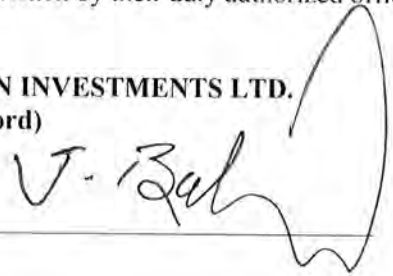


IN WITNESS WHEREOF the parties hereto have duly executed this Lease Assignment, Amendment and Extension Agreement as of the day and year first above written by their duly authorized officers.

**TESLIN INVESTMENTS LTD.**  
**(Landlord)**

Per: \_\_\_\_\_

A handwritten signature in black ink, appearing to read "J. Bah", is written over a horizontal line. The signature is enclosed within a large, hand-drawn oval shape.

**165640 ALBERTA LTD.**  
**(Original Tenant)**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

**INTERNATIONAL FITNESS HOLDINGS INC.**  
**(Tenant)**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Dated: November 9, 2019 but with effect as of January 1, 2020,

---

Among:

**TESLIN INVESTMENTS LTD.**

and

**165640 ALBERTA LTD.**

and

**INTERNATIONAL FITNESS HOLDINGS INC.**

---

**LEASE ASSIGNMENT, AMENDMENT AND  
EXTENSION AGREEMENT**

---

WITTEN LLP  
Barristers & Solicitors  
2500 - 10303 Jasper Avenue  
Edmonton, Alberta T5J 3N6

File No.: 110806-9 RAS

This is **Exhibit "I"** referred to in the Affidavit No. 4 of Peter Melynychuk sworn before me at the City of Calgary, in the Province of Alberta this 3 day of June, 2021.

DocuSigned by:

*Natasha Doelman*

9711DB88B283D412  
Commissioner for Oaths in and for the  
Province of Alberta

**NATASHA DOELMAN**  
BARRISTER & SOLICITOR

GYMVMT

HER  
GYMVMT

Bankers Hall  
Club

CLUBFIT

June 22, 2020

Mr. Jeffrey Baker  
TESLIN INVESTMENTS LTD.

Via email: [jeffbaker@telus.net](mailto:jeffbaker@telus.net)  
cc: Dave Brown [dave@coremanagement.ca](mailto:dave@coremanagement.ca)

Dear Jeff and Dave,

**Re: CLUBFIT Glenora Rent Relief Proposal**

---

Thank you both for taking the time to connect over the phone. Again, we offer our appreciation for your patience during the past three months as we navigated through the COVID19 pandemic.

As discussed, we plan to reopen all our fitness clubs on June 26<sup>th</sup> and welcome back our staff and members. Once we are back in operation, we expect our revenues will be lower due to membership cancellations, loyalty credits and limited capacity to meet mandated social distancing requirements.

We have checked with our professional advisors and received feedback from CMHC that we meet the eligibility requirements for the Canada Emergency Commercial Rent Assistance (CECRA). Since the start of COVID-19, we have taken all possible actions to help our financial situation. Despite our best efforts, we require this assistance to meet our rent obligations.

At this time during the mandated closure, we have paid the following rents representing 25% gross rents:

- April 2020 \$9,443.45 - May 2020 \$9,443.45 - June 2020 \$9,443.45

At this time, we propose the following rent relief plan and look to you for guidance once you file for CECRA.

- As our landlord, you would apply for CECRA and under the terms of the program reduce the gross rent retroactively by 75% for the months of April and May and June.
- WHN LP pays 50% gross rent for the months of July, August and September 2020
- WHN LP pays 100% gross rent for months October, November and December 2020
- Deferred repayment of 50% gross rents for July, August and September to be paid starting in 2021 and amortized over the course of the of the lease, interest free, based on the assumption that we sign a long term agreement.
- Should the CECRA program be extended, we will continue to pay the 50% gross rents for July, August and September, with the excess amount of 25% to be applied towards deferred amounts owing.

We value your understanding and will make every effort to work towards a mutual agreement.

I look forward to hearing from you.

Sincerely,



Peter Melnychuk  
Chief Executive Officer

INTERNATIONAL FITNESS HOLDINGS  
7222 EDMONTON BLVD. NW  
CALGARY, ALBERTA, CANADA  
T3A 2X7

T: 1.866.278.4131

IFHINC.CA

DS  
ND



This is **Exhibit "J"** referred to in the Affidavit No. 4 of Peter Melynychuk sworn before me at the City of Calgary, in the Province of Alberta this 3 day of June, 2021.

---

Commissioner for Oaths in and for the  
Province of Alberta

**NATASHA DOELMAN**  
BARRISTER & SOLICITOR

**From:** [Dave Brown](#)  
**To:** [Nadine Smith-Payne](#)  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal  
**Date:** Thursday, July 23, 2020 11:14:50 AM  
**Attachments:** [7-22-2020-RentReductionAgreement.docx](#)  
[forgivable-loan-agreement-terms-conditions-en.pdf](#)  
[TenantsorSubtenantsAttestationEN.pdf](#)

---

Hello Nadine, thank you for the follow up.

The landlord is still considering CECRA. To facilitate the process, please confirm the accuracy of the attached rent reduction agreement, sign it, along with the tenant attestation form, and submit both to my attention.

I'll advise once the landlord has made a final decision.

Any questions, please feel free to call.

Take care,  
Dave

---

**From:** Nadine Smith-Payne <npayne@ifhinc.ca>  
**Sent:** Monday, July 20, 2020 4:58 PM  
**To:** Dave Brown <dave@coremanagement.ca>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

Touching base to see if you have heard back from Jeff?

Will you be applying for CECRA?

Look forward to hearing from you.

Kind regards,

**Nadine Smith-Payne**  
Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**  
HEAD OFFICE

DS  
ND

7222 Edgemont Boulevard NW  
Calgary, AB T3A 2X7  
D: 587-585-1654  
E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)  
[www.ifhinc.ca](http://www.ifhinc.ca)

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---

**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** July 9, 2020 4:29 PM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Hi Nadine, yes, I can chat then. Feel free to call me – 780.651.1577

Cheers,  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Thursday, July 9, 2020 3:45 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

**CAUTION:**This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

Could we schedule a call with you to discuss further. Are you free tomorrow at 1pm for a call?

Thank you.

Kind regards,

**Nadine Smith-Payne**

Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**

HEAD OFFICE

7222 Edgemont Boulevard NW

Calgary, AB T3A 2X7

D: 587-585-1654

E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)  
[www.ifhinc.ca](http://www.ifhinc.ca)

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---

**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** July 7, 2020 9:25 AM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>; Peter Melnychuk <[pmelnychuk@ifhinc.ca](mailto:pmelnychuk@ifhinc.ca)>  
**Cc:** [jeffbaker@telus.net](mailto:jeffbaker@telus.net)  
**Subject:** FW: CLUBFIT Glenora Rent Relief Proposal

Dear Peter and Nadine, following up on the previous email, we would like to confirm your intent to pay the rental amounts owed, as stipulated below.

We will continue to look into whether CECRA is a viable option for the landlord, but until then, we appreciate your attention to providing a schedule of payments to address the outstanding rent currently owed.

Once you can provide this payment schedule, and further evidence of your ability to stay financially solvent through the impact of Covid, the landlord will look at signing a lease renewal.

We look forward to hearing from you shortly.

Take care,  
Dave

---

**From:** Dave Brown  
**Sent:** Thursday, July 2, 2020 8:34 AM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>; 'jeffbaker@telus.net' <[jeffbaker@telus.net](mailto:jeffbaker@telus.net)>  
**Cc:** Peter Melnychuk <[pmelnychuk@ifhinc.ca](mailto:pmelnychuk@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Hello Peter and Nadine, I hope you had a nice break for Canada Day.

Thank you again for the encouraging update regarding your Glenora location. We're happy to see that you will be able to open soon and continue to serve the community.

Jeff and I are investigating CECRA funding and will advise on that once we have additional information.

Regarding current rent, please remit 50% of the full monthly rental amount for July 2020. This can be adjusted depending on the potential application/extension of CECRA, but for now, we appreciate your offer to pay 50% of the rent due.

Additionally, please also note that, as per our email of April 14, 2020, we stipulated a payback period for the initial 25% deferral that was agreed to: "The payback period for the 25% deferred rent [from April, May, and June 2020] will commence October 1, 2020 and will be spread equally over 6 months. Thus, the full amount will be repaid on or before March 1, 2021. Please note that failure to remit any of the repayment installments will trigger all of the payments to become due and payable immediately."

Finally, your attached proposal references paying back the 50% deferral for July – Sept. over the course of the next lease; however, that is too long. Please adjust your repayment schedule to have this full amount repaid at a sooner date and by no later than June 30, 2021.

These deferral repayments will need to be accounted for in your re-opening projections and we appreciate confirmation that we will receive these funds accordingly. Please forward confirmation of this, as well as an updated repayment schedule reflecting the amounts owed and the payments to be received in each corresponding month until full repayment has been achieved.

Payment can now be sent to our office:

1250, 5555 Calgary Tr. NW  
Edmonton, AB  
T6H 5P9

Any questions, please feel free to call.

Thank you and take care,  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Monday, June 22, 2020 7:50 PM  
**To:** 'jeffbaker@telus.net' <[jeffbaker@telus.net](mailto:jeffbaker@telus.net)>; Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Cc:** Peter Melnychuk <[pmelnichuk@ifhinc.ca](mailto:pmelnichuk@ifhinc.ca)>  
**Subject:** CLUBFIT Glenora Rent Relief Proposal

Hello Jeff and Dave,

Thanks for taking the time today to chat with Peter and I. As promised, attached is the rent relief proposal that we discussed.

We look forward to hearing from you.

Kind regards,

**Nadine Smith-Payne**

Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**

HEAD OFFICE

7222 Edgemont Boulevard NW

Calgary, AB T3A 2X7

D: 587-585-1654

E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)

[www.ifhinc.ca](http://www.ifhinc.ca)

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## RENT REDUCTION AGREEMENT

**NOTE:** This Sample Rent Reduction Agreement is provided to assist meeting the CECRA program requirements. It is your responsibility to ensure that this document is appropriate in your circumstances and meets the legal requirements of your jurisdiction, and that you have obtained any necessary legal advice.

Dated the \_\_\_\_ day of \_\_\_\_\_, 2020.

**WHEREAS** Jeffrey Baker, on Behalf of Teslin Investments Joint Venture, as lessor, (the “**Landlord**”) has entered into a lease dated August 1, 2021 (the “**Lease**”) with World Health Edmonton Inc., as lessee (the “**Tenant**”).

**AND WHEREAS** the Landlord (or the applicable head landlord) intends to apply or has applied to the Canada Emergency Commercial Rent Assistance program (“**CECRA**”).

**AND WHEREAS** the Landlord and the Tenant wish to enter into this Rent Reduction Agreement to amend the Lease in accordance with CECRA program requirements.

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the Landlord and Tenant agree as follows:

1. This Rent Reduction Agreement is conditional upon final approval of the application to CECRA made by the Landlord (or the applicable head landlord) (the “**Application**”). Upon final approval of the Application, this Rent Reduction Agreement shall automatically become binding and effective. For greater certainty, this Rent Reduction Agreement shall have no force and effect unless and until the date on which the Application to CECRA has received final approval (the “**Effective Date**”).
2. The term “Lease”<sup>1</sup> as defined above and used herein means that agreement, regardless of how the parties may have described it (and may include a sub-lease), and any reference to the term “rent” when used in any context in this Rent Reduction Agreement means the corresponding payments by the Tenant to the Landlord for the use and occupancy of the premises under that agreement.
3. This Rent Reduction Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

**Section 4(a) applies where this Rent Reduction Agreement is made (1) between a landlord and a tenant which is an Impacted Tenant,<sup>2</sup> and (2) between a sub-landlord and sub-tenant which is an Impacted Tenant**

4. (a) The Landlord hereby grants forgiveness of 75% of the Tenant’s total aggregate Adjusted Rent<sup>3</sup> otherwise payable to the Landlord by the Tenant under the Lease in respect of the months (the “**Target Months**”) of April, May and June, 2020 (the “**Contract Rent for the Target Months**”), and the Contract Rent for the Target Months is hereby reduced accordingly. The Landlord and Tenant agree and acknowledge that the Contract Rent for the Target Months on a monthly basis and the Tenant’s Reduced Rent are as set forth in the table below:

	Monthly Contract Rent for the Target Months	Monthly Tenant’s Reduced Rent
<b>April, 2020</b>	\$37,773.80	\$9,443.45
<b>May, 2020</b>	\$37,773.80	\$9,443.45

<sup>1</sup> Note that in this form, the concept of lease and all related concepts are used broadly to include the concept of licence and all related concepts. Accordingly, the word “lease” includes “licence”, “sub-lease” includes “sub-licence”, “tenant” includes “licensee”, “sub-tenant” includes “sub-licensee”, “landlord” includes “licensor”, “sub-landlord” includes “sub-licensor”, and so on.

