

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.

SECOND REPORT TO COURT OF THE PROPOSAL TRUSTEE

June 12, 2020

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

Proposal Trustee's Second Report to Court

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I. INTRODUCTION

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**.
2. The Company sought and was granted an Order extending the stay of proceedings under the NOI to June 17, 2020 from the Supreme Court of British Columbia on April 24, 2020. A copy of the Order for the extension of the stay of proceedings is attached as **Appendix B**.
3. On April 24, 2020 the Company obtained an Order approving a process for the sales and solicitation of the assets and undertakings of SNFW (the “**Sales Process**”). The Sales Process Order is attached as **Appendix B**.
4. This is the Proposal Trustee’s second report to Court.

Purpose of This Report

5. The purpose of this report is to update the Court with respect to the:
 - i. Sales Process;
 - ii. The Company’s request to seek an extension of the current stay of proceedings; and
 - iii. Conduct of the Company.

Background

6. SNFW was established through a merger in 2009 between Fitness World and Steve Nash Sports Clubs.
7. 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.
8. 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.

9. 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 were scheduled to open in July 2020.
10. 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.
11. 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.
12. SNFW offers fitness facilities for personal use, fitness group classes, personal training and, in certain locations, mixed martial arts training.

Financial Difficulties

13. 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.
14. 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.
15. 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

16. 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.

17. 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*.
18. As at April 3, 2020, per the SNFW records, the amount owed to unsecured creditors was approximately \$12 million including amounts for prepaid membership and prepaid personal training. This amount does not include any amounts owing to the various landlord's with respect to April 1, 2020 rent that was not paid or employee severance.

II. LANDLORDS

19. SNFW filed an NOI on April 3, 2020. The rent due April 1, 2020 was not paid.
20. The Company has not paid either the May or June 2020 rent due to the COVID-19 shutdown.
21. The Company and Proposal Trustee have been working with and keeping the landlords informed of the Sales Process and timing.
22. Understandably, all of the landlords would like to be paid their lease payments, however, given the COVID 19 shutdown, all landlords, except for one, have not taken any action.
23. One landlord has formally terminated their lease with SNFW, but has allowed the Company to keep their assets in their facility. This is on the understanding the assets may be removed at a later date if a purchaser is unsuccessful at negotiating a new lease with this landlord.

III. SALES PROCESS

24. On April 24, 2020, the Company obtained a Sales Process Order from the Supreme Court of British Columbia.
25. The Proposal Trustee will be filing a further report on the sales process, and its results once the application for approval of sale and a vesting order is set down. Since the results are relevant to the application for a further extension as being sought by the Company, a summary is included in this report, which is not intended to be exhaustive.

Timeline

26. The Proposal Trustee engaged MNP Corporate Finance (“**MNPCF**”) to conduct the Sales Process with the following original timeline:
- 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 29, 2020 – select successful bid.
27. On the bid offer date of May 20, 2020, three offers were received with a further party advising MNPCF that they required additional time to submit a bid.
28. The bids received were evaluated and it was determined that none of the bids were acceptable as presented. Accordingly, and given the discretion contained in the Sales Process Order to do so, MNPCF and the Proposal Trustee (with the consent of BMO) directed the Company to extend the bid deadline to May 29, 2020 and the deadline for selection of a successful bid to June 5, 2020. All Potential Bidders (as defined in the Sales Process) were advised of the extensions and given the option to withdraw or resubmit their bids during the extended period.

29. On June 5, 2020, MNPCF and the Proposal Trustee (in consultation with BMO) determined additional time was needed further time to evaluate the bid submissions. Accordingly, the time to select a successful bid was further extended to June 8, 2020.

Summary of Results

30. MNPCF contacted 53 parties that were either operators or were financing the fitness industry.
31. Of the parties contacted:
- i. 16 signed non-disclosure agreements and accessed the data room;
 - ii. 7 entered into discussions with MNPCF;
 - iii. 3 submitted bids by May 20, 2020;
 - iv. 4 re-submitted (1 of which was new) bids by May 28, 2020; and
 - v. The successful bidder notified on June 8, 2020.
32. The successful bidder and the Company are currently drafting a definitive purchase and sale agreement, and ancillary agreements as will be required to complete the sales transaction.
33. The successful bidder has retained counsel, and is currently:
- i. setting up a new corporate structure;
 - ii. negotiating leasing terms with the landlords. It is not known at this time if all of the landlords will agree to amended leasing terms, or an assignment of the existing leases, on the go forward. The Proposal Trustee believes there will be certain locations that will be disclaimed by the Company or terminated by the respective landlord, however it is not known at this time how many;
 - iii. negotiating with BMO as to certain terms of the bid that require BMO's consent;
 - iv. confirming what tradenames, licenses, and intellectual property it wishes to have assigned to it, and negotiating with any licence holders as may be necessary; and

