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COURT FILE NUMBER **25-2731795**
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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 **THIRD REPORT OF THE PROPOSAL TRUSTEE**

DATE **June 4, 2021**

ADDRESS FOR SERVICE AND
 CONTRACT INFORMATION OF
 PARTY FILING THIS DOCUMENT: **PROPOSAL TRUSTEE**
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COURT FILE NUMBER **B201 731797**
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25-2731797
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JUDICIAL CENTRE **CALGARY**

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COM
June 11, 2021
Justice Lema



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Justice Lema

COURT

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CALGARY

APPLICANTS

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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 provided the Company with a stay of proceedings until May 23, 2021 (the “**Initial Stay Period**”).
3. On April 30, 2021, the Company applied to the Court for, *inter alia*, approval of interim financing and an extension of the Initial Stay Period to May 28, 2021. On April 29, 2021, the Proposal Trustee filed its first report (the “**First Report**”) to provide this Honourable Court with the Proposal Trustee’s views on the above matters.
4. On the afternoon of April 29, 2021, the Province of Alberta announced new COVID restrictions, which directly impacted the Company’s business and necessitated a revision to the Company’s cash flow forecasts. As a result, the hearing (which was originally intended to be held on April 30, 2021) was adjourned to May 5, 2021, to allow the Company to update its cash flow forecast and give the Proposal Trustee an opportunity to review and report on the same.
5. On May 3, 2021 the Proposal Trustee filed its first supplemental report (the “**First Supplemental Report**”) providing this Honourable Court with the Revised Cash Flow Forecast and the Proposal Trustee’s views on same.
6. On May 5, 2021, this Honourable Court issued an order approving interim financing and granting an extension of the stay to May 28, 2021 (the “**Initial Order**”).
7. On May 21, 2021 the Proposal Trustee filed its second report (the “**Second Report**”) and its first confidential supplemental report (the “**First Confidential Supplemental Report**”) to provide this Honourable Court with *inter alia*, the details of a proposed asset sale transaction (the “**Transaction**”) and the Proposal Trustee’s views on the Second Cash Flow Forecast.

8. On May 27, 2021 this Honourable Court issued an order approving the Transaction and granting an extension of the stay to June 30, 2021 (the “**Sale and Vesting Order**”). A copy of the Sale and Vesting Order is attached hereto as **Appendix “A”**.
9. For further background information on the Company and these proceedings, please refer to the Proposal Trustee’s website at <https://home.kpmg/ca/internationalfitness>.

Purposes of the Report

10. The purpose of the third report of the Proposal Trustee (the “**Third Report**” or this “**Report**”) is to provide this Honourable Court with the Proposal Trustee’s views on the following matters:
 - a) The activities of the Company since the date of the Second Report;
 - b) The activities of the Proposal Trustee since the date of the Second Report;
 - c) The Company’s reported actual receipts and disbursements for the period May 14, 2021 to May 27, 2021;
 - d) The assignment of certain leases; and
 - e) The Proposal Trustee’s recommendations.

Restrictions and Scope Limitation

11. In preparing this Third 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 Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Proposal 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.
12. 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.

13. 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.
14. Capitalized terms not otherwise defined herein are defined in the Company's application materials. The Third Report should be read in conjunction with the Second Report and the affidavit of Peter Melnychuk dated June 3, 2021 (the "**Fourth Melnychuk Affidavit**") as certain information contained in the Second Report and the Fourth Melnychuk Affidavit has not been included herein to avoid unnecessary duplication.
15. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

2. ACTIVITIES OF THE COMPANY SINCE THE SECOND REPORT

The Company's Activities

16. The Company's activities since the date of the Second Report have included, *inter alia*, the following:
- a) Corresponding with its stakeholders, including employees, customers and landlords in respect of the NOI filing;
 - b) Working with the Purchasers to conclude the outstanding matters in respect of the Transaction and to waive conditions;
 - c) Disclaiming certain leases as described below;
 - d) Engaging in matters relating to the restructuring, including financing and the Transaction;
 - e) Working with the Proposal Trustee to prepare the weekly variance analyses and working with the Interim Lender in respect of Interim Facility drawings; and
 - f) Reporting its receipts and disbursements.