<sup>2</sup> As such term is defined under CECRA.

<sup>3</sup> Adjusted Rent means the total aggregate gross rent payable pursuant to the Lease in respect of the Target Months by the Tenant to the Landlord, without considering any rent deferral or reduction agreement, minus a *pro rata* portion of (i) insurance proceeds available to the Tenant in respect of any business interruption or similar insurance coverage, if any, and (ii) non-repayable proceeds of any federal or provincial government programs (other than CECRA) targeted at commercial rent assistance instituted in response to the COVID-19 Emergency, if any, received or receivable by the Tenant in respect of the Target Months.

	Monthly Contract Rent for the Target Months	Monthly Tenant's Reduced Rent
June, 2020	\$37,773.80	\$9,443.45

**Section 4(b) applies where this Rent Reduction Agreement is made between a landlord and a tenant, where that tenant is not an Impacted Tenant and has granted a sub-lease to a sub-tenant which is an Impacted Tenant NA**

(b) Notwithstanding paragraph (a) above, if this Rent Reduction Agreement is entered into between a sub-landlord (as the "Tenant" party) which is not an Impacted Tenant and its landlord (as the "Landlord" party), then Section 4(a) shall not apply, and this Section 4(b) shall apply instead. The Landlord hereby grants forgiveness of a portion of the rent payable by the Tenant to the Landlord under the Lease in respect of the months (the "Target Months") of April, May and June, 2020 (the "Contract Rent for the Target Months") in an amount which is equal to \_\_\_\_% **[at least 75%]** of the total aggregate gross rent, including any deferred gross rent, otherwise payable to the Tenant by the Tenant's sub-tenants<sup>4</sup> in respect of the Target Months, and the Contract Rent for the Target Months is hereby reduced accordingly. The Landlord and Tenant agree and acknowledge that the Contract Rent for the Target Months on a monthly basis and the Tenant's Reduced Rent are as set forth in the table below:

	Monthly Contract Rent for the Target Months	Monthly Tenant's Reduced Rent
April, 2020	\$	\$
May, 2020	\$	\$
June, 2020	\$	\$

5. The Tenant remains liable for and, subject to Section 6 of this Rent Reduction Agreement, shall pay all rent that has not been reduced and forgiven (the "Tenant's Reduced Rent") in accordance with the requirements of the Lease.
6. If the Tenant has already paid rent in excess of the amount of the Tenant's Reduced Rent for the Target Months, then the Landlord and Tenant agree as follows at the Tenant's choice (provided that option A below shall not be available where the Lease is a sub-lease):
  - A.  the Landlord will grant the Tenant a reimbursement of the excess amount from the proceeds of the CECRA forgivable loan;
  - OR**
  - B.  the Landlord will grant the Tenant a credit of the excess amount to be applied against rent next coming due.
7. If the Tenant has not paid all or any part of the Tenant's Reduced Rent for the Target Months accruing due prior to the Effective Date, the Tenant will pay such unpaid amount to the Landlord within thirty (30) days after the Effective Date or such later date as may be agreed by the Landlord and the Tenant.
8. If the Landlord and Tenant have entered into a prior binding agreement for the reduction of any amount of the Contract Rent for the Target Months, such prior agreement is hereby confirmed and restated, or amended, as applicable, so that the reduction contemplated therein is made upon and subject to the terms of this Rent Reduction Agreement, with any such reduction being included in the amount of the reduction and forgiveness provided for in Section 4 of this Rent Reduction Agreement. In the event of any conflict between the terms of any such prior agreement and this Rent Reduction Agreement, the latter shall prevail.

<sup>4</sup> Provided such sub-tenants are Impacted Tenants and have entered into rent reduction agreements compliant with CECRA requirements.



9. Subject only to Section 11, the Landlord acknowledges that the rent that is forgiven and reduced by this Rent Reduction Agreement will never be recoverable by the Landlord, and accordingly the Landlord shall not attempt to use any means or mechanisms whatsoever, direct or indirect, to recover such reduced and forgiven amounts. For example, but without limiting the generality of the foregoing, if the Landlord is entitled or obligated under the Lease to perform a rent reconciliation in respect of the year 2020 and such reconciliation results in a credit to the Landlord, the portion of such credit attributable to the Target Months shall also be reduced in proportion to the applicable reduction and forgiveness provided for in Section 4 of this Rent Reduction Agreement.
10. During the period from the commencement of the Target Months until the date on which the Tenant is no longer receiving any rent reduction or forgiveness or rent credit under this Rent Reduction Agreement (the "**Suspension Period**"), the Landlord shall not serve the Tenant with any default notice or seek to effect or proceed with an eviction, where the basis for such default notice or eviction is a Lease default in which the Tenant has been prevented from performing the obligation(s) in default because of the COVID-19 Emergency (other than a failure to pay the Tenant's Reduced Rent). Any such proceeding initiated by the Landlord after the commencement of the Target Months and prior to the Effective Date is hereby suspended and stayed for the duration of the Suspension Period.
11. (a) The Tenant confirms that, to the best of its knowledge, all information and declarations provided in any Tenant's Attestation required by CECRA are true and correct and acknowledges that any false or misleading information in the Tenant's Attestation (including the Integrity Declaration) may result in a determination by the CECRA administrator that the Tenant is not eligible to receive financial or other benefits through CECRA. If this occurs, then, notwithstanding anything to the contrary contained in this Rent Reduction Agreement, the Contract Rent for the Target Months less any amounts already paid by the Tenant, shall be due and owing to the Landlord no later than thirty (30) days from the date of notice by the Landlord of the Tenant's ineligibility. Non-payment of such amounts shall constitute arrears of rent under the Lease.
- (b) Where the Tenant has granted a sub-lease to an Impacted Tenant, then this Section 11(b) shall apply. If the Landlord notifies the Tenant that any information or declarations provided in a sub-tenant's Attestation required by CECRA are false or misleading, then the Tenant will make commercially reasonable efforts to recover rent amounts previously forgiven under the applicable sub-tenant's rent reduction agreement and remit the same to the Landlord.
12. This Rent Reduction Agreement shall be governed by the laws of the province or territory in which the Lease premises are located and the laws of Canada applicable therein. In the event of a dispute, the parties agree that the courts of such province or territory shall exclusively hear any dispute related to the validity, interpretation or performance of this Rent Reduction Agreement and agree to be bound by a judgment of that court.
13. This Rent Reduction Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart of this Rent Reduction Agreement by facsimile or by an electronic mail or portal (including any electronic signature covered by applicable provincial or territorial law, e.g., www.docusign.com) or other electronic transmission method shall be equally as effective as delivery of an original executed counterpart of this Rent Reduction Agreement.
14. It is the express wish of the parties hereto that this Rent Reduction Agreement shall be drafted in English. *Les parties ont exigé que la présente entente de réduction de loyer soit rédigée en langue anglaise.*

*[The remainder of this page has been intentionally left blank. Signature page follows.]*

IN WITNESS WHEREOF the undersigned have executed this Rent Reduction Agreement on the date first written above.

Use this signature block if Landlord is an individual.	<p><b>Jeffrey Baker on Behalf of Teslin Investments Joint Venture</b></p> <p>By: _____</p>
Use this signature block if Landlord is an entity other than an individual.	<p><b>Jeffrey Baker on Behalf of Teslin Investments Joint Venture</b></p> <p>By: _____</p> <p>Title: Authorized Signatory Name:</p> <p>By: _____</p> <p>Title: Authorized Signatory Name: <i>/We have the authority to bind the Landlord</i></p>
The signature of a witness is required if the Landlord is an individual. Optional otherwise.	<p>WITNESS:</p> <p>By: _____</p> <p>Name: _____</p>

Use this signature block if Tenant is an individual.	<p><b>World Health Edmonton</b></p> <p>By: _____</p>
Use this signature block if Tenant is an entity other than an individual.	<p><b>World Health Edmonton</b></p> <p>By: _____</p> <p>Title: Authorized Signatory Name:</p> <p>By: _____</p> <p>Title: Authorized Signatory Name: <i>/We have the authority to bind the Tenant.</i></p>
The signature of a witness is required if the Tenant is an individual. Optional otherwise.	<p>WITNESS:</p> <p>By: _____</p> <p>Name: _____</p>

## CANADA EMERGENCY COMMERCIAL RENT ASSISTANCE

### SMALL BUSINESS

### PROPERTY OWNER FORGIVABLE LOAN AGREEMENT

#### TERMS AND CONDITIONS OF THE AGREEMENT:

#### 1. Loan.

- (a) Upon approval of the Property Owner for the CECRA Program based on the Application and subject to these Terms and Conditions, Canada Mortgage and Housing Corporation on behalf of the Government of Canada ("CMHC") agrees to provide an unsecured, interest-free, forgivable term loan to the Property Owner (the "Loan").
- (b) CMHC will make the Loan by way of one or more advances during the Program Period equal in aggregate to the Loan Amount.
- (c) The loan amount ("Loan Amount") will be equal to:
  - (i) up to fifty per cent (50%) of the Rent owed to the Property Owner by the Impacted Tenant(s) during the Eligible Period;  
minus
  - (ii) a *pro rata* portion of any insurance proceeds available to it in respect of any impairment of the rental revenue from the Property or any non-repayable proceeds of any federal or provincial government programs (other than the CECRA Program) targeted at commercial rent assistance instituted in response to the COVID-19 emergency, received or receivable by the Property Owner and/or any Impacted Tenant in respect of the Eligible Period.

#### 2. Purpose of Loan.

The Property Owner agrees that the Loan will solely be used by the Property Owner as follows:

- (a) FIRST, to reimburse Impacted Tenants in respect of any Rent paid by them during the Eligible Period above twenty-five per cent (25%) of the Rent due and payable during the Eligible Period, as set out in the Rent Reduction Agreement(s), unless the Impacted Tenant elects to apply the previously paid rent against rent next coming due; and
- (b) SECOND, towards any costs and expenses relating directly to the Property, including any debt service (principal and interest) payments in connection with any financing held by the Property Owner, operation, maintenance and repair obligations (such as costs of common area maintenance, property taxes, insurance and utilities),

and the Property Owner will maintain proper and detailed records and statements of account, including receipts, invoices, and other documents related to such uses.

#### 3. Forgiveness.

- (a) The Property Owner agrees to repay the Loan on December 31, 2020, unless the Loan is forgiven by CMHC on that date. The Loan will be forgiven by CMHC and so will not be repayable on December 31, 2020, unless an Event of Default has occurred.
- (b) If an Event of Default occurs, the Loan will not be forgiven and the repayment in full of the principal balance of the Loan will be due and payable immediately upon demand by CMHC together with interest in accordance with Section 9.

#### 4. Interest.

The Loan is interest-free for so long as no Event of Default has occurred. Post-default interest is chargeable in accordance with Section 10.

ND

**5. Representations and Warranties.**

The Property Owner represents and warrants, as at the date of the Agreement and on the date of the Loan advance, that all information provided to CMHC in the Application (including the Attestations) and otherwise is true, accurate and complete and that is in compliance with all of the eligibility conditions for the CECRA Program.

**6. Impacted Tenant Attestations.**

- (a) If prior to any advance under the Loan, the Property Owner becomes aware that the Attestation of any Impacted Tenant is false or misleading in any material respect, the Property Owner must promptly report the same in reasonable detail to the Administrator and provide the Administrator with an updated Application removing such Impacted Tenant from the Loan Amount calculation. The Property Owner must promptly notify each relevant Impacted Tenant of its exclusion from the Application.
- (b) If, following any advance under the Loan, the Property Owner becomes aware that the Attestation of any Impacted Tenant is false or misleading in any material respect, the Property Owner must promptly report the same in reasonable detail to CMHC and will make commercially reasonable efforts to recover Rent amounts previously forgiven under the applicable Rent Reduction Agreement and shall use such Rent amounts collected to repay to CMHC the portion (which may be all) of the Loan advance allocated or allocable to such Impacted Tenant.

**7. Additional Information and Audit.**

- (a) The Property Owner will provide, or cause to be provided, updated information and/or additional supporting information as CMHC or its representatives, including the Administrator, may require (if any).
- (b) CMHC may review any documents, records or information pertaining to the Property Owner representations and obligations under the CECRA Program requirements.

