



COURT NO. B200193
ESTATE NO.11-2636604
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, C. B-3, AS AMENDED

AND

IN THE MATTER OF THE PROPOSAL OF
SNFW FITNESS B.C. LTD.

FIRST REPORT TO COURT OF THE PROPOSAL TRUSTEE

APRIL 21, 2020

**IN THE MATTER OF THE PROPOSAL OF
SNFW FITNESS B.C. LTD.**

Proposal Trustee's First Report to Court

TABLE OF CONTENTS

I.	BACKGROUND	1
II.	LANDLORDS	2
III.	EFFORTS TO FORMULATE A PROPOSAL	3
IV.	SALES PROCESS	3
V.	CONCLUSION	5

APPENDICES

- A. Notice of Intention to make a Proposal dated April 3, 2020**
- B. List of Leased Locations**
- C. Demand Letter Issued by Bank of Montreal dated April 2, 2020 and Waiver of 10 Day Period by SNFW Fitness B.C. Ltd.**
- D. Copy of the SNFW Fitness B.C. Ltd. Cash Flow for the Period April 6, 2020 to June 28, 2020**

I. BACKGROUND

1. On April 3, 2020, SNFW Fitness B.C. Ltd. (the “**Company**” or “**SNFW**”) filed a Notice of Intention (the “**NOI**”) to Make a Proposal with the Office of the Superintendent of Bankruptcy with The Bowra Group Inc. being named as Trustee (the “**Proposal Trustee**”). A copy of the NOI is attached as **Appendix “A”**.

History

2. SNFW was established through a merger in 2009 between Fitness World and Steve Nash Sports Clubs.
3. Fitness World was founded in 1959 by Henry Polesky. At the time of the Merger in 2009, Fitness World was the largest fitness brand in Vancouver, BC, having 15 fitness clubs in the Lower Mainland of Vancouver, BC with over 100,000 members.
4. Steve Nash Sports Clubs was established in 2007 by Canadian basketball legend Steve Nash, and 24 Hour Fitness founders Mark Mastrov and Leonard Schlemm. At the time of the Merger with Fitness World, Steve Nash Sports Club was operating two full-service sports clubs in Vancouver, BC.
5. Since the merger, SNFW has grown to operate 29 fitness facilities in BC, including locations in the Lower Mainland, Vancouver Island, and the Okanagan, with an additional two locations that had been scheduled to open in July 2020. A list of the current locations operated by SNFW is attached as **Appendix “B”**.
6. The Company is licensed to use the “Steve Nash” name through a licensing agreement, which expires in 2027. In addition, SNFW is a registered Franchisee of “UFC Gym” for three of its facilities, and the Franchisee of Crunch Fitness for two of its facilities.
7. In addition, SNFW founded the British Columbia Personal Training Institute, which is a fully accredited personal training education program for prospective fitness trainers and develops and certifies between 140 – 175 personal trainers annually.
8. SNFW offers fitness facilities for personal use, fitness group classes, personal training and, in certain locations, mixed martial arts training.

Financial Difficulties

9. On March 17, 2020, SNFW issued a notice to all members that due to the Province of BC limiting gatherings of 50 people to slow the COVID-19 spread, all facilities were shut down effective immediately and that members would not be charged during the shutdown

period. Accordingly, SNFW terminated all of its staff except for 6 key personnel. SNFW typically employs around 1,300 individuals.

10. The Board of Directors estimated that SNFW would require an equity injection of over \$10 million to fund the costs during the COVID-19 shutdown period, working capital requirements and estimated operating losses to get to a break-even level after the COVID-19 restrictions are lifted. This assumes that:
 - i. Landlords are not paid and do not exercise any of their rights under their respective leases during the COVID-19 shutdown period; and
 - ii. The COVID-19 shutdown ends in August 2020.
11. Accordingly, based on the analysis by the Board of Directors, it was determined that SNFW is not a viable business without a significant equity commitment and injection to fund COVID-19 shutdown costs and operating losses for several months after restarting operations post COVID-19 shutdown.