Leases disclaimed

17. The Company has worked with the Purchasers, with the assistance of its advisors and in consultation with the Proposal Trustee, to review all its current leases and determine which premises the Purchasers will assume pursuant to the Transaction. Accordingly, the focus has been on retaining profitable locations and vacating unprofitable locations.
18. Since the Second Report the Company has disclaimed one additional lease for a total of nine disclaimed leases to date. Rent due for post-filing periods is being paid for the disclaimer periods.

Assignment of Leases

19. The Purchasers and the Company's management team, in conjunction with their respective advisors, have been diligently negotiating with various landlords to reach amended lease agreements in locations that are required by the Purchasers.

20. However, the Proposal Trustee understands that two Assumed Leases, (as defined in the APA) could not be negotiated between the Purchaser and the respective landlords (the “**Consent Required Leases**”). The Company is therefore seeking to have the two Consent Required Leases assigned to the Purchaser pursuant to an Order of this Court.
21. The Consent Required Leases are in respect of the Company’s gym facility locations in (a) Canyon Meadows and (b) Glenora (in Calgary and Edmonton respectively). Further details regarding the Consent Required Leases can be found in the Fourth Melnychuk Affidavit.
22. The Proposal Trustee has reviewed the key factors which the Court is required to consider pursuant to section 84.1 of the BIA when considering the assignment of the Consent Required Leases. The Proposal Trustee is satisfied that these factors are met, specifically:
 - a) The Consent Required Leases do not fall into any of the categories enumerated in 84.1(3) of the BIA;
 - b) Section 84.1(4)(a) – The Proposal Trustee is of the view that the Purchaser is able to perform the obligations under the Consent Required Leases;
 - c) Section 84.1(4)(b) – The Proposal Trustee is of the view that it would be appropriate to assign the right and obligation of the Consent Required Leases to the Purchasers, as this would allow the Consent Required Leases to be continued and the Purchasers to perform the obligations under the lease agreements; and
 - d) Section 84.1(5) – The Proposal Trustee understands that the Company is seeking an Order which would require that any and all monetary defaults in relation to the Consent Required Leases be remedied within three business days of the delivery of the Proposal Trustee’s Certificate.
23. The Proposal Trustee understands that the landlord of the Glenora location is opposing the granting of an Order assigning the lease (if any) for this location to the Purchasers. The Proposal Trustee understands that there are disputed issues of fact and law associated with the issue of the proposed assignment of any lease covering the Glenora location, and the Proposal Trustee is not in a position to express a view on the propriety of an Order in respect of this location until these issues of fact and law are resolved.

3. *ACTIVITIES OF THE PROPOSAL TRUSTEE SINCE THE SECOND REPORT*

24. The Proposal Trustee has undertaken the following activities since the date of the Second Report:
- a) Maintain the website where all materials filed with the Court and all orders made by the Court are available to the public;
 - b) Monitored the Company's receipts and disbursements and assisted with ongoing reporting of variances to the Company's cash flow projections;
 - c) Implemented procedures to monitor the Company's cash flows and ongoing reporting variances on a weekly basis;
 - d) Communicated with creditors, employees and counsel for matters in relation to the NOI proceeding;
 - e) Held funds in escrow within the Proposal Trustee's general trust account for the benefit of the Company upon completion of the closing conditions to the Transaction;
 - f) Assisted the Company in the preparation of the disclaimer of certain leases; and
 - g) Prepared and finalized the Third Report.