**8. Covenants.**

The Property Owner agrees to:

- (a) comply with the terms and conditions of the Agreement and the CECRA Program;
- (b) ensure that all representations and warranties set out in the Agreement remain true and accurate in all material respects;
- (c) carry on, maintain and conduct its business in accordance with good business practices and prudent cash flow measures;
- (d) promptly notify the Administrator of any change to any of the information provided by it in the Application, including any change to the list or eligibility status of the Impacted Tenants;
- (e) ensure that a written, legally binding Rent Reduction Agreement complying with the terms of the CECRA Program is entered into by it with each Impacted Tenant prior to and as a condition to the Loan being advanced by CMHC, and comply with the terms of such Rent Reduction Agreement;
- (f) not serve any default notices nor take steps to evict an Impacted Tenant during the period from the date of the Application until the later of (A) three months thereafter; or (B) the date on which the Impacted Tenant is no longer receiving any rent reduction or forgiveness or rent credit under the Rent Reduction Agreement, where the basis for such default notice or eviction is a lease default due to the COVID-19 emergency;
- (g) not require any Impacted Tenant to pay or have paid more than twenty-five per cent (25%) of its Rent during the Eligible Period;
- (h) subject only to sub-Section 6(b), the Property Owner shall not attempt to use any means or mechanisms whatsoever, direct or indirect, to recover the forgiven amounts that were agreed to in the Rent Reduction Agreement, during or after the Program Period;
- (i) promptly notify CMHC of the occurrence of any actual or potential Event of Default (as described under Section 9 of the Agreement); and
- (j) promptly (i) notify CMHC of the receipt by it or, to its knowledge, by any Impacted Tenant, of any insurance proceeds available to it in respect of any impairment of the rental revenue from the Property or any non-repayable proceeds of any federal or provincial government programs (other than the CECRA Program) targeted at commercial rent assistance instituted in response to the COVID-19 emergency, in respect of the Eligible Period, but that were not already deducted in the calculation of the Loan Amount,

provided that the obligations in sub-Sections 8(e),(f),(g),(h) and (j) shall survive and remain in full force and effect in accordance with their terms, notwithstanding the performance or termination of the Agreement or the repayment, satisfaction or discharge of all obligations under the Agreement and the CECRA Program.

#### **9. Events of Default.**

If any one or more of the following events of default (each, an “**Event of Default**”) has occurred or is occurring:

- (a) the Property Owner fails to comply with the terms and conditions of the CECRA Program or breaches the Agreement or its Rent Reduction Agreement(s);
- (b) the Property Owner makes, or its representatives make, any false or misleading representation to CMHC or its representatives including the Administrator, including in the Application and any Attestation made by it;
- (c) CMHC determines in its sole discretion that fraud or misconduct, has occurred on the part of the Property Owner or its representatives; and
- (d) the Property Owner (i) avails itself of a law governing its bankruptcy, restructuring, reorganization, dissolution, winding-up, arrangement; (ii) a third party initiates proceedings towards the Property Owner under such law, including to dissolve, liquidate, or wind up the Property Owner or to suspend any of its operations; or (iii) a receiver, interim receiver or trustee is appointed with respect to the Property Owner or its property,

then CMHC may:

- (i) terminate the Loan and require immediate repayment in full of the principal balance of the Loan and any interest payable hereunder without further notice or demand; and
- (ii) exercise any rights and remedies available to it under any documents or conferred by law, including assigning the Loan to the Canada Revenue Agency or taking any recourse made available to it through the Canada Revenue Agency or other form of collection.

#### **10. Post-Default Interest**

If the Loan becomes repayable, the Loan shall bear interest at the rate of five (5)% *per annum* on the unpaid principal amount thereof from the date of the notice of default until the date on which the Loan is repaid in full, accruing monthly not in advance, commencing on the first day of the month following the month in which such notice was made. Interest payments will be due and payable in arrears monthly on the 1st day of the month until and including the date on which the Loan is repaid in full.

#### **11. Remedies.**

Where an Event of Default has occurred, CMHC and the Administrator shall have full recourse to the Property Owner for the full amount of the Loan. The CECRA Program and the Loan made to the Property Owner are intended to further the public interest by achieving certain social and economic outcomes which are of fundamental importance to the Government of Canada, the provinces and territories and their respective agencies, including CMHC. CMHC would not have made the Loan to the Property Owner without receiving the commitment of the Property Owner to comply with the covenants and make the representations set forth in the Agreement.

#### **12. Termination.**

CMHC may terminate the Agreement should funding no longer be available due to no or insufficient appropriations by the Government of Canada or otherwise.

#### **13. Release.**

The Property Owner hereby releases and forever discharges the Government of Canada, CMHC, any funding partners including their agents and representatives and the Administrator, from any and all actions, causes of action, allegations, suits, debts, costs, claims and demands of whatsoever kind or nature arising out of or in connection with the CECRA Program, including without limitation the Rent Reduction Agreement.

#### **14. Costs and Expenses.**

Each party will bear its own costs and expenses in connection with participating in the CECRA Program, the Agreement and the Loan.

**15. Conflict of Interest.**

The Property Owner shall avoid any conflict of interest during the life of the Agreement and shall immediately declare any existing, potential or apparent conflict of interest and shall, upon direction of CMHC or the Administrator as its agent, take steps to eliminate any conflict of interest, or perception that a conflict of interest exists. In the event that a conflict of interest, real or perceived, cannot be resolved to the satisfaction of CMHC, CMHC shall have the right to immediately terminate the Agreement and the repayment requirements under Section 9 of the Agreement shall apply.

**16. Miscellaneous.**

- (a) If any provision of the Agreement is held by a competent authority to be invalid, illegal or unenforceable for any reason, the remaining provisions of the Agreement will continue to be in full force and effect.
- (b) The failure of CMHC to insist on strict compliance with one or more of the terms of the Agreement shall not constitute a waiver of CMHC's right to enforce those terms at a later date. No provision of the Agreement shall be deemed to have been waived unless such waiver is in writing and signed by CMHC and any waiver by CMHC of any breach shall not be considered to be a waiver of any subsequent breach.
- (c) In addition and notwithstanding anything in this Agreement to the contrary, the parties acknowledge and agree that nothing herein creates a joint venture or partnership between the parties.

**17. Extension.**

CMHC may in its sole and absolute discretion extend the CECRA Program on the terms and conditions as CMHC may then specify.

**18. Amendments and No Assignment.**

The Agreement may not be assigned by the Property Owner without the prior written consent of CMHC. Any amendment to the Agreement must be provided and approved by CMHC in writing.

**19. Governing Law.**

The Agreement shall be governed by the law of the province or territory in which the Property is located and the laws of Canada applicable therein.

**20. English Language.**

The parties hereto agree that the Agreement and all transaction documents related thereto will be in the English language. *Les parties aux présentes conviennent que la présente entente de prêt ainsi que tout document qui s'y rapporte sera rédigé en langue anglaise.*

**21. Notice.**

Delivery of notice under the Agreement shall be effective three (3) business days after posting by regular mail, or on the day following transmission by any electronic or facsimile communication to the parties at the following addresses:

- (a) If to CMHC, to the notice information for the CECRA Program provided on its website.
- (b) If to the Administrator, to the notice information for the CECRA Program provided on its website.
- (c) If to the Property Owner, to the notice information provided in the Application.

**22. Electronic Communications and Documents.**

The Property Owner acknowledges, consents and agrees that CMHC may provide all documentation relating to the Application, the advance and the Agreement through any communication method permitted by CMHC (including any electronic or facsimile communication). Any documents sent through electronic or facsimile communication will be considered "in writing" and to have been signed and delivered by, and binding on, any party as though it were an original document. In communicating with CMHC or its Administrator by electronic or facsimile communication, the Property Owner agrees to comply with security protocols and to take all reasonable steps to prevent unauthorized access to any documents so exchanged.

**23. Terminology.**

In the Agreement and for purposes of the CECRA Program, (a) "lease" includes "licence"; "sub-lease" includes "sub-licence"; "tenant" includes "licensee"; "sub-tenant" includes "sub-licensee"; "landlord" includes "licensor", "sub-landlord" includes "sub-licensor"; (b) "sub-landlord" includes a sub-sub-landlord and lessor parties under further inferior leases, if applicable; (c) "sub-lease" includes a sub-sub-lease and further inferior leases if applicable; (d) "sub-tenant" includes a sub-sub-tenant and lessee parties under further inferior leases if applicable; (e) "Property Owner" refers to the registered owner or head landlord of the Property. Outside Quebec, the Property Owner may be the registered owner (including a ground lessor) or



a ground lessee. In Quebec, the Property Owner is the registered owner, and may include an emphyteuta, superficiary or usufructuary. The Property Owner may not be a sub-landlord nor a beneficial owner with an unregistered interest. Where there are two or more of such co-owners/ co-holders of a property interest, "Property Owner" includes all co-owners/ co-holders; and (f) "registered" ownership means registered in the applicable land titles registry in the relevant jurisdiction, including registries maintained by federal government in respect of Crown lands, lands in a reserve governed by the *Indian Act* (Canada) or the *First Nation Land Management Act* (Canada), as well as registries maintained in an Indigenous Peoples' land registry established in accordance with applicable laws or treaties. "Registered" in respect of a lease also means a leasehold interest in lands in a reserve governed by the *Indian Act* (Canada) that are not registered in a particular registry, provided that it is authorized and granted expressly in accordance with the terms and conditions of the *Indian Act* (Canada).

#### 24. Defined Terms.

In the Agreement, the capitalized terms are as set out in the Application. The other capitalized terms in the Agreement mean:

**"Administrator"** means MCAP Service Limited Partnership or any replacement administrator, which has been retained by CMHC to administer the CECRA Program on CMHC's behalf.

**"Eligible Period"** means April 1, 2020 to June 30, 2020.

**"Impacted Tenant"** means a for-profit, not-for-profit, charitable entity or individual carrying on activities at the Property, pursuant to a lease, who or which: (a) typically (i) pay no more than \$50,000 in monthly Rent payments in respect of the relevant Property; and (ii) generate no more than \$20,000,000 in gross annual revenues; and (b) taking into account both declines that have already been experienced to date and any additional forecasted declines during the period from April 1 to June 30, 2020, will experience a decline in gross monthly revenues of at least seventy per cent (70%) from pre-COVID-19 emergency revenues (determined by comparing the gross monthly revenues in April, May or June 2020 to: (i) the corresponding month in 2019; or (ii) average revenues for January and February 2020, and provided that revenue is calculated using recognized accounting standards (and, in the case of an Impacted Tenant that is not an individual, on a consolidated entity level) and excluding revenue from extraordinary items), as a result of the COVID-19 emergency.

**"Program Period"** means April 1, 2020 to August 31, 2020.

**"Property"** means the relevant commercial real or immovable property used for retail, industrial, office or mixed use including at least one of the above uses, as specified in the Application.

**"Rent"** means the aggregate of all recurring amounts payable pursuant to the terms of a lease (or sub-lease) in respect of the Eligible Period by the Impacted Tenant(s) to the Property Owner, as landlord, (or, in the case of a sub-lease, to the sub-landlord party to such sub-lease) as set out under a valid and enforceable lease or sub-lease agreement, without considering any rent deferral or reduction agreement.

**"Rent Reduction Agreement"** means a rent reduction agreement entered into between the Property Owner and each of its Impacted Tenants (or, where an Impacted Tenant is a sub-tenant, between the applicable sub-landlord and such sub-tenant, and between the Property Owner and such sub-landlord), substantially containing the terms required by the CECRA Program.



***Instructions:*** If there are one or more sub-leases in place, each tenant, sub-tenant and further inferior tenant which is an Impacted Tenant (as defined by the CECRA Program) must provide this attestation. Further, a Rent Reduction Agreement must be entered into with respect to each lease and sub-lease in order to ensure that the benefits under the CECRA Program are allocated to the appropriate party.

## TENANT'S OR SUB-TENANT'S ATTESTATION

**TO:** Canada Mortgage and Housing Corporation, as agent for and on behalf of the Government of Canada ("CMHC")

**RE:** Application for Canada Emergency Commercial Rent Assistance Program (the "CECRA Program") in respect of the relevant Property

The Impacted Tenant hereby declares and confirms the following on the express understanding that CMHC is relying on this Attestation in making a determination of eligibility of the Impacted Tenant under the CECRA Program:

1. If the relevant lease in respect of the Property is not a sub-lease, the Impacted Tenant hereby makes the attestations in Part A and Part D below.
2. If the relevant lease in respect of the Property is a sub-lease and the Impacted Tenant is a sub-landlord, it hereby makes the attestations in Part A, Part B and Part D below.
3. If the relevant lease in respect of the Property is a sub-lease and the Impacted Tenant is a sub-tenant, it hereby makes the attestations in Part C and Part D below.