- v. determining how many employees it will be able to offer employment too, which is largely dependent upon the results of the negotiations with the landlords and determination of how many facilities can be re-opened.
34. As noted, the transaction which is the subject of the accepted bid, as will be reflected in the final definitive documents, and will be the subject of a later application for court approval, and vesting order.
35. In order for the above to be achieved, the Company requires an extension of the current stay of proceedings under the NOI.

IV. EFFORTS TO FORMULATE A PROPOSAL

36. SNFW is not in a position to make a proposal to its creditors by the time the current stay of proceedings expires on June 17, 2020.
37. The Sales Process as described above requires additional time to document the purchase and sale, negotiate with landlords, determine staffing needs to start engaging employees, and seek Court Approval. Accordingly, the Company requires an extension of the stay of proceedings to complete the contemplated sale of the assets.
38. Based on the results of the Sales Process, and that the realization from the bid process is insufficient to payout the Bank's secured debt, the Company will likely not make a Proposal to its creditors.
39. Nonetheless, the Proposal Trustee supports an extension of the stay of proceedings because unsecured creditors will benefit more from a sales transaction completed in these proceedings versus a liquidation in a bankruptcy, for the following reasons
- i. The successful bidder has indicated that they will honour SNFW prepaid memberships and SNFW prepaid personal training sessions credits at their fitness facilities, and are working on the terms for doing so;
 - ii. Depending upon the locations that can be re-opened, it is anticipated that approximately 65% of SNFW former employees will be offered employment; and
 - iii. The majority of the landlords, subject to mutually agreed upon terms, will have a long term tenant rather than be faced with vacant premises in which are uncertain times due to COVID-19.
40. In addition, the largest single creditor affected by an extension is BMO. BMO is

providing SNFW with the necessary funds for these proceedings including the Sales Process, and supports an extension in order for the sale transaction to be approved by the court, and the sale consummated.

41. A copy of the cash flow filed of SNFW for the period April 6, 2020 to July 31, 2020 is attached as **Appendix C**.

V. CONCLUSION

42. The Proposal Trustee is of the opinion that:
- i. SNFW continues to act in good faith and with due diligence in order to complete a sales transaction, that will provide a benefit to a number of groups of unsecured creditors and stakeholders, which they would not otherwise realize;
 - ii. A further 45-day extension should be granted; and
 - iii. No creditor will be materially prejudiced if an extension is granted except for BMO and BMO supports an extension.
43. All of which is respectively submitted this 12th day of June 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:



Mario Mainella, CA, CIRP

APPENDIX A

Notice of Intention to make a Proposal dated April 3, 2020

APPENDIX B

Sales Process Order and Extension of Notice of Intention dated April 24, 2020

the Sales Process for and on behalf of the Company, including without limitation the following:

- (a) enter into, and perform all of the Company's obligations under, an engagement agreement with MNP Corporate Finance Inc. (the "**Financial Advisor**" or "**MNP**");
- (b) execute, assign, issue and endorse documents of whatever nature in connection with the Sales Process, whether in the Proposal Trustee's name or in the name and on behalf of the Company, for any purpose pursuant to this Order;
- (c) market any or all of the Property pursuant to and in accordance with the Sales Process, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Proposal Trustee considers appropriate; and
- (d) apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers, free and clear of any liens or encumbrances.

and in each case where Proposal Trustee takes any such actions or steps, it shall be authorized and empowered to do so, and in the event of conflict between the actions or steps taken or proposed to be taken by the Proposal Trustee and the Company, or opinion as to how any of the above shall be undertaken or proposed to be undertaken, the actions, steps and opinion of the Proposal Trustee shall prevail.

5. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5 or Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, the Company, the Proposal Trustee and the Financial Advisor may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors (collectively, "**Potential Bidders**"), but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Proposal Trustee, or in the alternative destroy all such information and provide proof of same. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner

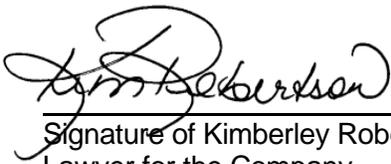
which is in all material respects identical to the prior use of such information by the Company, and shall return all other personal information to the Proposal Trustee, or ensure that all other personal information is destroyed, and provide proof of same.