4. **VARIANCE ANALYSIS**

25. Below is the variance between forecasted results from the Second Cash Flow Forecast and actual results for the week ending May 14, 2021 to May 27, 2021 (the “**Variance Period**”), along with the cumulative actual cash flows from April 23, 2021 to May 27, 2021:

International Fitness Holdings (Consolidated)				
Cash flow variance analysis for the weeks ended May 14, 2021 to May 27, 2021				
In CAD \$ Unaudited	Actual	Forecast	Variance	Cummulative Actual April 23 - May 27
Receipts				
Assumed Billings	96,642	40,000	56,642	723,339
Other Receipts	11,938	-	11,938	127,376
Total Receipts	108,580	40,000	68,580	850,715
Disbursements				
Refunds	-	-	-	10,166
Wages and Benefits	139,948	181,078	(41,130)	459,316
Rent & General Expenses	788,568	938,602	(150,034)	1,361,863
Total disbursements	928,516	1,119,680	(191,164)	1,831,345
Net change in cash from operations	(819,936)	(1,079,680)	259,744	(980,630)
DIP Facility	-	-	-	-
Ongoing DIP Facility Requirement	-	740,373	(740,373)	500,000
Opening cash	1,025,030	1,025,030	-	1,202,083
Less: Wages and Benefits in Arrears (Vendor)	138,254	137,289	965	(253,603)
Less: GST Accrual (Vendor)	-	(56,990)	56,990	(56,990)
Less: Key Supplier AP Payments (Vendor)	112,385	(142,488)	254,873	44,873
Ending Cash/ (Drawings)	455,733	623,535	(167,801)	455,733

26. Ending cash balance is \$167,801 lower than forecast due to no drawings on the Interim Facility, partially offset by lower than forecast disbursements and higher receipts in the period to date.
27. The Company estimated Interim Facility drawings of \$740,373, while there have been no drawings during the Variance Period.
28. The net cash flow from operations during the Variance Period was approximately \$259,744 higher than projected due to higher receipts than expected from virtual classes and lower disbursements due to government subsidies.
29. Key differences in the variance period are mainly due to the following:
- A positive variance in expected receipts of approximately \$68,580, principally from virtual training sessions which, given the uncertainty of the receipts from virtual classes

due to the Covid-19 restriction, were conservatively estimated in the Second Cash Flow Forecast;

- b) Lower than expected wages and benefits due to lower number of active employees than forecast given the clubs remained closed during the variance period;
- c) Rent and General expenses have a positive variance of \$150,034. Rent showed a favourable variance of \$128,539 due to the Canada Emergency Rent Subsidy (“CERS”) collected on May 27, 2021, not included in the forecast, and an additional positive variance due to a timing difference related to rent payments which is expected to reverse in the upcoming weeks. This positive variance was partially offset by an increase in general expenses due to additional storage fees not previously included in the forecast; and
- d) Pre-filing obligations of the Company for wages and benefits were lower than expected. Pre-filing obligations of the Company for GST is a timing difference expected to be reversed in the upcoming weeks. Key supplier payments have been lower than expected by \$254,873 mainly due to; CERS collected of \$120,201 related to the pre-filing period, which was used to offset the pre-filing obligations of the Company for Key supplier payments, lower payments than expected and a timing difference which will reverse in the following weeks.

5. PROPOSAL TRUSTEE'S RECOMMENDATIONS

30. Based on the Proposal Trustee's review of the Company's operations and restructuring efforts as of the date of the Third Report, and subject to the proviso in paragraph 23 hereof, the Proposal Trustee is supportive of the Company's application.

This Report is respectfully submitted this 4th day of June 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"
SALE AND VESTING ORDER

COURT FILE NUMBERS B201-731795
B201-731797
B201-731799
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY



MATTERS IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED, OF

INTERNATIONAL FITNESS HOLDINGS INC.

INTERNATIONAL FITNESS HOLDINGS LP

WORLD HEALTH NORTH LP

APPLICANTS INTERNATIONAL FITNESS HOLDINGS INC., INTERNATIONAL FITNESS HOLDINGS LP and WORLD HEALTH NORTH LP

DOCUMENT **SALE APPROVAL AND VESTING ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

STIKEMAN ELLIOTT LLP
4300 Bankers Hall West
888 – 3rd Street S.W.
T2P 5C5

Solicitor: Karen Fellowes, Q.C. / Elizabeth Pillon
Phone Number: (403) 724-9469 / (416) 869-5623
Email: kfellowes@stikeman.com / lpillon@stikeman.com
Fax Number: (403) 266-9034
File No.: 137923-1006