### PART A (head tenants)

4. The Impacted Tenant leases all or a portion of the Property from the Property Owner, as landlord, pursuant to a lease.<sup>1</sup> The current term of the lease is set to expire later than August 31, 2020, and the Impacted Tenant is committed to the lease and its duration.

### PART B (sub-landlords)

5. The Impacted Tenant sub-leases all or a portion of the head lease premises to one or more sub-tenant(s), pursuant to a sub-lease agreement. The current term of the sub-lease is set to expire later than August 31, 2020.
6. If the Impacted Tenant and the sub-tenant are not at arm's length<sup>2</sup> from each other: (i) the sub-lease is on fair market terms; (ii) the total gross rent payable under such sub-lease is no higher than fair market rent; and (iii) the sub-lease has not been created or amended after April 1, 2020.

<sup>1</sup> Note that in this form, the concept of lease and all related concepts are used broadly to include the concept of licence and all related concepts. Accordingly, the word "lease" includes "licence", "sub-lease" includes "sub-licence", "tenant" includes "licensee", "sub-tenant" includes "sub-licensee", "landlord" includes "licensor", "sub-landlord" includes "sub-licensor" and so on.

<sup>2</sup> Two parties are not at arm's length where any of the following circumstances apply: (i) they are individuals related by blood relationship, marriage or common-law partnership or adoption; (ii) they are a corporation and an individual with a controlling interest in that corporation; (iii) they are a corporation and an individual related to an individual with a controlling interest in that corporation; (iv) they are two affiliated corporations; or (v) they are otherwise 'related' as that term is described in the *Income Tax Act* (Canada).



**PART C (sub-tenants)**

7. The Impacted Tenant sub-leases all or a portion of the head lease premises from a sub-landlord pursuant to a sub-lease agreement. The current term of the sub-lease is set to expire later than August 31, 2020. The Impacted Tenant is committed to the sub-lease and its duration.

**PART D (all parties)**

8. The Impacted Tenant has entered into a binding rent reduction agreement with its landlord, sub-landlord, or sub-tenant, as the case may be, in a form compliant with applicable CECRA Program requirements.
9. The gross monthly rent amounts for the months of April, May and June 2020, calculated in accordance with the CECRA Program requirements, are fully and accurately set forth in the rent reduction agreement.
10. The Impacted Tenant does not pay monthly gross rent in excess of \$50,000.00 in connection with the Property.
11. The Impacted Tenant does not generate gross annual revenues in excess of \$20,000,000.00 (if the Impacted Tenant is not an individual and is part of a corporate group that prepares financial statements on a consolidated basis, this calculation is made at the consolidated entity level at the highest corporate organizational level at which consolidated financial statements exist).
12. To the best of its knowledge, based on available information, the Impacted Tenant is experiencing and/or has experienced financial hardship evidenced by a decline in the gross monthly revenues of the Impacted Tenant (at the entity level) of at least 70% from pre-COVID-19 emergency revenues, as determined by comparing its average gross monthly revenues in April, May and June 2020 to: (a) its average gross monthly revenues in the corresponding months in 2019; or (b) where the Impacted Tenant is a new business which commenced operations after June 30, 2019, its average gross monthly revenues for January and February 2020.<sup>3</sup>
13. CMHC may review any documents, records or information pertaining to the Impacted Tenant's Attestation and obligations under the CECRA Program requirements.
14. The Impacted Tenant has investigated and, where possible, made application for, available non-repayable proceeds of any other government programs targeted at commercial rent assistance<sup>4</sup> instituted in response to the COVID-19 emergency ("**Rent Relief Programs**"). The Impacted Tenant has pursued any insurance proceeds available to it in respect of any impairment of rental revenue or rental payment obligations, as applicable ("**Rental Insurance**" and together with Rent Relief Programs, "**Other Funding Sources**"). All non-repayable amounts received or receivable by the Impacted Tenant from Rent Relief Programs and Rental Insurance have been disclosed to the Property Owner. The Impacted Tenant agrees to notify CMHC if it receives further amounts from Other Funding Sources.
15. The Impacted Tenant is not the subject of any actual or pending insolvency proceeding and has not made any filing for relief or protection under the *Bankruptcy and Insolvency*

<sup>3</sup> Where the Impacted Tenant is a registered charity or not-for-profit organization, the calculation must exclude revenues from persons who are not at arm's length from the Impacted Tenant. Registered charities and not-for-profit organizations may elect whether or not to include revenue from government sources as part of the calculation.

<sup>4</sup> For clarity, the following programs are not considered rent relief programs: Canada Emergency Business Account (CEBA), Canada Emergency Wage Subsidy (CEWS), nor the Transport Canada ground lease rent waiver for airports.

*Act (Canada), the Companies' Creditors Arrangement Act (Canada) or any other bankruptcy or insolvency legislation of any jurisdiction.*

16. The Impacted Tenant is not and is not controlled by an individual holding federal or provincial political office. The Impacted Tenant is not and is not owned by any person that promotes violence, incites hatred, or discriminates on the basis of race, national or ethnic origin, colour, religion, age, sex, sexual orientation, gender identity or expression, marital status, family status, genetic characteristics, disability or conviction for an offence for which a pardon has been granted or in respect of which a record suspension has been ordered; provided that the foregoing statement does not apply, in the case of any Impacted Tenant that is a publicly-listed company, to any person that holds publicly listed securities in the Impacted Tenant that do not constitute a controlling interest (or to the ultimate parent of that person). No portion of the Impacted Tenant's premises is used for any activity or undertaking which is criminal in nature.
17. The Impacted Tenant makes and confirms the **Integrity Declaration** attached hereto as Appendix A.
18. It is the express wish of the undersigned that this Attestation be drafted in English. *Le soussigné a exigé que cette attestation soit rédigée en langue anglaise.*
19. All of the terms and provisions of this Attestation shall survive and remain in full force and effect in accordance with their terms, notwithstanding the performance or termination of the Agreement (including the terms and conditions included therein) or the repayment, satisfaction or discharge of all obligations under the Agreement (including the terms and conditions included therein) and the CECRA Program.
20. Any notice required or permitted to be made to the Impacted Tenant pursuant to this Attestation or the CECRA Program shall be sufficiently given if delivered by electronic transmission at the email address below, by personal delivery or by regular mail to the Impacted Tenant at the Property.
21. The Impacted Tenant agrees to participate in post-funding surveys conducted by the Government of Canada, CMHC or any of its representatives or agents.

The Impacted Tenant acknowledges that providing false or misleading information to CMHC on this Attestation (including the Integrity Declaration attached hereto as Appendix A) or otherwise in connection herewith may result in a determination by CMHC that the Impacted Tenant is not eligible to receive financial or other benefits through CMHC and may expose the Impacted Tenant to remedies under the Agreement and at law to recover any benefits obtained. In the event that, between the date of this Attestation and December 31, 2020, this Attestation or anything contained herein should become untrue in any material respect, the Impacted Tenant shall disclose the same to CMHC through the CECRA Program administrator.

*[signature page follows]*

In accordance with the CECRA Application Terms and Conditions, the Impacted Tenant hereby gives its consent to the collection, use, disclosure, retention, handling and processing of its personal information by CMHC or its third-party service providers with respect to determining its eligibility or receipt of financial assistance or other benefits from CMHC under the CECRA Program. The Impacted Tenant's personal information is protected under the provisions of the *Privacy Act* (Canada) and the *Access to Information Act* (Canada) (together the "**ATIP Legislation**"), and it cannot be used or disclosed to other organizations unless it is done strictly in accordance with the CECRA Application Terms and Conditions and in accordance with the ATIP Legislation. The Impacted Tenant has also the right under ATIP Legislation to access its personal information. For further information, please refer to the CECRA Application Terms and Conditions. For questions or comments regarding this consent request or to access, update or correct personal information provided hereunder, the Impacted Tenant can use the contact information provided on the CECRA program website.

<b>BY:</b>	<b>Sign here / insert e-signature:</b>
	<b>Legal Name of Impacted Tenant:</b>
	<b>Name of Signatory:</b>
	<b>Date:</b>
	<b>Address of Property:</b>
	<b>City/Town:</b> <span style="float: right;"><b>Province:</b></span>
	<b>Email:</b>

**APPENDIX A****INTEGRITY DECLARATION**

CMHC wishes to ensure that due consideration is given to the integrity of persons and entities obtaining benefits under the CECRA Program and, further, that due consideration is to be given to the effect that a proposed transaction or business relation would have on CMHC's reputation or the reputation of the Government of Canada, and the ability to attract and retain other persons or entities to use CMHC's programs and services. Accordingly, the Impacted Tenant is required to complete this Integrity Declaration prior to, and to remain eligible for, receipt of benefits from CMHC under the CECRA Program.

The Impacted Tenant hereby declares<sup>5</sup> and confirms the following on the express understanding that CMHC is relying on this Declaration (among other elements) in making a determination of eligibility of the Impacted Tenant to be provided with benefits under the CECRA Program:

- (a) the Impacted Tenant and its affiliates<sup>6</sup> have not, under Canadian (including federal, provincial or territorial), foreign or international laws, been convicted of any crime or penal or regulatory offence in relation to any financial matters such as but not limited to forgery, fraud, bribery, corruption, international sanctions, taxation or money laundering (unless a pardon has been granted or a record suspension has been ordered in respect of a conviction for such offence); and further, the Impacted Tenant and its affiliates are not under criminal prosecution for such offenses;
- (b) the Impacted Tenant and its affiliates have not previously been declared by the Government of Canada or any provincial, territorial or local government in Canada to be ineligible to do business with such government, including under the Government of Canada's Integrity Regime;<sup>7</sup>
- (c) there are no facts known or which ought reasonably to be known by the Impacted Tenant, which, in the opinion of the Impacted Tenant, acting reasonably, could give rise to CMHC having a concern with:
  - (i) entering into and/or maintaining a business relationship with the Impacted Tenant; or
  - (ii) the Impacted Tenant's integrity; and
- (d) the Impacted Tenant has fully disclosed to CMHC all information that may be relevant to the determination by CMHC of the Impacted Tenant's integrity.

For the duration of its business relationship with CMHC under the CECRA Program, the Impacted Tenant agrees to and shall immediately inform CMHC of any change in circumstances which would thereafter prevent the Impacted Tenant from maintaining this Integrity Declaration.

If the Impacted Tenant is not an individual, then the Impacted Tenant hereby declares and confirms, to the best of its knowledge, the matters in (a) to (d) above in respect of each of its directors, officers, members and shareholders (except as noted below); provided that the matters in (a) to (d) above do not apply to any person that holds publicly listed securities in the Impacted Tenant or any of its beneficial owner(s).

<sup>5</sup> If for any reason you are unable to make this Integrity Declaration, you must explain why. Your explanation must be provided in a separate document to be included with this Form. CMHC may request additional information from you. You authorize CMHC to collect and use the information provided, in addition to any other information that may be required to make a determination of ineligibility.

<sup>6</sup> An affiliate of the Impacted Tenant is another person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Impacted Tenant.

<sup>7</sup> The Government of Canada's Integrity Regime which can be accessed at: <https://www.tpsgc-pwgsc.gc.ca/ci-if/ci-if-eng.html>.

## Nadine Smith-Payne

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**From:** Dave Brown <dave@coremanagement.ca>  
**Sent:** October 20, 2020 8:52 AM  
**To:** Nadine Smith-Payne  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Hello Nadine, yes we're well – same with you I hope.

Yup, we have applied for the extensions. Are you able to update us with your payment plan? Has it changed at all?

Take care,  
Dave

---

**From:** Nadine Smith-Payne <npayne@ifhinc.ca>  
**Sent:** Tuesday, October 20, 2020 8:22 AM  
**To:** Dave Brown <dave@coremanagement.ca>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

I hope you're doing well.

Can you kindly confirm that you have applied for the July, August and September CECRA extensions?

Thank you.

Kind regards,

**Nadine Smith-Payne**

Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**

HEAD OFFICE

7222 Edgemont Boulevard NW

Calgary, AB T3A 2X7

D: 587-585-1654

E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)

[www.ifhinc.ca](http://www.ifhinc.ca)

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**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** August 6, 2020 12:01 PM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Thanks Nadine, this has been submitted for consideration by the CECRA programs office.

Take care,  
Dave

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Tuesday, August 4, 2020 4:40 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

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I think you might need a total of employees as well. 120 employees for World Health North LP.

Thanks,  
Nadine

**From:** Nadine Smith-Payne  
**Sent:** August 4, 2020 3:13 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Hi Dave,

Here's our World Health North LP Business # 76303 1515

Have a great day!