Secured and Unsecured Creditors

12. SNFW has multiple authorized borrowing facilities from its primary secured creditor, the Bank of Montreal ("**BMO**" or the "**Bank**"), for approximately \$38.8 million of which approximately \$32 million has been drawn.
13. On April 2, 2020, BMO demanded payment of all amounts outstanding by SNFW. On the same day, at the request of BMO, SNFW waived the 10 day notice period prescribed by section 244 of the *Bankruptcy and Insolvency Act*. Attached as **Appendix "C"** is a copy of the demands and waiver provided by SNFW.
14. As at April 3, 2020, per the SNFW records, the amount owed to unsecured creditors was approximately \$3.4 million. This amount does not include any amounts owing to the various landlord's with respect to April 1, 2020 rent that was not paid, employee severance, prepaid membership, and prepaid personal training amounts.

II. LANDLORDS

15. SNFW did not pay any landlord for the April 1, 2020 rent. SNFW filed their NOI on April 3, 2020.
16. The Proposal Trustee is currently in discussions with all of its landlords to obtain rent relief during the COVID-19 shutdown period.

III. EFFORTS TO FORMULATE A PROPOSAL

17. Since the filing of the NOI, SNFW has been working with the Proposal Trustee in order to submit a Proposal to its creditors. Given the need for significant equity injection, the proposal is likely to be one that results from an investment or a sale, in which case it may be a liquidating Proposal.
18. However, the Proposal Trustee believes that such a Proposal is in the best interest of the greatest number of stakeholders, including landlords, employees and members of the gym.
19. SNFW is not in a position to make a proposal by May 3, 2020, when the thirty day time limit for doing so expires.
20. Accordingly, SNFW has stated that it intends to seek an extension of time to file its Proposal.
21. The Proposal Trustee supports a further extension for the reasons set out in this report and understands that BMO will fund the costs as outlined in the SNFW cash flows from the existing credit facilities and also supports the extension.
22. A copy of the cash flow filed of SNFW for the period April 6, 2020 to June 28, 2020 is attached as **Appendix “D”**.

IV. SALES PROCESS

23. The Company is requesting the Court to expand the powers of the Proposal Trustee to manage a sales process (“Sales Process”) on behalf of the Company. The Company is seeking this relief, in part, to safeguard the integrity of the Sales Process and ensure it may continue without interruption if any members of the Company’s existing management team elect to participate in the Sales Process.
24. Since filing the NOI, and in preparation for its filing, SNFW has been acting in good faith by organizing its affairs and investigating various options with a view to formulate and present a Proposal to its creditors. In particular, SNFW has:
 - a) Shut down operations as a result of COVID-19 operating restrictions;
 - b) Reduced costs by terminating all staff except for 6 key employees, with the reason

for their dismissal being such that they will be able to make claims for subsidies from Service Canada;

- c) Held discussions with the secured creditor, Bank of Montreal, to discuss financing options and to obtain the support of BMO to file an NOI;
 - d) Engaged MNP Corporate Finance Inc. (“MNPCF”), through the Proposal Trustee, to commence a Tender Bid Sales Process for the Sales Process with the proposed timeline, subject to the court’s approval:
 - i. April 3, 2020 to April 19, 2020 – Compile a target list of prospective purchasers and investor groups;
 - ii. April 3, 2020 to April 19, 2020 – Compile information for data room to provide to MNPCF and work with the Proposal Trustee and MNPCF to prepare a Teaser Letter and Confidential Information Memorandum (“**CIM**”);
 - iii. Week of April 20, 2020 – Teaser letters and CIM are completed for prospective investors and or purchasers;
 - iv. April 24, 2020 – commence marketing by contacting prospective purchasers and investors;
 - v. April 24, 2020 and onwards – MNPCF will obtain confidentially and non-disclosure agreements from prospective purchasers and investors that wish to pursue this opportunity to grant them access to the SNFW data room for due diligence purposes. The prospective purchasers and investors will have to demonstrate that they have the financial wherewithal to participate in this process;
 - vi. May 20, 2020 –deadline for Tender Bid Offers to be submitted to both the MNPCF and Proposal Trustee;
 - vii. May 21, 2020 to May 28, 2020 – final negotiations with select purchasers; and
 - viii. May 28, 2020 – execute final agreement with purchaser.
25. The Sales Process outlined above is supported by BMO. In addition, it contemplates that potential purchasers will take over some portion of the leases and employees such that, even if this ultimately results in a sales process, and thus a liquidating proposal, the Proposal process will result in a benefit to more stakeholders than a bankruptcy.