6. From and after the date of this Order, all communications and information requests made by Potential Bidders will be made to the Financial Advisor or the Proposal Trustee.
7. Except upon request by, or with the consent of, the Proposal Trustee or the Financial Advisor, no director, officer or employee of the Company shall engage in any communications with any Potential Bidder regarding the Sales Process, and actual or potential bid for the assets of the Company, or any other matter relating to the Sale Process.
8. The Financial Advisor and Proposal Trustee shall incur no liability or obligation as a result of it carrying out the Sales Process, save and except in the event of any gross negligence or willful misconduct on its part.

GENERAL

9. The Company or the Proposal Trustee may, from time to time, apply to this Honourable Court for advice and directions in connection with the Sales Process or the discharge of their powers and duties hereunder.
10. Endorsement of this Order by counsel appearing on this application, other than counsel for the Company, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Kimberley Robertson
Lawyer for the Company

By the Court.

Registrar

Schedule "A"

(List of Counsel)

| Name of Counsel | Appearing For |
|------------------------|---|
| Jordan Schultz | Bank of Montreal |
| Colin Gusikoski | Employee Groups making up the Plaintiffs and proposed class members contemplated in BCSC Vancouver Registry Actions No. S197593 and S203844 |
| Brad Kielmann | Anticipated SNFW B.C. Ltd. Club Membership Group of Creditors |
| | |
| | |
| | |
| | |

SCHEDULE “B”

SALES PROCESS

On April 3, 2020, SNFW Fitness B.C. Ltd. (“SNFW” or the “**Company**”) filed a notice of intention file a proposal in bankruptcy (the “**NOI**”) under the *Bankruptcy and Insolvency Act* (the “**BIA**”).

The Sales Process Order and this Sales Process shall exclusively govern the process for soliciting and selecting bids for the sale of all or substantially all of the assets or business of the Company.

Unless otherwise indicated, any event occurring on a day that is not a Business Day shall be deemed to occur on the next Business Day.

Defined Terms

“Bid Package” means the package of information to be provided by the Financial Advisor to each Potential Bidder, which shall describe the opportunity to acquire all or substantially all of the Company Property or to invest in the Company;

“Business Day” means any day other than (a) a Saturday or Sunday; or (b) a day that is a statutory holiday in Vancouver, British Columbia;

“Financial Advisor” means MNP Corporate Finance Inc.;

“Company Business” means the business carried on by the Company;

“Company Property” means the property, assets and undertakings of the Company;

“Court” means the Supreme Court of British Columbia;

“Proposal Trustee” means The Bowra Group Inc.;

“Sale Proposal” means an offer or proposal to purchase all or substantially all, or any specified portion, of the Company Property or the Company Business;

“Sales Process” means this Sales Process;

“Sales Process Order” means the Order of the Court approving this Sales Process and making other orders and directions with respect thereto;

Solicitation Process

1. This Sales Process describes, among other things, the Company property, assets and undertakings available for sale, the manner in which prospective bidders may gain access

to or continue to have access to due diligence materials concerning the Company, the manner in which bidders and bids become Qualified Bidders and Qualified Bids, respectively, the receipt and negotiation of bids and investment offers received, the ultimate selection of one or more Successful Bids, and the approval thereof by the Court (collectively, the “**Sales Process**”).

2. The Financial Advisor, acting as agent on behalf of the Company, and with the assistance of the Company and the Proposal Trustee, shall conduct the Sales Process. In addition, the closing of any sale transaction may involve additional intermediate steps or transactions to facilitate consummation of such sale or investment, including additional Court filings.
3. In the event that there is a disagreement or clarification required as to the interpretation or application of this Sales Process or the Sales Process Order or the responsibilities the Financial Advisor or Proposal Trustee thereunder, the Court will have the jurisdiction to hear such matters and provide advice and directions upon the application of the Financial Advisor or Proposal Trustee with a hearing on no less than two (2) Business Days’ notice.

“As Is, Where Is”

4. The sale of the Company Property will be on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature or description by Company, the Financial Advisor, or any of their agents, advisors, professionals or otherwise, except to the extent expressly set forth in any relevant Purchase Agreement or Investment Agreement.