Counsel for the Applicants, International Fitness Holdings Inc., International Fitness Holdings LP and World Health North LP

DATE ON WHICH ORDER WAS PRONOUNCED: May 27, 2021

NAME OF JUDGE WHO MADE THIS ORDER: The Hon. Justice D.R. Mah

LOCATION OF HEARING: Edmonton, Alberta via Webex

UPON THE APPLICATION of International Fitness Holdings Inc., International Fitness Holdings LP and World Health North LP (collectively, the "**Applicants**") for an order approving the sale transaction (the "**Transaction**") contemplated by an Asset Purchase Agreement (the "**APA**") between the Applicants and Spa Lady (West) Inc. (as vendors) and Ayrfit West Inc., Ayrfit Alberta Inc. and Ayrfit Edmonton Inc. (the "**Purchasers**") dated April 23, 2021, as amended on May 20, 2021 and vesting in

the Purchasers the Applicants' right, title and interest in and to the assets described in the APA (the "**Purchased Assets**"); **AND UPON HAVING READ** the Initial Order dated May 5, 2021 (the "**Initial Order**"), the Second Report of the KPMG Inc. (the "**Proposal Trustee**") dated May 21, 2021 (the "**Second Report**"); the Confidential Supplement to the Second Report; the Application of the Applicants, the Affidavit No. 3 of Peter Melnychuk affirmed on May 21, 2021, and the Affidavit of Service of Laureen Lamour, affirmed on May __, 2021; **AND UPON HEARING** submissions by counsel for the Applicants, the Proposal Trustee and any other counsel or other interest parties present; and no one appearing for any other person on the service list, although properly served as it appears from the Affidavit of Service, filed;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application and time for service of this application is abridged to that actually given.

EXTENSION OF STAY PERIOD

2. The Stay Period, as ordered and defined in paragraph 3 of the Initial Order, is hereby extended until and including June 30, 2021.

APPROVAL OF TRANSACTION

3. The Transaction and APA are commercially reasonable and in the best interest of the Applicants and its stakeholders. The Transaction is hereby approved and execution of the APA by the Applicants is hereby authorized and approved, with such minor amendments as the Applicants may deem necessary. The Applicants are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for completion of the Transaction and conveyance of the Purchased Assets to the Purchasers.

VESTING OF PROPERTY

4. Upon delivery of a closing certificate from the Proposal Trustee to the Purchasers substantially in the form set out in **Schedule "A"** hereto (the "**Closing Certificate**"),
 - (a) With respect to Purchased Assets listed in **Schedule "B"** hereto, other than real property leases, all of the Applicants' right, title and interest in and to such Purchased Assets shall vest absolutely in the name of Ayrfit Alberta Inc., a wholly owned subsidiary of Ayrfit West Inc., and (ii) with respect to Purchased Assets listed in **Schedule "C"** hereto, other than real property leases, all of the Applicants' right, title

and interest in and to such Purchased Assets shall vest absolutely in the name of Ayrfit Edmonton Inc., a wholly owned subsidiary of Ayrfit West Inc.,

- (b) With respect with respect to the Purchased Assets in **Schedule "B" and "C"** that are real property leases, upon assignment of any such lease to the respective Purchasers (i) pursuant to a consent agreement with the applicable landlord and the Purchaser (ii) as may be otherwise permitted on the terms thereof; or (iii) pursuant to an order of the court assigning any such lease to the Purchaser, all of the Applicant's right, title and interest in and to such leases shall be assigned absolutely to the respective Purchasers,

in each case free and clear of and from any and all caveats, security interests, hypothecs, pledges, mortgages, liens, trusts or deemed trusts, reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgments, executions, levies, taxes, writs of enforcement, charges, or other claims, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, "**Claims**") including, without limiting the generality of the foregoing:

- (c) any encumbrances or charges created by the Initial Order; and
- (d) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**");

and for greater certainty, this Court orders that all Claims, including Encumbrances other than Permitted Encumbrances as set out in **Schedule "D"** hereto (the "**Permitted Encumbrances**"), affecting or relating to the Purchased Assets are hereby expunged, discharged and terminated as against the Purchased Assets, provided however that, except as may otherwise may be agreed to by the applicable landlord to a real property lease included in the Purchased Assets and the Purchasers, nothing in this paragraph shall affect the rights and remedies and obligations of such landlord or the rights, remedies and obligations of the tenant that may exist or arise under or in respect of any such lease that is ultimately assigned to the Purchasers in connection with the Transaction.