Kind regards,

**Nadine Smith-Payne**  
Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**  
HEAD OFFICE  
7222 Edgemont Boulevard NW  
Calgary, AB T3A 2X7  
D: 587-585-1654  
E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)  
[www.ifhinc.ca](http://www.ifhinc.ca)

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**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** July 31, 2020 8:48 AM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Hello Nadine, can you please provide your 9-digit business number or a copy of your T2 as it's required for CECRA application.

Thanks!  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Thursday, July 30, 2020 2:13 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

I'll be sending the August rent cheque by courier tomorrow. Will your office be open to accept delivery? Any special instructions?  
Should you office be closed for the long weekend, we can have the cheque delivered on Tuesday morning.

I'll wait to hear from you.

Thanks!

Kind regards,

**Nadine Smith-Payne**  
Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**  
HEAD OFFICE  
7222 Edgemont Boulevard NW  
Calgary, AB T3A 2X7  
D: 587-585-1654  
E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)  
[www.ifhinc.ca](http://www.ifhinc.ca)

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**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** July 27, 2020 9:12 AM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Thanks Nadine. Have a nice week 😊  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Friday, July 24, 2020 12:03 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Cc:** Peter Melnychuk <[pmelnichuk@ifhinc.ca](mailto:pmelnichuk@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

**CAUTION:**This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good morning Dave,

Thanks for your update. As per your email, we are submitting the signed rent reduction agreement and tenant attestation form.

We'll look forward to the owner's final decision.

Have a great weekend and we'll chat soon.

Kind regards,

**Nadine Smith-Payne**

Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**

HEAD OFFICE  
7222 Edgemont Boulevard NW  
Calgary, AB T3A 2X7  
D: 587-585-1654  
E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)  
[www.ifhinc.ca](http://www.ifhinc.ca)

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---

**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** July 23, 2020 11:15 AM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Hello Nadine, thank you for the follow up.



The landlord is still considering CECRA. To facilitate the process, please confirm the accuracy of the attached rent reduction agreement, sign it, along with the tenant attestation form, and submit both to my attention.

I'll advise once the landlord has made a final decision.

Any questions, please feel free to call.

Take care,  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Monday, July 20, 2020 4:58 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

Touching base to see if you have heard back from Jeff?

Will you be applying for CECRA?

Look forward to hearing from you.

Kind regards,

**Nadine Smith-Payne**

Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**

HEAD OFFICE

7222 Edgemont Boulevard NW

Calgary, AB T3A 2X7

D: 587-585-1654

E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)

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---

**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** July 9, 2020 4:29 PM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Hi Nadine, yes, I can chat then. Feel free to call me – 780.651.1577

Cheers,  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Thursday, July 9, 2020 3:45 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

Could we schedule a call with you to discuss further. Are you free tomorrow at 1pm for a call?

Thank you.

Kind regards,

**Nadine Smith-Payne**

Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**

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Calgary, AB T3A 2X7  
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**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** July 7, 2020 9:25 AM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>; Peter Melnychuk <[pmelnichuk@ifhinc.ca](mailto:pmelnichuk@ifhinc.ca)>  
**Cc:** [jeffbaker@telus.net](mailto:jeffbaker@telus.net)  
**Subject:** FW: CLUBFIT Glenora Rent Relief Proposal

Dear Peter and Nadine, following up on the previous email, we would like to confirm your intent to pay the rental amounts owed, as stipulated below.

We will continue to look into whether CECRA is a viable option for the landlord, but until then, we appreciate your attention to providing a schedule of payments to address the outstanding rent currently owed.

Once you can provide this payment schedule, and further evidence of your ability to stay financially solvent through the impact of Covid, the landlord will look at signing a lease renewal.

We look forward to hearing from you shortly.

Take care,  
Dave

---

**From:** Dave Brown  
**Sent:** Thursday, July 2, 2020 8:34 AM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>; 'jeffbaker@telus.net' <[jeffbaker@telus.net](mailto:jeffbaker@telus.net)>  
**Cc:** Peter Melnychuk <[pmelnichuk@ifhinc.ca](mailto:pmelnichuk@ifhinc.ca)>  
**Subject:** RE: CLUBFIT Glenora Rent Relief Proposal

Hello Peter and Nadine, I hope you had a nice break for Canada Day.

Thank you again for the encouraging update regarding your Glenora location. We're happy to see that you will be able to open soon and continue to serve the community.

Jeff and I are investigating CECRA funding and will advise on that once we have additional information.

Regarding current rent, please remit 50% of the full monthly rental amount for July 2020. This can be adjusted depending on the potential application/extension of CECRA, but for now, we appreciate your offer to pay 50% of the rent due.

Additionally, please also note that, as per our email of April 14, 2020, we stipulated a payback period for the initial 25% deferral that was agreed to: "The payback period for the 25% deferred rent [from April, May, and June 2020] will commence October 1, 2020 and will be spread equally over 6 months. Thus, the full amount will be repaid on or before March 1, 2021. Please note that failure to remit any of the repayment installments will trigger all of the payments to become due and payable immediately."

Finally, your attached proposal references paying back the 50% deferral for July – Sept. over the course of the next lease; however, that is too long. Please adjust your repayment schedule to have this full amount repaid at a sooner date and by no later than June 30, 2021.

These deferral repayments will need to be accounted for in your re-opening projections and we appreciate confirmation that we will receive these funds accordingly. Please forward confirmation of this, as well as an updated repayment schedule reflecting the amounts owed and the payments to be received in each corresponding month until full repayment has been achieved.

Payment can now be sent to our office:

1250, 5555 Calgary Tr. NW  
Edmonton, AB  
T6H 5P9

Any questions, please feel free to call.

Thank you and take care,  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Monday, June 22, 2020 7:50 PM  
**To:** 'jeffbaker@telus.net' <[jeffbaker@telus.net](mailto:jeffbaker@telus.net)>; Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Cc:** Peter Melnychuk <[pmelnynchuk@ifhinc.ca](mailto:pmelnynchuk@ifhinc.ca)>  
**Subject:** CLUBFIT Glenora Rent Relief Proposal

Hello Jeff and Dave,

Thanks for taking the time today to chat with Peter and I. As promised, attached is the rent relief proposal that we discussed.

We look forward to hearing from you.

Kind regards,

**Nadine Smith-Payne**

Real Estate / Project Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**

HEAD OFFICE

7222 Edgemont Boulevard NW

Calgary, AB T3A 2X7

D: 587-585-1654

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## RENT REDUCTION AGREEMENT

**NOTE:** This Sample Rent Reduction Agreement is provided to assist meeting the CECRA program requirements. It is your responsibility to ensure that this document is appropriate in your circumstances and meets the legal requirements of your jurisdiction, and that you have obtained any necessary legal advice.

Dated the 24 day of JULY, 2020.

**WHEREAS** Jeffrey Baker, on Behalf of Teslin Investments Joint Venture, as lessor, (the "**Landlord**") has entered into a lease dated August 1, 2021 (the "**Lease**") with World Health Edmonton Inc., as lessee (the "**Tenant**").

**AND WHEREAS** the Landlord (or the applicable head landlord) intends to apply or has applied to the Canada Emergency Commercial Rent Assistance program ("**CECRA**").

**AND WHEREAS** the Landlord and the Tenant wish to enter into this Rent Reduction Agreement to amend the Lease in accordance with CECRA program requirements.

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the Landlord and Tenant agree as follows:

1. This Rent Reduction Agreement is conditional upon final approval of the application to CECRA made by the Landlord (or the applicable head landlord) (the "**Application**"). Upon final approval of the Application, this Rent Reduction Agreement shall automatically become binding and effective. For greater certainty, this Rent Reduction Agreement shall have no force and effect unless and until the date on which the Application to CECRA has received final approval (the "**Effective Date**").
2. The term "Lease"<sup>1</sup> as defined above and used herein means that agreement, regardless of how the parties may have described it (and may include a sub-lease), and any reference to the term "rent" when used in any context in this Rent Reduction Agreement means the corresponding payments by the Tenant to the Landlord for the use and occupancy of the premises under that agreement.
3. This Rent Reduction Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

**Section 4(a) applies where this Rent Reduction Agreement is made (1) between a landlord and a tenant which is an Impacted Tenant,<sup>2</sup> and (2) between a sub-landlord and sub-tenant which is an Impacted Tenant**

4. (a) The Landlord hereby grants forgiveness of 75% of the Tenant's total aggregate Adjusted Rent<sup>3</sup> otherwise payable to the Landlord by the Tenant under the Lease in respect of the months (the "**Target Months**") of April, May and June, 2020 (the "**Contract Rent for the Target Months**"), and the Contract Rent for the Target Months is hereby reduced accordingly. The Landlord and Tenant agree and acknowledge that the Contract Rent for the Target Months on a monthly basis and the Tenant's Reduced Rent are as set forth in the table below:

	Monthly Contract Rent for the Target Months	Monthly Tenant's Reduced Rent
<b>April, 2020</b>	\$37,773.80	\$9,443.45
<b>May, 2020</b>	\$37,773.80	\$9,443.45

<sup>1</sup> Note that in this form, the concept of lease and all related concepts are used broadly to include the concept of licence and all related concepts. Accordingly, the word "lease" includes "licence", "sub-lease" includes "sub-licence", "tenant" includes "licensee", "sub-tenant" includes "sub-licensee", "landlord" includes "licensor", "sub-landlord" includes "sub-licensor", and so on.

<sup>2</sup> As such term is defined under CECRA.

<sup>3</sup> Adjusted Rent means the total aggregate gross rent payable pursuant to the Lease in respect of the Target Months by the Tenant to the Landlord, without considering any rent deferral or reduction agreement, minus a *pro rata* portion of (i) insurance proceeds available to the Tenant in respect of any business interruption or similar insurance coverage, if any, and (ii) non-repayable proceeds of any federal or provincial government programs (other than CECRA) targeted at commercial rent assistance instituted in response to the COVID-19 Emergency, if any, received or receivable by the Tenant in respect of the Target Months.

	Monthly Contract Rent for the Target Months	Monthly Tenant's Reduced Rent
June, 2020	\$37,773.80	\$9,443.45

**Section 4(b) applies where this Rent Reduction Agreement is made between a landlord and a tenant, where that tenant is not an Impacted Tenant and has granted a sub-lease to a sub-tenant which is an Impacted Tenant NA**

(b) Notwithstanding paragraph (a) above, if this Rent Reduction Agreement is entered into between a sub-landlord (as the "Tenant" party) which is not an Impacted Tenant and its landlord (as the "Landlord" party), then Section 4(a) shall not apply, and this Section 4(b) shall apply instead. The Landlord hereby grants forgiveness of a portion of the rent payable by the Tenant to the Landlord under the Lease in respect of the months (the "**Target Months**") of April, May and June, 2020 (the "**Contract Rent for the Target Months**") in an amount which is equal to \_\_\_\_% [**at least 75%**] of the total aggregate gross rent, including any deferred gross rent, otherwise payable to the Tenant by the Tenant's sub-tenants<sup>4</sup> in respect of the Target Months, and the Contract Rent for the Target Months is hereby reduced accordingly. The Landlord and Tenant agree and acknowledge that the Contract Rent for the Target Months on a monthly basis and the Tenant's Reduced Rent are as set forth in the table below:

	Monthly Contract Rent for the Target Months	Monthly Tenant's Reduced Rent
April, 2020	\$	\$
May, 2020	\$	\$
June, 2020	\$	\$

5. The Tenant remains liable for and, subject to Section 6 of this Rent Reduction Agreement, shall pay all rent that has not been reduced and forgiven (the "**Tenant's Reduced Rent**") in accordance with the requirements of the Lease.
6. If the Tenant has already paid rent in excess of the amount of the Tenant's Reduced Rent for the Target Months, then the Landlord and Tenant agree as follows at the Tenant's choice (provided that option A below shall not be available where the Lease is a sub-lease):
  - A.  the Landlord will grant the Tenant a reimbursement of the excess amount from the proceeds of the CECRA forgivable loan;
  - OR**
  - B.  the Landlord will grant the Tenant a credit of the excess amount to be applied against rent next coming due.
7. If the Tenant has not paid all or any part of the Tenant's Reduced Rent for the Target Months accruing due prior to the Effective Date, the Tenant will pay such unpaid amount to the Landlord within thirty (30) days after the Effective Date or such later date as may be agreed by the Landlord and the Tenant.
8. If the Landlord and Tenant have entered into a prior binding agreement for the reduction of any amount of the Contract Rent for the Target Months, such prior agreement is hereby confirmed and restated, or amended, as applicable, so that the reduction contemplated therein is made upon and subject to the terms of this Rent Reduction Agreement, with any such reduction being included in the amount of the reduction and forgiveness provided for in Section 4 of this Rent Reduction Agreement. In the event of any conflict between the terms of any such prior agreement and this Rent Reduction Agreement, the latter shall prevail.