“Free of any and all Claims and Interests”

5. In the event of a sale, all of the rights, titles and interests of Company in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, royalties and interests thereon and there against (collectively, the “**Claims and Interests**”) pursuant to approval and vesting orders made by the Court. Contemporaneously with such approval and vesting orders being made, all such Claims and Interests, to the extent valid and enforceable, shall attach to the net proceeds of the sale of such property (without prejudice to any claims or causes of action regarding priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

Solicitation of Interest

6. As soon as reasonably practicable, the Proposal Trustee and the Financial Advisor will finalize a list of potential bidders (the “**Known Potential Bidders**”) for an investment in the Company or the purchase of some or all of the Company Business or the Company Property. Such list will include both strategic and financial parties who, in the Financial Advisor’s reasonable business judgment, may be interested in acquiring the Company

Business or the Company Property.

7. By **April 24, 2020** the Financial Advisor shall deliver a summary and teaser of the assets being offered for sale to the Known Potential Bidders, along with a copy of this Sales Process and a blank confidentiality and non disclosure agreement (the “**NDA**”) in form and substance acceptable to the Financial Advisor and the Proposal Trustee, which shall inure to the benefit of the Company and any purchaser of the Company Business or Company Property.

Participation Requirements

8. Unless otherwise ordered by the Court, in order to receive the Bid Package, conduct its due diligence and participate in the Sales Process, an interested party must deliver to the Financial Advisor and the Proposal Trustee an executed NDA, and upon doing so each such interested party shall be deemed to be a “**Potential Bidder**”.

Due Diligence

9. The Financial Advisor will provide to each Potential Bidder a Bid Package, including a confidential information memorandum prepared in consultation with the Company, describing the opportunity to acquire all, or substantially all, of the Company Business or the Company Property, or to invest in the Company.
10. Each Potential Bidder shall have such access to materials and information relating to the Company Property and the Company Business for the purpose of conducting due diligence as the Proposal Trustee and the Financial Advisor, in their collective reasonable business judgment, deem appropriate. The Company, the Proposal Trustee and the Financial Advisor shall not be obligated to furnish any due diligence information after the Bid Deadline.
11. The Company, the Proposal Trustee and the Financial Advisor (and their respective officers, directors, employees, agents, counsel and professionals) are not responsible for, and will have no liability with respect to, any information obtained by any Known Potential Bidder, Potential Bidder or Qualified Bidder in connection with the Company Business or the Company Property. The Company, the Proposal Trustee and the Financial Advisor (and their respective officers, directors, employees, agents, counsel and professionals) do not make any representations or warranties whatsoever as to the information or the material provided, except in the case of the Company to the extent expressly provided.
12. Prior to the Bid Deadline, the Proposal Trustee and the Financial Advisor may engage in discussions with any or all of the Potential Bidders to determine and explore the level of interest of any such Potential Bidder and may request from any such Potential Bidder such further information as the Company and the Financial Advisor may deem appropriate.

Sale Bidding Process

13. In order to qualify as a “**Qualified Bidder**”, a Potential Bidder must deliver a Qualified Bid to the Notice Parties **so as to be received by the Notice Parties no later than May 20, 2020** (the “**Bid Deadline**”).
14. A Sale Proposal will be considered a “**Qualified Bid**” only if the Sale Proposal complies with all of the following:
 - a. It includes a letter stating that the Sale Proposal is irrevocable until the earlier of (a) the approval by the Court of a Successful Bid; and (b) 30 days following the Bid Deadline; provided however that if such Sale Proposal is selected as the Successful Bid it shall remain irrevocable until the closing of the Successful Bid;
 - b. It includes a duly authorized and executed purchase and sale agreement (the “**Purchase Agreement**”) specifying the assets being purchased, the purchase price, how the purchase price is to be paid, and requiring a closing of the purchase transaction no later than **15 business days** after court approval together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Bidder with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such ancillary agreements), such ancillary agreements and the proposed orders to approve the sale by the Court;
 - c. It does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment;
 - d. It includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Financial Advisor, in consultation with the Proposal Trustee, to allow the Financial Advisor to make a reasonable determination as to the Potential Bidder’s (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Sale Proposal;
 - e. It is not conditioned on (i) the outcome of unperformed due diligence by the Potential Bidder; and/or (ii) obtaining any financing and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to making its Sale Proposal;
 - f. It fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Sale Proposal, including the identification of the Potential Bidder’s direct and indirect owners and their principals, and the complete terms of any such participation;