5. Upon delivery of the Closing Certificate, and upon filing of a certified copy of this Order, together with any applicable registration fees, all governmental authorities including those referred to below in this paragraph (collectively, "**Governmental Authorities**") are hereby authorized, requested and directed to accept delivery of such Closing Certificate and certified copy of this Order as though they were originals and to register such transfers, interest authorizations, discharges and discharge statements of conveyance as may be required to

convey to the Purchasers clear title to the Purchased Assets subject only to Permitted Encumbrances. Without limiting the foregoing:

- (a) the Registrar of the Alberta Personal Property Registry (the "**PPR Registrar**") shall and is hereby directed to forthwith cancel and discharge any registrations at the Alberta Personal Property Registry (whether made before or after the date of this Order) claiming security interests (other than Permitted Encumbrances) in the estate or interest of the Applicants in any of the Purchased Assets which are of a kind prescribed by applicable regulations as serial-number goods; and
 - (b) the Canadian Intellectual Property Office shall and is hereby directed to forthwith: (i) transfer any trademarks in any of the IP Assets listed in **Schedule "E"** to this Order and as described in Section 1.1(oo) of the APA standing in the name of the Applicants to the Purchasers, and (ii) amend the Canadian trademark register to reflect the foregoing transfers.
6. Nothing in this order shall amend or vary, or be deemed to amend or vary, the terms of a real property lease included in the Purchased Assets that are assigned on consent. For greater clarity, none of the real property leases described in the Transaction are transferred, conveyed, assigned or vested in the Purchasers by operation of this Order
7. In order to effect the transfers and discharges described above, this Court directs each of the Governmental Authorities to take such steps as are necessary to give effect to the terms of this Order and the APA. Presentment of this Order and the Closing Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of title or interest and cancel and discharge registrations against any of the Purchased Assets of any Claims including Encumbrances but excluding Permitted Encumbrances.
8. No authorization, approval or other action by and no notice to or filing with any governmental authority or regulatory body exercising jurisdiction over the Purchased Assets is required for the due execution, delivery and performance by the Proposal Trustee of the APA.
9. For the purposes of determining the nature and priority of Claims, net proceeds from sale of the Purchased Assets (to be held in an interest bearing trust account by the Proposal Trustee) shall stand in the place and stead of the Purchased Assets from and after delivery of the Closing Certificate and all Claims including Encumbrances (but excluding Permitted Encumbrances) shall not attach to, encumber or otherwise form a charge, security interest, lien, or other Claim against the Purchased Assets and may be asserted against the net proceeds from sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets

immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale. No distributions of net proceeds from sale of the Purchased Assets shall be made other than in accordance with further orders of this Court.

