Facility True-up Payment	5	-	631,324	184,917	446,625	581,736	1,844,601
Ongoing DIP Facility Requirement	6	-	631,324	184,917	446,625	581,736	1,844,601
Total DIP Facility Funding			631,324	184,917	446,625	581,736	1,844,601
Billings							
Factor							
304,773		304,773	292,016	303,956	306,000	255,488	1,462,233
100.0%		100.0%	97.5%	95.0%	92.5%	90.0%	
Other Receipts							
Factor							
100,000		100,000	100,000	100,000	100,000	100,000	500,000
100.0%		100.0%	75.0%	75.0%	75.0%	75.0%	
Receipts							
Factor							
304,773	7	304,773	284,716	288,756	283,650	229,939	1,391,236
100,000	8	100,000	75,000	75,000	75,000	75,000	400,000
Total Receipts		404,773	359,716	363,756	358,650	304,939	1,791,236
Standard Wages and Benefits							
Factor							
100,000		100,000	670,000	230,000	550,000	190,000	1,640,000
100.0%		100.0%	80.0%	80.0%	80.0%	80.0%	
General Expenses							
Factor							
200,000		200,000	200,000	200,000	200,000	200,000	1,000,000
100.0%		100.0%	80.0%	80.0%	80.0%	80.0%	
Operating Disbursements							
Factor							
536,000	9	-	536,000	184,000	440,000	152,000	1,312,000
200,000	10	-	-	-	-	240,000	240,000
659,813	11, 12	200,000	659,813	364,675	364,675	364,675	1,953,837
13		-	-	-	-	65,000	65,000
14		-	-	-	-	65,000	65,000
Total Disbursements		200,000	1,195,813	548,675	804,675	886,675	3,855,837
Net Cash Flow from Operations							
		204,773	(836,097)	(194,917)	(446,625)	(861,736)	(1,844,601)
Net Cash Flow After DIP Funding		204,773	(204,773)	-	-	-	-
Ending Cash Balance		439,773	235,000	235,000	235,000	235,000	235,000

Notes

- Consists of payroll in arrears for one week pre filing
- Standard GST remittance accrual relating to prior period obligations
- Payments relating to AP outstanding with key suppliers as at filing date
- NOI Filing Date Net Cash Position of \$235,000
- DIP true-up payment to cover interim period funded by NOI Filing Date Net Cash
- Implied DIP facility funding requirement
- Based on projected billings
- Consists of payments collected in-club and other miscellaneous point of sale transactions
- Ongoing wages and benefits
- Accrual to capture obligations of current entity relating to wages earned pre Outside Date but paid post Outside Date
- Based on one full month (May) rent payment for disclaimed clubs, negotiated rent for clubs operated on an ongoing basis
- Ongoing up-front payments to suppliers critical to ongoing operations
- Standard projected GST remittances
- Accrual to capture GST obligations of current entity concerning amounts incurred pre Outside Date but paid post Outside Date

Note: Professional fees have not been projected and are assumed to be paid out of cash proceeds generated from the sale transaction