- g. It includes an acknowledgement and representation that the Potential Bidder will assume the obligations of the Company under any executory contracts and unexpired leases proposed to be assigned and, to the extent applicable, contains full details of the Potential Bidder's proposal for the treatment thereof; and it identifies with particularity any executory contract or unexpired leases the assumption and assignment of which is a condition to closing;
- h. It includes an acknowledgement and representation that the Potential Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents, information and other due diligence materials, and/or the assets to be acquired and liabilities to be assumed in making its Sale Proposal; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by the Company, the Proposal Trustee or the Financial Advisor (and their respective officers, directors, employees, agents, counsel and professionals), except as expressly stated in the Purchase Agreement submitted by it; (iii) is a sophisticated party capable of making its own assessments in respect of making its Sale Proposal; and (iv) has had the benefit of independent legal, tax, accounting and other relevant professional advice in connection with its Sale Proposal;
- i. It includes evidence, in form and substance reasonably satisfactory to the Financial Advisor and the Company, of authorization and approval from the Potential Bidder's board of directors (or comparable governing body), with respect to the submission, execution, delivery and closing of the transaction contemplated by the Sale Proposal;
- j. It is accompanied by a refundable deposit (the "**Deposit**"), in form and amount acceptable to the Financial Advisor and the Proposal Trustee, to be held in accordance with paragraph 25 hereof;
- k. If the Potential Bidder is an entity newly formed for the purpose of the transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the Proposal Trustee and the Financial Advisor, that names the Company as third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor;
- l. It includes evidence, in form and substance reasonably satisfactory to the Proposal Trustee and the Financial Advisor, of compliance or anticipated compliance with any and all applicable regulatory approvals (including, if applicable, anti-trust regulatory approval) or the anticipated time frame for such compliance and any outstanding conditions or anticipated impediments for obtaining such approvals; and

- m. It contains any other information reasonably requested by the Proposal Trustee or the Financial Advisor.
15. Notwithstanding paragraphs 13 and 14 hereof, the Financial Advisor and the Proposal Trustee may waive compliance with any one or more of the Qualified Bid requirements specified above, and deem such non-compliant bids to be Qualified Bids.

No Qualified Bids

16. The Financial Advisor, in consultation with the Proposal Trustee, will assess the Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with this Sales Process is in the best interests of the Company and its stakeholders. Such assessments will be made as promptly as practicable but no later than five (5) Business Days after the Bid Deadline.
17. If the Proposal Trustee and the Financial Advisor, in accordance with paragraph 16 above, determine that (a) no Qualified Bid was received, (b) at least one Qualified Bid was received but it is not likely that the transactions contemplated in any such Qualified Bids will be consummated; or (c) proceeding with this Sales Process is not in the best interests of the Company and its stakeholders, the Proposal Trustee shall forthwith (i) terminate this Sales Process; (ii) notify each Potential Bidder (including any Qualified Bidder(s)) that this Sales Process has been terminated; (iii) consult with the Company's stakeholders regarding the Company's next steps; and (iv) report to the Court if it considers it appropriate to do so.
18. If the Proposal Trustee and the Financial Advisor, in accordance with paragraph 16 above, determine that (a) one or more Qualified Bids were received, (b) it is likely that the transactions contemplated by one or more of such Qualified Bids will be consummated, and (c) proceeding with this Sales Process is in the best interests of the Company and its stakeholders, this Sales Process will not be terminated and the Company, the Proposal Trustee and the Financial Advisor, will proceed to negotiate with one or more of the Qualified Bidders in an attempt to conclude a transaction.

Selection Criteria

19. In selecting any bid, the Proposal Trustee and the Financial Advisor will review each Qualified Bid. In determining the highest and best offer among Qualified Bids, a single Qualified Bid for all or substantially all of the Company Property and/or Company Business generally will be viewed as preferable to a combination of Qualified Bids.
20. Evaluation criteria with respect to any Qualified Bid may include, but are not limited to, items such as (a) the purchase price and the net value, including assumed liabilities or other obligations to be performed or assumed by the bidder, provided by such bid; (b) the claims likely to be created by such bid in relation to the other bids; (c) the counterparties to the transaction; (d) the terms of the proposed Purchase Agreement and other