10. Except as expressly provided for in the APA or by section 5 of the Alberta *Employment Standards Code*, the Purchasers shall not, by completion of the Transaction, have liability of any kind whatsoever in respect of any Claims against the Applicants.
11. Upon completion of the Transaction, the Applicants and all persons who claim by, through or under the Applicants in respect of the Purchased Assets, and all persons or entities having any Claims of any kind whatsoever in respect of the Purchased Assets, save and except for persons entitled to the benefit of the Permitted Encumbrances, shall stand absolutely and forever barred, estopped and foreclosed from and permanently enjoined from pursuing, asserting or claiming any and all right, title, estate, interest, royalty, rental, equity of redemption or other Claim whatsoever in respect of or to the Purchased Assets, and to the extent that any such persons or entities remain in the possession or control of any of the Purchased Assets, or any artifacts, certificates, instruments or other indicia of title representing or evidencing any right, title, estate, or interest in and to the Purchased Assets, they shall forthwith deliver possession thereof to the Purchasers.
12. The Purchasers shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for their own use and benefit without any interference of or by the Applicants, or any person claiming by, through or against the Applicants.
13. The Purchasers shall, by virtue of the completion of the Transaction, have no liability of any kind whatsoever in respect of any Claims against the Applicants, other than as described in the APA.
14. Immediately upon closing of the Transaction, holders of Permitted Encumbrances shall have no claim whatsoever against the Applicants or the Proposal Trustee.
15. The Proposal Trustee is directed to file with the Court a copy of the Closing Certificate forthwith after delivery thereof to the Purchasers.
16. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada) and section 20(e) of the Alberta *Personal Information Protection Act*, the Applicants is authorized and permitted to disclose and transfer to the Purchasers all human resources and payroll information in the Applicants' records pertaining to the Applicants' past and current employees. The Purchasers shall maintain and protect the privacy of such information and shall

be entitled to use the personal information provided to them in a manner which is in all material respects identical to the prior use (of such information) to which the Applicants was entitled.

MISCELLANEOUS MATTERS

17. The Applicants are authorized and empowered, in respect of the Purchased Assets, to execute and deliver:
- (a) such additional, related and ancillary documents and assurances governing or giving effect to the conveyance of the Purchased Assets which, in the Applicants' discretion, are reasonably necessary or advisable to conclude the Transaction contemplated in or in furtherance of the transfer of the Purchased Assets and/or this Order; and
 - (b) any and all instruments and documents in respect of the Purchased Assets as may be deemed necessary by the Applicants.

18. Notwithstanding:

- (a) the pendency of these proceedings and any declaration of insolvency made herein;
- (b) the pendency of any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended (the "BIA"), in respect of the Applicants, and any bankruptcy order issued pursuant to any such applications;
- (c) any assignment in bankruptcy made in respect of the Applicants; and
- (d) the provisions of any federal or provincial statute:

the vesting of the Purchased Assets (other than real property leases) in the Purchasers pursuant to this Order and the assignment of any real property leases, shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicants and shall not be void or voidable by creditors of the Applicants, nor shall it constitute nor be deemed to be a transfer at undervalue, settlement, fraudulent preference, assignment, fraudulent conveyance, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

19. The Applicants, Proposal Trustee, Purchasers and any other interested party, shall be at liberty to apply for further advice, assistance and direction as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.

20. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Applicants, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to the Applicants and to the Proposal Trustee, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants, the Proposal Trustee, and their respective agents in carrying out the terms of this Order.

21. Service of this Order shall be deemed good and sufficient by:

(a) serving the same on:

- (i) the persons listed on the service list created in these proceedings;
- (ii) any other person served with notice of the application for this Order;
- (iii) any other parties attending or represented at the application for this Order;
- (iv) the Purchasers or the Purchasers' solicitors; and

(b) posting a copy of this Order on the Proposal Trustee's website at:

<https://home.kpmg/ca/en/home/services/advisory/deal-advisory/creditorlinks/internationalfitness.html>

and service on any other person is hereby dispensed with.

22. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.



Justice of the Court of Queen's Bench of Alberta

SCHEDULE "A"

Form of Proposal Trustee's Certificate

COURT FILE NUMBERS	B201 731795 B201 731797 B201 731799	<div style="border: 1px solid black; padding: 10px; width: fit-content;">CLERK'S STAMP:</div>
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
MATTERS	IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE <i>BANKRUPTCY AND INSOLVENCY ACT</i> , R.S.C. 1985, c. B-3, AS AMENDED, OF INTERNATIONAL FITNESS HOLDINGS INC. INTERNATIONAL FITNESS HOLDINGS LP WORLD HEALTH NORTH LP	
DOCUMENT	PROPOSAL TRUSTEE'S CERTIFICATE	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	STIKEMAN ELLIOTT LLP 4300 Bankers Hall West 888 – 3 rd Street S.W. T2P 5C5 Solicitor: Karen Fellowes, Q.C. / Elizabeth Pillon Phone Number: (403) 724-9469 / (416) 869-5623 Email: kfellowes@stikeman.com / lpillon@stikeman.com Fax Number: (403) 266-9034 File No.: 137923-1006 Counsel for the Applicants, International Fitness Holdings Inc., International Fitness Holdings LP and World Health North LP	