<sup>4</sup> Provided such sub-tenants are Impacted Tenants and have entered into rent reduction agreements compliant with CECRA requirements.

9. Subject only to Section 11, the Landlord acknowledges that the rent that is forgiven and reduced by this Rent Reduction Agreement will never be recoverable by the Landlord, and accordingly the Landlord shall not attempt to use any means or mechanisms whatsoever, direct or indirect, to recover such reduced and forgiven amounts. For example, but without limiting the generality of the foregoing, if the Landlord is entitled or obligated under the Lease to perform a rent reconciliation in respect of the year 2020 and such reconciliation results in a credit to the Landlord, the portion of such credit attributable to the Target Months shall also be reduced in proportion to the applicable reduction and forgiveness provided for in Section 4 of this Rent Reduction Agreement.
10. During the period from the commencement of the Target Months until the date on which the Tenant is no longer receiving any rent reduction or forgiveness or rent credit under this Rent Reduction Agreement (the "**Suspension Period**"), the Landlord shall not serve the Tenant with any default notice or seek to effect or proceed with an eviction, where the basis for such default notice or eviction is a Lease default in which the Tenant has been prevented from performing the obligation(s) in default because of the COVID-19 Emergency (other than a failure to pay the Tenant's Reduced Rent). Any such proceeding initiated by the Landlord after the commencement of the Target Months and prior to the Effective Date is hereby suspended and stayed for the duration of the Suspension Period.
11. (a) The Tenant confirms that, to the best of its knowledge, all information and declarations provided in any Tenant's Attestation required by CECRA are true and correct and acknowledges that any false or misleading information in the Tenant's Attestation (including the Integrity Declaration) may result in a determination by the CECRA administrator that the Tenant is not eligible to receive financial or other benefits through CECRA. If this occurs, then, notwithstanding anything to the contrary contained in this Rent Reduction Agreement, the Contract Rent for the Target Months less any amounts already paid by the Tenant, shall be due and owing to the Landlord no later than thirty (30) days from the date of notice by the Landlord of the Tenant's ineligibility. Non-payment of such amounts shall constitute arrears of rent under the Lease.
- (b) Where the Tenant has granted a sub-lease to an Impacted Tenant, then this Section 11(b) shall apply. If the Landlord notifies the Tenant that any information or declarations provided in a sub-tenant's Attestation required by CECRA are false or misleading, then the Tenant will make commercially reasonable efforts to recover rent amounts previously forgiven under the applicable sub-tenant's rent reduction agreement and remit the same to the Landlord.
12. This Rent Reduction Agreement shall be governed by the laws of the province or territory in which the Lease premises are located and the laws of Canada applicable therein. In the event of a dispute, the parties agree that the courts of such province or territory shall exclusively hear any dispute related to the validity, interpretation or performance of this Rent Reduction Agreement and agree to be bound by a judgment of that court.
13. This Rent Reduction Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart of this Rent Reduction Agreement by facsimile or by an electronic mail or portal (including any electronic signature covered by applicable provincial or territorial law, e.g., www.docusign.com) or other electronic transmission method shall be equally as effective as delivery of an original executed counterpart of this Rent Reduction Agreement.
14. It is the express wish of the parties hereto that this Rent Reduction Agreement shall be drafted in English. *Les parties ont exigé que la présente entente de réduction de loyer soit rédigée en langue anglaise.*

*[The remainder of this page has been intentionally left blank. Signature page follows.]*

IN WITNESS WHEREOF the undersigned have executed this Rent Reduction Agreement on the date first written above.

Use this signature block if Landlord is an individual.	<p><b>Jeffrey Baker on Behalf of Teslin Investments Joint Venture</b></p> <p>By: _____</p>
Use this signature block if Landlord is an entity other than an individual.	<p><b>Jeffrey Baker on Behalf of Teslin Investments Joint Venture</b></p> <p>By: _____</p> <p>Title: Authorized Signatory</p> <p>Name: _____</p> <p>By: _____</p> <p>Title: Authorized Signatory</p> <p>Name: _____</p> <p><i>I/We have the authority to bind the Landlord</i></p>
The signature of a witness is required if the Landlord is an individual. Optional otherwise.	<p>WITNESS:</p> <p>By: _____</p> <p>Name: _____</p>

Use this signature block if Tenant is an individual.	<p><b>World Health Edmonton</b></p> <p>By: _____</p>
Use this signature block if Tenant is an entity other than an individual.	<p><b>World Health Edmonton</b></p> <p>By: </p> <p>Title: Authorized Signatory</p> <p>Name: PETER MELNYCHUK, CEO</p> <p>By: _____</p> <p>Title: Authorized Signatory</p> <p>Name: _____</p> <p><i>I/We have the authority to bind the Tenant.</i></p>
The signature of a witness is required if the Tenant is an individual. Optional otherwise.	<p>WITNESS:</p> <p>By: _____</p> <p>Name: _____</p>







***Instructions:*** If there are one or more sub-leases in place, each tenant, sub-tenant and further inferior tenant which is an Impacted Tenant (as defined by the CECRA Program) must provide this attestation. Further, a Rent Reduction Agreement must be entered into with respect to each lease and sub-lease in order to ensure that the benefits under the CECRA Program are allocated to the appropriate party.

## TENANT'S OR SUB-TENANT'S ATTESTATION

**TO:** Canada Mortgage and Housing Corporation, as agent for and on behalf of the Government of Canada ("CMHC")

**RE:** Application for Canada Emergency Commercial Rent Assistance Program (the "CECRA Program") in respect of the relevant Property

The Impacted Tenant hereby declares and confirms the following on the express understanding that CMHC is relying on this Attestation in making a determination of eligibility of the Impacted Tenant under the CECRA Program:

1. If the relevant lease in respect of the Property is not a sub-lease, the Impacted Tenant hereby makes the attestations in Part A and Part D below.
2. If the relevant lease in respect of the Property is a sub-lease and the Impacted Tenant is a sub-landlord, it hereby makes the attestations in Part A, Part B and Part D below.
3. If the relevant lease in respect of the Property is a sub-lease and the Impacted Tenant is a sub-tenant, it hereby makes the attestations in Part C and Part D below.

### PART A (head tenants)

4. The Impacted Tenant leases all or a portion of the Property from the Property Owner, as landlord, pursuant to a lease.<sup>1</sup> The current term of the lease is set to expire later than August 31, 2020, and the Impacted Tenant is committed to the lease and its duration.

### PART B (sub-landlords)

5. The Impacted Tenant sub-leases all or a portion of the head lease premises to one or more sub-tenant(s), pursuant to a sub-lease agreement. The current term of the sub-lease is set to expire later than August 31, 2020.
6. If the Impacted Tenant and the sub-tenant are not at arm's length<sup>2</sup> from each other: (i) the sub-lease is on fair market terms; (ii) the total gross rent payable under such sub-lease is no higher than fair market rent; and (iii) the sub-lease has not been created or amended after April 1, 2020.

<sup>1</sup> Note that in this form, the concept of lease and all related concepts are used broadly to include the concept of licence and all related concepts. Accordingly, the word "lease" includes "licence", "sub-lease" includes "sub-licence", "tenant" includes "licensee", "sub-tenant" includes "sub-licensee", "landlord" includes "licensor", "sub-landlord" includes "sub-licensor" and so on.

<sup>2</sup> Two parties are not at arm's length where any of the following circumstances apply: (i) they are individuals related by blood relationship, marriage or common-law partnership or adoption; (ii) they are a corporation and an individual with a controlling interest in that corporation; (iii) they are a corporation and an individual related to an individual with a controlling interest in that corporation; (iv) they are two affiliated corporations; or (v) they are otherwise 'related' as that term is described in the *Income Tax Act* (Canada).

**PART C (sub-tenants)**

7. The Impacted Tenant sub-leases all or a portion of the head lease premises from a sub-landlord pursuant to a sub-lease agreement. The current term of the sub-lease is set to expire later than August 31, 2020. The Impacted Tenant is committed to the sub-lease and its duration.

**PART D (all parties)**

8. The Impacted Tenant has entered into a binding rent reduction agreement with its landlord, sub-landlord, or sub-tenant, as the case may be, in a form compliant with applicable CECRA Program requirements.
9. The gross monthly rent amounts for the months of April, May and June 2020, calculated in accordance with the CECRA Program requirements, are fully and accurately set forth in the rent reduction agreement.
10. The Impacted Tenant does not pay monthly gross rent in excess of \$50,000.00 in connection with the Property.
11. The Impacted Tenant does not generate gross annual revenues in excess of \$20,000,000.00 (if the Impacted Tenant is not an individual and is part of a corporate group that prepares financial statements on a consolidated basis, this calculation is made at the consolidated entity level at the highest corporate organizational level at which consolidated financial statements exist).
12. To the best of its knowledge, based on available information, the Impacted Tenant is experiencing and/or has experienced financial hardship evidenced by a decline in the gross monthly revenues of the Impacted Tenant (at the entity level) of at least 70% from pre-COVID-19 emergency revenues, as determined by comparing its average gross monthly revenues in April, May and June 2020 to: (a) its average gross monthly revenues in the corresponding months in 2019; or (b) where the Impacted Tenant is a new business which commenced operations after June 30, 2019, its average gross monthly revenues for January and February 2020.<sup>3</sup>
13. CMHC may review any documents, records or information pertaining to the Impacted Tenant's Attestation and obligations under the CECRA Program requirements.
14. The Impacted Tenant has investigated and, where possible, made application for, available non-repayable proceeds of any other government programs targeted at commercial rent assistance<sup>4</sup> instituted in response to the COVID-19 emergency ("**Rent Relief Programs**"). The Impacted Tenant has pursued any insurance proceeds available to it in respect of any impairment of rental revenue or rental payment obligations, as applicable ("**Rental Insurance**" and together with Rent Relief Programs, "**Other Funding Sources**"). All non-repayable amounts received or receivable by the Impacted Tenant from Rent Relief Programs and Rental Insurance have been disclosed to the Property Owner. The Impacted Tenant agrees to notify CMHC if it receives further amounts from Other Funding Sources.
15. The Impacted Tenant is not the subject of any actual or pending insolvency proceeding and has not made any filing for relief or protection under the *Bankruptcy and Insolvency*

<sup>3</sup> Where the Impacted Tenant is a registered charity or not-for-profit organization, the calculation must exclude revenues from persons who are not at arm's length from the Impacted Tenant. Registered charities and not-for-profit organizations may elect whether or not to include revenue from government sources as part of the calculation.

<sup>4</sup> For clarity, the following programs are not considered rent relief programs: Canada Emergency Business Account (CEBA), Canada Emergency Wage Subsidy (CEWS), nor the Transport Canada ground lease rent waiver for airports.


*Act (Canada), the Companies' Creditors Arrangement Act (Canada) or any other bankruptcy or insolvency legislation of any jurisdiction.*

16. The Impacted Tenant is not and is not controlled by an individual holding federal or provincial political office. The Impacted Tenant is not and is not owned by any person that promotes violence, incites hatred, or discriminates on the basis of race, national or ethnic origin, colour, religion, age, sex, sexual orientation, gender identity or expression, marital status, family status, genetic characteristics, disability or conviction for an offence for which a pardon has been granted or in respect of which a record suspension has been ordered; provided that the foregoing statement does not apply, in the case of any Impacted Tenant that is a publicly-listed company, to any person that holds publicly listed securities in the Impacted Tenant that do not constitute a controlling interest (or to the ultimate parent of that person). No portion of the Impacted Tenant's premises is used for any activity or undertaking which is criminal in nature.
17. The Impacted Tenant makes and confirms the **Integrity Declaration** attached hereto as Appendix A.
18. It is the express wish of the undersigned that this Attestation be drafted in English. *Le soussigné a exigé que cette attestation soit rédigée en langue anglaise.*
19. All of the terms and provisions of this Attestation shall survive and remain in full force and effect in accordance with their terms, notwithstanding the performance or termination of the Agreement (including the terms and conditions included therein) or the repayment, satisfaction or discharge of all obligations under the Agreement (including the terms and conditions included therein) and the CECRA Program.
20. Any notice required or permitted to be made to the Impacted Tenant pursuant to this Attestation or the CECRA Program shall be sufficiently given if delivered by electronic transmission at the email address below, by personal delivery or by regular mail to the Impacted Tenant at the Property.
21. The Impacted Tenant agrees to participate in post-funding surveys conducted by the Government of Canada, CMHC or any of its representatives or agents.

The Impacted Tenant acknowledges that providing false or misleading information to CMHC on this Attestation (including the Integrity Declaration attached hereto as Appendix A) or otherwise in connection herewith may result in a determination by CMHC that the Impacted Tenant is not eligible to receive financial or other benefits through CMHC and may expose the Impacted Tenant to remedies under the Agreement and at law to recover any benefits obtained. In the event that, between the date of this Attestation and December 31, 2020, this Attestation or anything contained herein should become untrue in any material respect, the Impacted Tenant shall disclose the same to CMHC through the CECRA Program administrator.