- transaction documents; (e) other factors affecting the speed, certainty and value of the transaction, including conditions and any regulatory approvals required to close the transaction; (f) the assets included or excluded from the bid and the transaction costs and risks associated with closing multiple transactions versus a single transaction for all or substantially all of the Company Property and/or the Company Business; (g) the estimated number of employees of the Company that will be offered post-closing employment by the bidder and any proposed measures associated with their continued employment; (h) the transition services required from the Company post-closing and any related restructuring costs; and (i) the likelihood and timing of consummating the transaction.
21. Upon the conclusion of the bidding, the Proposal Trustee and the Financial Advisor will identify the highest or otherwise best Qualified Bid received (such offer, the “**Successful Bid**”, and the Qualified Bidder(s) who made the Successful Bid is the “**Successful Bidder**”). By **May 29, 2020** the Financial Advisor will notify the Qualified Bidders of the identities of the Successful Bidder.
 22. The Proposal Trustee, for and on behalf of the Company, shall finalize any further ancillary or definitive documents required to fulfil the obligations set out in the purchase agreement in respect of the Successful Bid, if any, conditional upon the approval of the Court.
 23. All Qualified Bids (other than the Successful Bid) shall be deemed rejected by the Company on and as of the date of approval of the Successful Bid by the Court.

Approval Hearing

24. Within **five Business Days** of the date of the definitive agreement(s) with the Successful Bidder), the Company shall seek a hearing to be held on a date, no later than **June 15, 2020**, or such other date as the court may assign, (the “**Approval Hearing**”) to authorize the Company to enter into an agreement with the Qualified Bidder or in respect to the Successful Bid (the “**Approval Order**”). The Approval Hearing may be adjourned or rescheduled by the Proposal Trustee, in consultation with the Company and the Financial Advisor, without further notice, by notice to the service list maintained by the Company.

Deposits

25. All Deposits shall be retained by the Financial Advisor and invested in an interest bearing trust account in a Schedule I Bank in Canada. Upon closing of the transaction with the Successful Bidder, the Deposit (plus accrued interest) paid by the Successful Bidder shall be released by the Financial Advisor to the Company (and/or to other third parties as otherwise directed by Court Order) and applied to the purchase price to be paid by the Successful Bidder. The Deposits (plus applicable interest) of all Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within **five Business Days** of the date upon which the Successful Bid is approved by the Court. If the this Sales Process is terminated in accordance with the terms in this document, all Deposits

shall be returned to the bidders within **five Business Days** of the date upon which it is determined that this Sales Process is terminated.

26. If the Successful Bidder breaches its obligations to close, it shall forfeit its Deposit to the Company, provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Company has against such breaching entity, and the party holding the deposit shall be obligated to release the funds to the Company, subject to the claims of the Company's creditors.

Approvals

27. For greater certainty, the approvals required pursuant to the terms of this Sales Process are in addition to and not in substitution for any other approvals required by the BIA or any other statute or are otherwise required at law in order to implement a definitive agreement with a Successful Bidder, as the case may be.

Notice Parties

28. As used herein, the "**Notice Parties**" are, collectively, the Proposal Trustee and the Financial Advisor. The addresses to be used for delivering documents to the Notice Parties are as follows:

The Bowra Group Inc.

505 Burrard St #430, Vancouver, BC V7X 1M3

Attention: Mario Mainella

Email: mmainella@bowragroup.com

MNP Corporate Finance Inc.

1021 West Hastings, Suite 2200, Vancouver, BC V6E0C3

Attention: Aleem Bandali

Email: Aleem.Bandali@mnp.ca

29. A bid shall be delivered to all Notice Parties at the same time by electronic mail, personal delivery or courier.

Reservation of Rights

30. The Company, at the direction of the Proposal Trustee and the Financial Advisor, and not in its sole discretion:
- a. may reject, at any time any bid that is (i) inadequate or insufficient; (ii) not in conformity with the requirements of the BIA, this Sales Process or any orders of the Court applicable to the Company; and/or (iii) contrary to the interests of the Company, its estate or stakeholders, as determined by the Company and the Financial Advisor;