RECITALS

- A. Pursuant to an Order of the Honourable Madam Justice Ho of the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "**Court**") dated May 5, 2021, KPMG was appointed as the Proposal Trustee (the "**Proposal Trustee**") of International Fitness Holdings LP, International Fitness Holdings Inc., International Fitness Holdings LP and World Health North LP (collectively, the "**Applicants**").

B. Pursuant to an Order of the Court dated [●], the Court approved the asset purchase agreement made as of April 23, 2021, as amended on May 20, 2021 (the “**APA**”) between the Applicants and Ayrfit West Inc., Ayrfit Alberta Inc. and Ayrfit Edmonton Inc. (the “**Purchasers**”) and provided for the vesting in the Purchasers of the Applicants' right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Proposal Trustee to the Purchasers of a certificate confirming (i) the payment by the Purchasers of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in the APA have been satisfied or waived by the Applicants and the Purchasers; and (iii) the Transaction has been completed to the satisfaction of the Proposal Trustee.

C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the APA.

THE PROPOSAL TRUSTEE CERTIFIES the following:

1. The Purchasers have paid or has otherwise satisfied in full the Purchase Price for the Purchased Assets in accordance with the APA;
2. The conditions to Closing as set out in the APA have been satisfied or waived by the Applicants and the Purchasers;
3. The Transaction has been completed to the satisfaction of the Proposal Trustee; and
4. This Certificate was delivered by the Proposal Trustee at [Time] on [Date].

**KPMG Inc., in its capacity as the
Proposal Trustee of the Applicants,
and not in its personal capacity.**

Per: _____

Name: [●]

Title: [●]

SCHEDULE "B"**Purchased Assets - Ayrfit Alberta Inc.**

All capitalized terms not otherwise defined herein, Schedule and Section references shall bear the meanings given them in the asset purchase agreement (the "**APA**") between the Applicants and Purchaser dated April 23, 2021, as amended.

All of the Vendors' right, title and interest in and to all of the Vendors' property and assets (other than the Excluded Assets), whether real or personal, tangible or intangible, of every kind and description and wheresoever situate including the following (other than those assets described below that specifically relate to World Health North LP as listed in Schedule "C" attached to this Order):

1. Assumed Leases and the rights under the Leases at all of the Required Locations including all leasehold improvements and fixtures owned by a Vendor forming part of the leased real property thereunder;
2. Personal Property, including all equipment listed in Schedule 2.1(b) to the APA (other than equipment that specifically relates to World Health North LP situate at fitness facilities referred to as Mayfield, Glenora, Gateway, Kensington, St. Alberta Trail, Clareview and Edmonton City Centre);
3. Inventories;
4. Accounts Receivable;
5. IP Assets, including the IP Assets listed in Schedule "E" to this Order;
6. Books and Records (except in the case of those required by Applicable Law to be retained by a Vendor, copies thereof);
7. All goodwill, together with the exclusive right of the Purchaser to represent itself as carrying on the Business;
8. All rights to deposits and prepaid expenses, including related claims for refunds and rights of set-off that are not excluded pursuant to Sections 2.2(a) and 2.2(c) to the APA or that are not listed on Schedule 2.2 to the APA (and excluding any pre-paid deposits for membership payments and pre-paid personal training sessions and similar); and
9. The list of email addresses of members of the Vendors.

in each case, for greater certainty, excluding the Excluded Assets and all Purchased Assets referred to in Schedule "C" to this Order.