*[signature page follows]*

In accordance with the CECRA Application Terms and Conditions, the Impacted Tenant hereby gives its consent to the collection, use, disclosure, retention, handling and processing of its personal information by CMHC or its third-party service providers with respect to determining its eligibility or receipt of financial assistance or other benefits from CMHC under the CECRA Program. The Impacted Tenant's personal information is protected under the provisions of the *Privacy Act* (Canada) and the *Access to Information Act* (Canada) (together the "**ATIP Legislation**"), and it cannot be used or disclosed to other organizations unless it is done strictly in accordance with the CECRA Application Terms and Conditions and in accordance with the ATIP Legislation. The Impacted Tenant has also the right under ATIP Legislation to access its personal information. For further information, please refer to the CECRA Application Terms and Conditions. For questions or comments regarding this consent request or to access, update or correct personal information provided hereunder, the Impacted Tenant can use the contact information provided on the CECRA program website.

<b>BY:</b>	<b>Sign here / insert e-signature:</b> 
	<b>Legal Name of Impacted Tenant:</b>
	<b>Name of Signatory:</b>
	<b>Date:</b>
	<b>Address of Property:</b>
	<b>City/Town:</b> _____ <b>Province:</b> _____
	<b>Email:</b>

## APPENDIX A

### INTEGRITY DECLARATION

CMHC wishes to ensure that due consideration is given to the integrity of persons and entities obtaining benefits under the CECRA Program and, further, that due consideration is to be given to the effect that a proposed transaction or business relation would have on CMHC's reputation or the reputation of the Government of Canada, and the ability to attract and retain other persons or entities to use CMHC's programs and services. Accordingly, the Impacted Tenant is required to complete this Integrity Declaration prior to, and to remain eligible for, receipt of benefits from CMHC under the CECRA Program.

The Impacted Tenant hereby declares<sup>5</sup> and confirms the following on the express understanding that CMHC is relying on this Declaration (among other elements) in making a determination of eligibility of the Impacted Tenant to be provided with benefits under the CECRA Program:

- (a) the Impacted Tenant and its affiliates<sup>6</sup> have not, under Canadian (including federal, provincial or territorial), foreign or international laws, been convicted of any crime or penal or regulatory offence in relation to any financial matters such as but not limited to forgery, fraud, bribery, corruption, international sanctions, taxation or money laundering (unless a pardon has been granted or a record suspension has been ordered in respect of a conviction for such offence); and further, the Impacted Tenant and its affiliates are not under criminal prosecution for such offenses;
- (b) the Impacted Tenant and its affiliates have not previously been declared by the Government of Canada or any provincial, territorial or local government in Canada to be ineligible to do business with such government, including under the Government of Canada's Integrity Regime;<sup>7</sup>
- (c) there are no facts known or which ought reasonably to be known by the Impacted Tenant, which, in the opinion of the Impacted Tenant, acting reasonably, could give rise to CMHC having a concern with:
  - (i) entering into and/or maintaining a business relationship with the Impacted Tenant; or
  - (ii) the Impacted Tenant's integrity; and
- (d) the Impacted Tenant has fully disclosed to CMHC all information that may be relevant to the determination by CMHC of the Impacted Tenant's integrity.

For the duration of its business relationship with CMHC under the CECRA Program, the Impacted Tenant agrees to and shall immediately inform CMHC of any change in circumstances which would thereafter prevent the Impacted Tenant from maintaining this Integrity Declaration.

If the Impacted Tenant is not an individual, then the Impacted Tenant hereby declares and confirms, to the best of its knowledge, the matters in (a) to (d) above in respect of each of its directors, officers, members and shareholders (except as noted below); provided that the matters in (a) to (d) above do not apply to any person that holds publicly listed securities in the Impacted Tenant or any of its beneficial owner(s).

<sup>5</sup> If for any reason you are unable to make this Integrity Declaration, you must explain why. Your explanation must be provided in a separate document to be included with this Form. CMHC may request additional information from you. You authorize CMHC to collect and use the information provided, in addition to any other information that may be required to make a determination of ineligibility.

<sup>6</sup> An affiliate of the Impacted Tenant is another person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Impacted Tenant.

<sup>7</sup> The Government of Canada's Integrity Regime which can be accessed at: <https://www.tpsgc-pwgsc.gc.ca/ci-if/ci-if-eng.html>.

**Nadine Smith-Payne**

---

**From:** Dave Brown <dave@coremanagement.ca>  
**Sent:** October 29, 2020 4:36 PM  
**To:** Nadine Smith-Payne  
**Subject:** RE: GYMVMT November Rent

Hi Nadine, you're correct, my apologies. Long day I guess? 😊

Thanks,  
Dave

---

**From:** Nadine Smith-Payne <npayne@ifhinc.ca>  
**Sent:** Thursday, October 29, 2020 4:32 PM  
**To:** Dave Brown <dave@coremanagement.ca>  
**Cc:** Deji Mosuro <deji@coremanagement.ca>  
**Subject:** RE: GYMVMT November Rent

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

The CECRA rent reduction agreement would have cancelled out any deferral rent plan as you would have received the government payments.

Thank you.

Kind regards,

**Nadine Smith-Payne**  
Real Estate Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**  
HEAD OFFICE  
7222 Edgemont Boulevard NW  
Calgary, AB T3A 2X7  
D: 587-585-1654  
E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)  
[www.ifhinc.ca](http://www.ifhinc.ca)

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---

**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** October 29, 2020 3:58 PM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>



**Cc:** Deji Mosuro <[deji@coremanagement.ca](mailto:deji@coremanagement.ca)>

**Subject:** RE: GYMVMT November Rent

Hello Nadine, thank you for the email, we'll look for your cheque as outlined below.

Looking back through correspondence, there is still the outstanding issue regarding the repayment of the rent deferral. The owners had proposed that this would commence on October 1, 2020 over 6 months. Your team had suggested to commence Jan 2021 and taking the entirety of the potential new lease term. I don't recall the owners agreeing to your repayment terms.

Please follow up internally and provide an accelerated repayment period for consideration.

Thank you,  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>

**Sent:** Thursday, October 29, 2020 9:29 AM

**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>

**Subject:** GYMVMT November Rent

**Importance:** High

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

As you are aware, the CECRA benefit officially ended in September. According to the CECRA Rent Reduction Agreement, any rent payment over and above the 25% requirement would be credited. Below is the payment schedule from April thru to September. We have a credit of \$28,330.35 and will be applying this towards the November rent. We also acknowledge the incremental rent increase starting November 1<sup>st</sup>. Our November rent cheque will be in the sum of 12,809.06.

On a side note, we are still waiting for the HVAC report. I've been following up with my maintenance director and he assures me we will have it either today or tomorrow. I apologize for the delay.

MONTH	CECRA 25%	WHN PAYMENT	%
Apr-20	\$ 9,443.45	\$ 9,443.45	25
May-20	\$ 9,443.45	\$ 9,443.45	25
Jun-20	\$ 9,443.45	\$ 9,443.45	25
Jul-20	\$ 9,443.45	\$ 18,886.90	50
Aug-20	\$ 9,443.45	\$ 18,886.90	50
Sep-20	\$ 9,443.45	\$ 18,886.90	50
	<b>\$ 56,660.70</b>	<b>\$ 84,991.05</b>	
Credit to be applied to November Rent		<b>\$ 28,330.35</b>	

November 2020	\$	41,139.41	\$	28,330.35
<b>November Rent Cheque</b>		<b>\$</b>		<b>12,809.06</b>

Thank you.

Kind regards,

**Nadine Smith-Payne**

Real Estate Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**

HEAD OFFICE

7222 Edgemont Boulevard NW

Calgary, AB T3A 2X7

D: 587-585-1654

E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)

[www.ifhinc.ca](http://www.ifhinc.ca)

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**Nadine Smith-Payne**

---

**From:** Dave Brown <dave@coremanagement.ca>  
**Sent:** February 1, 2021 1:37 PM  
**To:** Nadine Smith-Payne  
**Subject:** RE: Clubfit Glenora February Rent

Hello Nadine, I hope you had a nice weekend 😊

The landlord has granted the requested 50% February 2021 rent deferral. Please confirm when we can expect the deferred portion to be paid. Also, we would request that you advise ASAP on who we may communicate with in regards to the long term plans at this location. Is Peter Melnychuk the best person to speak with? Following the departure of Mr. Broadmann, we have not had any meaningful communication in this matter from anyone at IFH.

Please advise.

Thank you,  
Dave

---

**From:** Nadine Smith-Payne <npayne@ifhinc.ca>  
**Sent:** Friday, January 29, 2021 2:57 PM  
**To:** Dave Brown <dave@coremanagement.ca>  
**Subject:** RE: Clubfit Glenora February Rent

**CAUTION:**This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Dave,

Unfortunately this is not the case. What you are referring to is the CECRA benefit that Landlords were entitle to. As Tenants, the CERS subsidy is not as generous as the CECRA. We are capped at a maximum \$300K as a total for the company. We have 21 clubs and the \$300K helps, but doesn't go far. I've taken a snippet from the federal government website for your convenience indicating the \$300K max, and is only good for the time that we are closed. Otherwise, when we reopen that max amount will go down as the subsidy parameters are based on income revenue.

Hope this answers the owners questions.

<https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-rent-subsidy/cers-technical-guidance.html>

# Canada Emergency Rent Subsidy (CERS) Technical guidance

## On this page

- [Definitions](#)
  - [Affiliated entities](#)
  - [Lockdown support eligibility criteria](#)

## Definitions

**Affiliated entities** If you are affiliated with other businesses, charities, or non-profits who are also applying for CERS, you must agree how you will split the \$300,000 limit for eligible expenses.

You will enter the percentages you agreed to claim in the application form.

The application form will have space for up to 10 affiliated entities. If you have more than 10, enter the ones with the highest allocations (percentages) and keep a full list for your records.

Thank you.

Kind regards,

**Nadine Smith-Payne**  
Real Estate Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**  
GYMVM T | HER GYMVM T | Bankers Hall Club | CLUBFIT  
7222 Edgemont Boulevard NW  
Calgary, AB T3A 2X7  
D: 587-585-1654  
E: [npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)  
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---

**From:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Sent:** January 28, 2021 3:21 PM  
**To:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Subject:** RE: Clubfit Glenora February Rent

Hello Nadine, thank you for passing this along.

In discussions with the owners, I was notified that CERS funds are available up to a maximum of \$75,000 per location and not the \$300,000 per company as you had indicated. Can you please provide evidence of your CERS application as well as the \$300,000 company maximum. Once received I can provide to the owners for consideration.

Take care,  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Wednesday, January 27, 2021 2:33 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Subject:** Clubfit Glenora February Rent  
**Importance:** High

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Hi Dave,

Hope this email finds you well. Again, we find ourselves in the same position as January.

Please find attached a letter regarding the February rent payment from our CEO.

Thank you.

Kind regards,

**Nadine Smith-Payne**  
Real Estate Coordinator

**INTERNATIONAL FITNESS HOLDINGS INC.**  
GYMVMT | HER GYMVMT | Bankers Hall Club | CLUBFIT  
7222 Edgemont Boulevard NW  
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In discussions with the owners, I was notified that CERS funds are available up to a maximum of \$75,000 per location and not the \$300,000 per company as you had indicated. Can you please provide evidence of your CERS application as well as the \$300,000 company maximum. Once received I can provide to the owners for consideration.

Take care,  
Dave

---

**From:** Nadine Smith-Payne <[npayne@ifhinc.ca](mailto:npayne@ifhinc.ca)>  
**Sent:** Wednesday, January 27, 2021 2:33 PM  
**To:** Dave Brown <[dave@coremanagement.ca](mailto:dave@coremanagement.ca)>  
**Subject:** Clubfit Glenora February Rent  
**Importance:** High

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Hi Dave,

Hope this email finds you well. Again, we find ourselves in the same position as January.

Please find attached a letter regarding the February rent payment from our CEO.

Thank you.