26. The Proposal Trustee recognizes that the Sale Process has a compressed timetable. However, there is a limited and known buyer group for this industry and MNPCF have confirmed that the timetable will be sufficient time for interested parties to perform their due diligence. Given MNPCF's views that the suggested time, although short, is sufficient to market SNFW the proposed sales process is supported by BMO particularly given concerns as to the costs that continue to be incurred throughout the proposal period. In addition, to the extent landlords may be willing to provide rent relief, such concessions will likely be dependent on a quick process and some certainty for them going forward.
27. The Proposal Trustee is working with and has provided their assistance to the MNPCF when required. The Company has authorized the Proposal Trustee to be engaged and manage the Sales Process.
28. The Proposal Trustee is of the view that the marketability and value of the assets is significantly higher if the SNFW is sold as a going concern and not a liquidation. As such, the sales process currently engaged by the Company, will likely result in greater recovery and likelihood of a Proposal to the creditors than a liquidation of the SNFW assets in a bankruptcy.
29. SNFW are up to date with all of their filing and post-filing payment obligations to Canada Revenue Agency and have continued to meet their obligations under the Bankruptcy and Insolvency Act, including the filing of the required Cash Flow Statements.

V. CONCLUSION

30. The Proposal Trustee is of the opinion that:
 - a) their powers should be expanded to include managing a sales process on behalf of the Company and engaging the necessary consultants to do assist with this process;
 - b) SNFW continues to act in good faith and with due diligence in formulating a Proposal;
 - c) SNFW will have a greater likelihood of a higher recovery to creditors with a sales process, and will be able to provide a greater benefit to other stakeholders such as landlords and employees, and therefore the process will increase their ability to make a viable Proposal that is better than a bankruptcy;
 - d) a further 45-day extension should be granted; and

e) no creditor will be materially prejudiced if an extension is granted.

31. All of which is respectively submitted this 21st day of April 2020.

The Bowra Group Inc.

Trustee in the Matter of the Notice of Intention
to Make a Proposal of SNFW Fitness B.C. Ltd.

Per:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

Mario Mainella, CA, CIRP

APPENDIX “A”

NOTICE OF INTENTION TO MAKE A PROPOSAL DATED APRIL 3, 2020.



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of British Columbia
Division No. 03 - Vancouver
Court No. 11-2636604
Estate No. 11-2636604

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

SNFW FITNESS B.C. LTD.

Insolvent Person

THE BOWRA GROUP INC.

Licensed Insolvency Trustee

Date of the Notice of Intention: April 03, 2020

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 03, 2020, 19:52

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

Canada

APPENDIX “B”

LIST OF LEASED LOCATIONS

Club Name	Location type	Address	City
Cambie	Fitness World	555 West 12th Avenue	Vancouver
Kitsilano	Fitness World	200 - 2150 West Broadway	Vancouver
Coquitlam*	Fitness World	111-3000 Lougheed Highway	Coquitlam
Downtown	Fitness World	1214 Howe Street	Vancouver
Richmond	Fitness World	#305-7468 Lansdowne Road	Richmond
Langley	Fitness World	200-19925 Willowbrook Drive	Langley
Abbotsford	Fitness World	B200 - 3122 Mt. Lehman Road	Abbotsford
North Vancouver	Fitness World	1989 Marine Drive	North Vancouver
Surrey	Fitness World	13821 Central Avenue	Surrey
Lougheed	Fitness World	262-9855 Austin Avenue	Burnaby
Delta	Fitness World	100-7337 120 Street	Delta
Lonsdale	Fitness World	118 East 13th Street, Unit 200	North Vancouver
Marine Gateway	Fitness World	477 Interurban Way	Vancouver
Kingsway	Fitness World	5500 Kingsway	Burnaby
Express	Fitness World	1185 Georgia Street	Vancouver
Victoria	Fitness World	B101 - 3561 Blanshard Street	Victoria
Kelowna	Fitness World	170-1876 Cooper Road	Kelowna
Nanaimo	Fitness World	3200 N. Island Way	Nanaimo
Downtown SC*	Sports Club	610 Granville Street	Vancouver
Morgan Crossing SC	Sports Club	120 15850 26th Avenue	Surrey
Richmond SC	Sports Club	10251 St. Edwards Drive	Richmond
Park Royal SC	Sports Club	815 Park Royal North	West Vancouver
Yaletown SC	Sports Club	#200 - 1085 Homer St.	Vancouver
Brentwood SC*	Sports Club	4199 Lougheed Highway	Burnaby
UFC Edmonds	UFC Gym	7350 Edmonds St.	Burnaby
UFC North Vancouver	UFC Gym	1989 Marine Drive	North Vancouver
UFC Richmond	UFC Gym	6351 Westminster Highway	Richmond
UFC Coquitlam	UFC Gym	112-3000 Lougheed Highway	Coquitlam
Crunch Suter Brook	Crunch	220 Brew Street	Port Moody
Crunch Semiahmoo	Crunch	#120 1711 152nd Street	Surrey
Crunch Edmonds	Crunch	7350 Edmonds St.	Burnaby
Head Office	Head Office	149-10551 Shellbridge Way	Richmond