SCHEDULE “C”**Purchased Assets - Ayrfit Edmonton Inc.**

All capitalized terms not otherwise defined herein, Schedule and Section references shall bear the meanings given them in the asset purchase agreement (the “**APA**”) between the Applicants and Purchaser dated April 23, 2021, as amended.

All of World Health North LP’s right, title and interest in and to all of World Health North LP’s property and assets (other than the Excluded Assets), whether real or personal, tangible or intangible, of every kind and description situated at the fitness facility locations referred to as Mayfield, Glenora, Gateway, Kensington, St. Alberta Trail, Clareview and Edmonton City Centre, including the following (but only with respect to such locations):

1. Assumed Leases and the rights under the Leases at all of such locations that are Required Locations including all leasehold improvements and fixtures owned by World Health North LP forming part of the leased real property thereunder;
2. Personal Property, including all equipment listed in Schedule 2.1(b) to the APA that relates to World Health North LP situate at fitness facilities referred to as Mayfield, Glenora, Gateway, Kensington, St. Alberta Trail, Clareview and Edmonton City Centre;
3. Inventories;
4. Accounts Receivable;
5. IP Assets listed in Part 2 of Schedule “E” attached to this Order;
6. Books and Records (except in the case of those required by Applicable Law to be retained by a Vendor, copies thereof);
7. All goodwill, together with the exclusive right of the Purchaser to represent itself as carrying on the Business;
8. All rights to deposits and prepaid expenses, including related claims for refunds and rights of set-off that are not excluded pursuant to Sections 2.2(a) and 2.2(c) of the APA or that are not listed on Schedule 2.2 to the APA (and excluding any pre-paid deposits for membership payments and pre-paid personal training sessions and similar); and
9. The list of email addresses of members of World Health North LP.

in each case, for greater certainty, excluding the Excluded Assets and all Purchased Assets referred to in Schedule “B” to this Order.

SCHEDULE "D"

Permitted Encumbrances

SCHEDULE "E"**IP Assets**

The following trademarks form part of the IP Assets:

Part 1 – Ayrfit Alberta Inc.

Trademark Name	Registration Date	Expiry Date	Country of Registration	Registration Number
SPA LADY	1980-02-22	2025-02-22	Canada	TMA240041
FITNESS 2000	1996-01-26	2026-01-26	Canada	TMA453041
WORLD HEALTH CLUB	2009-10-06	2024-10-06	Canada	TMA749460
WORLD HEALTH CLUB & Design 	2009-10-01	2024-10-01	Canada	TMA749231
WORLD HEALTH CLUB & Oval Design 	2009-10-01	2024-10-01	Canada	TMA749230
SPA KIDZ	2010-11-04	2025-11-04	Canada	TMA781670
EXPERIENCE YOUR BEST	2011-05-16	2026-05-16	Canada	TMA797625
EXCEPTIONAL RESULTS	2011-05-16	2026-05-16	Canada	TMA797636
EXCEPTIONAL EXPERIENCE	2011-05-16	2026-05-16	Canada	TMA797637
WORLD HEALTH	2011-08-24	2026-08-24	Canada	TMA805146
WORLD HEALTH & Design	2011-08-24	2026-08-24	Canada	TMA805147

				
WORLD HEALTH Logo (Colour) 	2011-08-24	2026-08-24	Canada	TMA805148
GYMVMT	"Formalized" 2019-09-13	Not yet registered.	Canada	Application No. 1983817
PWR X LAB	"formalized" 2019-12-20	Not yet registered.	Canada	Application No. 1998829

Part 2 - IP Assets – Ayrfit Edmonton Inc.

Trademark Name	Registration Date	Expiry Date	Country of Registration	Registration Number
Fresh Fit Foods	N/A	N/A	Canada	Abandoned Trademark Application 1654674
Live Life Light	2016-08-15	2031-08-15	Canada	TM946148
Tru Ride	2018-05-15	2033-05-15	Canada	TMA996651
CLUB FIT	2003-04-29	2033-04-29	Canada	TMA580175
	2003-04-29	2033-04-29	Canada	TMA580148

The following domain names:

- (a) www.clubfit.ca
- (b) www.clubfit.mobi