- b. in accordance with the terms hereof, may impose additional terms and conditions and otherwise seek to modify this Sales Process at any time in order to maximize the results obtained;
 - c. in accordance with the terms hereof, may accept bids not in conformity with this Sales Process to the extent that the Company and the Financial Advisor determine, in their reasonable business judgment, that doing so will benefit the Company, its estate and its stakeholders; and,
 - d. extend the deadlines contained in this Sales Process, provided that the Bid Deadline shall not be extended beyond May 29 2020.
31. At or before the Approval Hearing, the Proposal Trustee may impose such other terms and conditions in the negotiation of a Purchase Agreement, as applicable, as the Proposal Trustee may, in consultation with the Company and Financial Advisor, determine to be in the best interest of the Company and its stakeholders, provided that such terms and conditions are not inconsistent with this Sales Process.
32. This Sales Process does not, and shall not be interpreted to, create any contractual or other legal relationship between the Company, the Proposal Trustee, the Financial Advisor and any other party, other than as specifically set forth in definitive agreements that may be executed by the Company.

No Amendment

33. Except as provided herein, there shall be no amendments to this Sales Process, including for greater certainty the process and procedures set out in this document, without the prior written consent of the Proposal Trustee unless otherwise ordered by the Court upon application and appropriate notice.

Further Orders

34. At any time during this Sales Process, the Company, the Proposal Trustee or the Financial Advisor may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.

COURT NO.B200193
ESTATE NO.11-2626604
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

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

ORDER MADE AFTER APPLICATION



Barristers and Solicitors
1600 Cathedral Place
925 West Georgia Street
Vancouver, British Columbia V6C 3L2
Phone: (604) 685-3456
Attention: Kimberley A. Robertson

APPENDIX C

**Copy of the SNFW Fitness B.C. Ltd. Cash Flow for the Period April 6, 2020 to June
July 31, 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 3, 2020 to July 31, 2020

| | Actual | Forecast - Week Ended | | | | | | | TOTAL | |
|-------------------------------------|------------------------------|-----------------------|----------|---------|---------|----------|---------|---------|-----------|-------------------|
| | April 3, 2020 - June 7, 2020 | 14-Jun | 21-Jun | 28-Jun | 5-Jul | 12-Jul | 19-Jul | 26-Jul | 31-Jul | Actual + Forecast |
| Receipts | | | | | | | | | | |
| Advances from secured creditor | 411,757 | 100,000 | 150,000 | 200,000 | 275,000 | | 250,000 | 150,000 | | 1,536,757 |
| Total Receipts | 411,757 | 100,000 | 150,000 | 200,000 | 275,000 | - | 250,000 | 150,000 | - | 1,536,757 |
| Disbursements | | | | | | | | | | |
| Payroll | 170,554 | 42,000 | - | 42,000 | 42,000 | - | 42,000 | 42,000 | - | 380,554 |
| Utilities | 55,231 | - | - | - | - | - | - | - | - | 55,231 |
| Member Management Licensing Fee | 40,184 | - | - | - | - | - | - | - | - | 40,184 |
| Security and Moving Costs | 4,155 | 12,500 | 20,000 | 12,500 | 35,000 | 20,000 | 12,500 | 12,500 | - | 129,155 |
| Member Refunds | 35,424 | - | - | - | - | - | - | - | - | 35,424 |
| EE Expenses | 1,789 | 1,000 | - | - | 1,000 | - | - | 1,000 | - | 4,789 |
| Computer - IT Services | 28,325 | - | - | - | - | - | - | - | - | 28,325 |
| Insurance | 72,090 | - | - | - | - | - | - | - | - | 72,090 |
| Vehicle leases | 4,006 | - | - | - | - | - | - | - | - | 4,006 |
| Professional fees | - | - | 150,000 | 100,000 | 200,000 | - | 150,000 | - | 100,000 | 700,000 |
| Contingency | - | - | - | 25,000 | - | - | 25,000 | 25,000 | - | 75,000 |
| Total Disbursements | 411,757 | 55,500 | 170,000 | 179,500 | 278,000 | 20,000 | 229,500 | 80,500 | 100,000 | 1,524,757 |
| Net Cash Flow for the Period | - | 44,500 | (20,000) | 20,500 | (3,000) | (20,000) | 20,500 | 69,500 | (100,000) | 12,000 |
| Opening Cash Balance | - | - | 44,500 | 24,500 | 45,000 | 42,000 | 22,000 | 42,500 | 112,000 | - |
| Ending Cash Balance | - | 44,500 | 24,500 | 45,000 | 42,000 | 22,000 | 42,500 | 112,000 | 12,000 | 12,000 |

Notes

- 1 Assumes that the sales transaction closes before the end of July 2020
- 2 Cash flows do not include payments for lease facilities