APPENDIX "C"

**DEMAND LETTER ISSUED BY BANK OF MONTREAL DATED APRIL 2, 2020 AND WAIVER
OF 10 DAY PERIOD BY SNFW FITNESS B.C. LTD.**

April 2, 2020

Delivered Via Courier
Sent Via E-mail

SNFW Fitness B.C. Ltd.
Suite 149 – 10551 Shellbridge Way
Richmond, BC V6X 2W9
Attention: Todd Ingledew

SNFW Fitness B.C. Ltd.
c/o Registered and Records Office
1600 – 925 West Georgia Street
Vancouver, BC V6C 3L2

Dear Sirs/Mesdames:

Re: Your Outstanding Indebtedness to Bank of Montreal, d.b.a. BMO Capital Partners (the "**Bank**")

We are the solicitors for the Bank with respect to the above-captioned matter. We are instructed that you are indebted to the Bank pursuant to certain credit facilities provided to you by our client. We are further instructed that, as at March 31, 2020, the total amount outstanding was \$8,416,065.90 (the "**Indebtedness**") the particulars of which are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Per Diem</u>	<u>Total</u>
Term Loan	\$8,338,377.74	\$77,688.16	\$2,506.07	\$8,416,065.90

As security for the Indebtedness, you have granted the following security (collectively, the "**Security**") in favour of the Bank:

- (a) a general security agreement, dated October 14, 2014;
- (b) a leasehold mortgage, dated October 14, 2014;
- (c) assignment of material agreements, dated October 14, 2014; and
- (d) assignment of insurance, dated October 14, 2014.

On behalf of our client, we hereby make demand upon you for payment of the Indebtedness. We also make demand upon you pursuant to the Security.

This letter is to advise you that unless payment of the Indebtedness, plus all applicable interest to the date of payment, plus legal costs, is made into this office by certified cheque or bank draft payable to Dentons

Lee International ► Kensington Swan ► Bingham Greenebaum ► Cohen & Grigsby ► Sayarh & Menjra ► Larrain Rencoret ► Hamilton Harrison & Mathews ► Mardemootoo Balgobin ► HPRP ► Zain & Co. ► Delany Law ► Dinner Martin ► For more information on the firms that have come together to form Dentons, go to dentons.com/legacyfirms

Canada LLP in trust, on or before the 14th day of April, 2020, legal proceedings, which may include enforcement of the Security and/or the appointment of a Receiver or a Receiver Manager, may be commenced against you without further notice.

Pursuant to the provisions of the *Bankruptcy and Insolvency Act*, we enclose a Notice of Intention to Enforce Security in the prescribed form.

All inquiries and payments should be directed to the attention of the writer to ensure that due credit is given immediately to your account.

Very truly yours,

Dentons Canada LLP

DocuSigned by:

FC55D6927B494C2

Jordan Schultz
Partner

JS/

Enclosure

BANKRUPTCY AND INSOLVENCY ACT

FORM 115

NOTICE OF INTENTION TO ENFORCE SECURITY

[Subsection 244(1)]

TO: SNFW FITNESS B.C. LTD., an insolvent person.

TAKE NOTICE THAT:

1. BANK OF MONTREAL, d.b.a. BMO CAPITAL PARTNERS, a secured creditor, intends to enforce its security on the property of the insolvent person described below:

- (a) all present and after acquired personal property; and
- (b) real property leasehold interests.

2. The security that is to be enforced is in the form of:

- (a) a General Security Agreement, dated October 14, 2014, notice of which was registered in the British Columbia Personal Property Registry under base registration numbers 326585F, 228848I and 231505I;
- (b) a Leasehold Mortgage, dated October 14, 2014, registered in the New Westminster Land Title Office under registration nos. CA4016512 and CA4016513;
- (c) an Assignment of Material Agreements, dated October 14, 2014; and
- (d) an Assignment of Insurance, dated October 14, 2014.

3. The total amount of indebtedness secured by the security is \$8,416,065.90 as at March 31, 2020, plus costs and interest which continues to accrue.

4. The secured creditor will not have the right to enforce the security until after the expiry of the 10 day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.

DATED at Vancouver, British Columbia this 2nd day of April, 2020

BANK OF MONTREAL, d.b.a. BMO CAPITAL PARTNERS

DocuSigned by:
Jordan Schultz
FC55D9927B404C2...

DENTONS CANADA LLP, solicitors for
BANK OF MONTREAL, d.b.a. BMO CAPITAL PARTNERS

THE UNDERSIGNED hereby consents to BANK OF MONTREAL, d.b.a. BMO CAPITAL PARTNERS, enforcing its security prior to the expiry of the 10 day notice period described herein.

DATED THIS 2 day of April, 2020.

SNFW FITNESS B.C. LTD.

Per:

Chris Smith
Authorized Signatory

Chris Smith

APPENDIX “D”

**COPY OF THE SNFW FITNESS B.C. LTD. CASH FLOW FOR THE PERIOD APRIL 6, 2020
TO JUNE 28, 2020.**

In the Matter of the Notice of intention to File a Proposal of SNFW Fitness B.C. Ltd.
Cash Flow Forecast
For the Period of April 6, 2020 to June 28, 2020

Week Ending													TOTAL
4/12/2020	4/19/2020	4/26/2020	5/3/2020	5/10/2020	5/17/2020	5/24/2020	5/31/2020	6/7/2020	6/14/2020	6/21/2020	6/28/2020		
-	300,000	-	70,000	275,000	40,000	-	80,000	275,000	51,000	-	80,000	1,171,000	
-	300,000	-	70,000	275,000	40,000	-	80,000	275,000	51,000	-	80,000	1,171,000	
-													
-	42,000	-	42,000	-	42,000	-	42,000	-	42,000	-	42,000	252,000	
-	50,000	-	-	36,000	-	-	-	36,000	-	-	-	122,000	
-	18,720	-	-	18,720	-	-	-	18,720	-	-	-	56,160	
-	12,500	-	12,500	-	12,500	-	12,500	-	12,500	-	12,500	75,000	
-	-	10,000	-	-	-	-	-	-	-	-	-	10,000	
-	5,000	-	1,000	-	-	1,000	-	-	1,000	-	-	8,000	
-	15,000	-	-	15,000	-	-	-	15,000	-	-	-	45,000	
-	26,000	-	-	26,000	-	-	-	26,000	-	-	-	78,000	
-	3,000	-	-	3,000	-	-	-	3,000	-	-	-	9,000	
-	75,000	-	-	165,000	-	-	-	175,000	-	-	-	415,000	
-	25,000	-	25,000	-	-	-	25,000	-	-	-	25,000	100,000	
-	272,220	10,000	80,500	263,720	54,500	1,000	79,500	273,720	55,500	-	79,500	1,170,160	
-	27,780	(10,000)	(10,500)	11,280	(14,500)	(1,000)	500	1,280	(4,500)	-	500	840	
-	-	27,780	17,780	7,280	18,560	4,060	3,060	3,560	4,840	340	340	-	
-	27,780	17,780	7,280	18,560	4,060	3,060	3,560	4,840	340	340	840	840	

In the Matter of the Notice of Intention to File a Proposal of SNFW Fitness B.C. Ltd.
Cash Flow Forecast
For the Period of April 6, 2020 to June 28, 2020

Notes to the Cash Flow Forecast

- 1 Payroll consists of key staff identified and engaged to protect the Company's assets and minimize business risk. The cost for staff consists of the following:
- 2 Utilities consists of the estimated utilities costs to maintain and manage the Company's facilities.
- 3 Security fees are for the camera costs for all of the Company's facilities.
- 4 Employee expenses are out of pocket costs paid by current employees
- 5 Computer IT services estimated costs for HubSpot , Ceridian, Internet and other IT services.
- 6 Lease facility payments are not included and it is assumed that Landlords will cooperate with non-payment during this period