Kind regards,

**Nadine Smith-Payne**  
Real Estate Coordinator

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CLERK'S STAMP:

COURT FILE NUMBERS 25-731795 25-731797 25-731799 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 AFFIDAVIT NO. 4 OF PETER MELNYCHUK

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

AFFIDAVIT NO. 4 OF PETER MELNYCHUK

Sworn on June 3, 2021

I, Peter Melnychuk, of Calgary, Alberta, SWEAR AND SAY THAT:

- 1. I am the Chief Executive Officer of International Fitness Holdings Inc. ("IFH") and I am authorized to swear this affidavit on its behalf. I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I verily believe the same to be true. 2. I have previously sworn three affidavits in this action, on April 30, 2021 (the "First Melnychuk Affidavit"), May 4, 2021 (the "Second Melnychuk Affidavit") and May 21, 2021 (the "Third

DS PM

**Melnychuk Affidavit**", and together with the First Melnychuk Affidavit and the Second Melnychuk Affidavit, the "**Melnychuk Affidavits**"). A copy of the Third Melnychuk Affidavit, without exhibits, is attached hereto as **Exhibit "A"**.

3. All capitalized terms that are used but not defined in this affidavit are intended to bear their meanings as defined in the Melnychuk Affidavits.

#### **I. Introduction and Relief Sought**

4. On April 23, 2021, IFH, International Fitness Holdings LP and World Health North LP (collectively, the "**Applicants**") each filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**", and such proceedings, the "**NOI Proceedings**") and appointed KPMG Inc. as its proposal trustee (the "**Proposal Trustee**").
5. As a result of filing the NOI, all proceedings against the Applicants and their assets were automatically stayed for an initial period of thirty (30) days (i.e. until May 23, 2021) (the "**Stay Period**").
6. On May 5, 2021, this Honourable Court pronounced an order, which, *inter alia*, (i) extended the Stay Period for an additional period of five (5) days (i.e. until May 28, 2021, and (ii) authorized the Applicants to obtain and borrow under a debtor-in-possession credit facility from First Canadian Cardio-Fitness Clinics Ltd. in an amount of up to \$10,000,000.00.
7. On May 27, 2021, this Honourable Court pronounced an order (the "**Sale Approval and Vesting Order**"), which, *inter alia*, (i) approved and authorized the transaction (the "**Transaction**") contemplated by the Asset Purchase Agreement dated April 23, 2021 between Ayrfit West Inc. Ayrfit Alberta Inc. and Ayrfit Edmonton Inc. (collectively, the "**Purchasers**") and the Applicants and Spa Lady (West) Inc. (as vendors), as amended by an Amending Agreement dated May 20, 2021 (collectively, the "**APA**"), and (ii) extended the Stay Period for an additional period of thirty three (33) days (i.e. until June 30, 2021).
8. For the reasons further described herein, the Applicants hereby seek from this Court an Order (the "**Lease Assignment Order**"), *inter alia*:
  - (a) abridging the time for delivery of this Application and deeming service of this Application to be good and sufficient; and
  - (b) assigning the rights and obligations of IFH under the Canyon Meadows Lease and the Glenora Lease (as each of those terms is defined below) to the Purchasers, pursuant to section 84.1 of the BIA.

9. I am advised by the Proposal Trustee and do verily believe that the Proposal Trustee supports this Application.

## II. Background

10. As set forth in the First Melnychuk Affidavit, the Applicants are part of an enterprise which operated twenty-one (21) fitness centers in Edmonton and Calgary (the “**IFH Group**”).
11. Since the onset of the COVID-19 pandemic in February and March 2020 and the various government- mandated closures of its facilities, the IFH Group has been presented with considerable operational and financial challenges. In response, the IFH Group implemented strategies to mitigate its losses.
12. In conjunction with these efforts, the Applicants, with the assistance of MNP and the participation of the Applicants’ secured lenders, carried out a comprehensive sale process with respect to the Applicants’ business and assets prior to the NOI filing. This sale process yielded the Transaction contemplated by the APA, which represents a positive outcome that ensures that the Applicants’ business remains a going concern without interruption in service to its members.

## III. The Asset Purchase Agreement

13. On April 23, 2021, the Applicants entered into the APA, as amended on May 20, 2021, pursuant to which the Purchasers will acquire certain of the Applicants’ assets as a going concern sale of the business. The key terms of the APA were described in the Third Melnychuk Affidavit. As noted therein, on the Closing Date of June 18, 2021, the Purchasers will acquire certain of the Applicants’ assets as a going concern, including the Assumed Leases, and will assume all of the Applicants’ liabilities under Assumed Leases and Purchased Contracts (each as defined in the APA).
14. Given that the Transaction is a going concern sale of certain of the Applicants’ assets and business, it is a positive outcome for many of Applicants’ stakeholders and other parties with which the Applicants have commercial relationships, including certain landlords, service providers, suppliers and vendors.
15. On May 27, 2021, the Applicants and the Purchasers entered into a second amending agreement to the APA in order to confirm certain changes to the schedules of the APA setting out the Assumed Leases, the IP Assets and the Excluded Assets. A copy of the Second Amending Agreement to the APA (the “**Second Amending Agreement**”) is attached hereto as **Exhibit “B”**. This Honourable Court was advised of the terms of the Second Amending Agreement before it pronounced the Sale Approval and Vesting Order.

#### **IV. Assignment of the Canyon Meadows Lease and the Glenora Lease**

16. The APA, as amended through the Second Amending Agreement, contemplates the assignment of Assumed Leases to the Purchasers.
17. As I set out in the Third Melnychuk Affidavit, with respect to Assumed Leases, negotiations have been ongoing between the Applicants, the Purchasers and landlords. As of the date of the swearing of the Third Melnychuk Affidavit, the leases for eight (8) locations had been disclaimed, and the leases in respect of three (3) locations were anticipated to be assigned to the Purchasers by way of Court Order if terms of the assignment could not be negotiated with the landlords. In the Third Melnychuk Affidavit, I noted that the Applicants and Purchasers anticipated returning to Court in June of 2021 to seek an order assigning those leases to the Purchasers, as may be required.
18. Since the Third Melnychuk Affidavit was sworn, the lease for one additional location has been disclaimed, bringing the total number of disclaimed leases to nine (9). In addition, despite ongoing negotiations between the Applicants, the Purchasers and the landlords, no agreement has been reached with respect to the assignment of two (2) leases: the Canyon Meadows Lease and the Glenora Lease, each of which is described below. The Applicants are seeking that both of those leases be assigned to the Purchasers through the Lease Assignment Order.
19. As far as I am aware, neither the Canyon Meadows Lease nor the Glenora Lease is (a) an agreement entered into on or after the day on which the NOI Proceedings commenced; (b) an eligible financial contract; or (c) a collective agreement.

#### Canyon Meadows

20. The Canyon Meadows location is leased to the Applicant IFH pursuant to a lease dated July 17, 1997, as assigned and amended on August 31<sup>st</sup>, 2006, assigned on November 25, 2009 and assigned and amended on January 1<sup>st</sup>, 2018, between IFH Inc. (as successor of Spa Lady Inc., the assignee of the original tenant 21<sup>st</sup> Century Health Spas (Western) Ltd.) and 1710818 Alberta Ltd. (as successor to the original landlord 690569 Alberta Ltd.) and granted possession of premises at the property situated at 13226 Macleod Trail in Calgary (the "**Canyon Meadows Lease**"). The current term of the Canyon Meadows Lease expires on December 31, 2023. A copy of the Canyon Meadows Lease is attached hereto as **Exhibit "C"**.
21. The fitness centre at the Canyon Meadows location is a female-only fitness centre, and has a successful track record as one of the best performing fitness centers of the IFH Group, with over 6,000 members at its peak. The fitness centre is located in a good caption area. in the southeast quadrant of Calgary and is important to the IFH Group's fitness centre network, as the IFH Group



has female-only fitness centers in each other quadrant of the city. Further, there is a co-ed GoodLife fitness center in the same building, which complements IFH's female-only fitness centre well. As a result of the successful historical performance of this location, the Purchasers believe that the assignment of the Canyon Meadows Lease is important to the overall success of the IFH Group's business as a going-concern following the closing of the Transaction. The Lease Assignment Order contemplates that the Canyon Meadows location will be assigned to Ayrfit Alberta Inc.

22. On March 17, 2021, the landlord of the Canyon Meadows location issued a seizure notice with respect to equipment at the site in the amount of \$179,246.38, a copy of which is attached hereto as **Exhibit "D"** (the "**Seizure Notice**").
23. In June 2020, in light of the business and operational disruptions caused by the onset of the COVID pandemic, IFH sent a letter to the Canyon Meadows landlord setting out a rent deferral proposal, a copy of which is attached hereto as **Exhibit "E"**. Taking into account rent deferral arrangements for this location, I understand that the rent arrears for the Canyon Meadows Lease are in the amount of \$200,404.44 inclusive of GST. I understand that all rent arrears will be paid in connection with the assignment of the Canyon Meadows Lease to Ayrfit Alberta Inc. through the Lease Assignment Order.

#### Glenora

24. The Glenora location is leased pursuant to a lease dated August 1, 2012 between World Health Edmonton Inc. as tenant and Teslin Investments Joint Venture as landlord, which granted possession of premises at the property situated at 10720-142 Street in Edmonton (the "**Glenora Lease**"). The current term of the lease expires in 2026. A copy of the Glenora Lease is attached hereto as **Exhibit "F"**.
25. Following a 2018 acquisition of World Health Edmonton Inc. and certain related entities by World Health North LP (the "**World Health North Acquisition**"). various leases naming World Health Edmonton Inc. as tenant were assigned to World Health North LP ("**WHN**"). Though most leases were assigned as part of the World Health North Acquisition, certain of the leases were intended to be assigned following the closing of the transaction. I am advised by counsel, Karen Fellowes of Stikeman Elliott LLP, that the Glenora Lease was intended to be assigned to WHN as part of the World Health North Acquisition, but no written assignment agreement was ever entered into. Attached as **Exhibit "G"** is a copy of the closing index for the World Health North Acquisition showing the assignment and amendment of the Glenora Lease as a post-closing deliverable.

26. Since the World Health North Acquisition in 2018, ongoing negotiations were occurring regarding the assignment. On November 9, 2019, the landlord of the Glenora location signed a Lease Assignment, Amendment and Extension Agreement (the “**Glenora Lease Assignment**”) which contemplated the assignment of the Glenora Lease to IFH as tenant effective January 1, 2020 . The Glenora Lease Assignment also purported to extend the original lease to 2029 and set out new rental terms. The Glenora Lease Assignment was not signed by World Health Edmonton Inc. or IFH. A copy of the Glenora Lease Assignment is attached hereto as **Exhibit “H”**.
27. As negotiations for the Glenora Lease Assignment were taking place, the IFH Group was undergoing a major transformation and rebranding process. This process was coming to a conclusion in late 2019, at which time the IFH Group was focussed on ensuring that the business was ready for January sales, since January is the most important month in the fitness industry. Unfortunately, the onset of the COVID-19 pandemic in early 2020 occurred just as the IFH Group’s transformation and rebranding efforts were concluding, and at the time the IFH Group shifted its focus to streamlining operations and responding to the various government-mandated closures of its fitness facilities. As a result of these disruptions, the Glenora Lease Assignment was never signed.
28. I further understand that, despite no assignment agreement being finalized, the parties continued to govern themselves under the terms of the Glenora Lease. Since 2018, the landlord has continued to accept rent from WHN under the terms of the Glenora Lease. As noted, in late 2019, the IFH Group underwent a major transformation and rebranding, pursuant to which the Glenora location changed its name from World Health to ClubFit. The landlord of the Glenora location consented to this re-branding, including the placement of new signage at the location.
29. In June 2020, in light of the business and operational disruptions caused by the onset of the COVID pandemic, IFH sent a letter to the Glenora landlord setting out a rent deferral proposal, a copy of which is attached hereto as **Exhibit “I”**. The proposal contemplated that (i) the landlord would apply for the Canada Emergency Commercial Rent Assistance (“**CECRA**”) program, and (ii) the deferred rent would be amortized over the course of the Glenora Lease, on the assumption that the parties could agree to a long term extension for the Glenora Lease. During this time, I had multiple discussions with the Glenora landlord regarding WHN’s inability to pay the full amount of its monthly lease obligations.
30. In July 2020, the landlord of the Glenora location applied for the CECRA. As part of its application, the landlord was required to submit information about the Glenora Lease. Attached as **Exhibit “J”** are copies of supporting documentation that the landlord prepared and asked

WHN to sign in connection with its CECRA application, along with email correspondence between the landlord and IFH regarding the landlord's application for the CECRA program and the rent deferral arrangements between the parties. In the CECRA application materials, the landlord affirms the existence of the Glenora Lease.

31. The Glenora landlord was accepted into the CECRA program for the months of April 2020 through to September 2020. In accordance with the terms of the CECRA program, the Glenora landlord agreed to accept 25% rent from WHN for each of these months in full satisfaction of its obligations under the Glenora Lease, and received a government subsidy to cover 50% of the rent for these months. Taking into account rent deferral arrangements for this location, I understand that the rent arrears for the Glenora Lease are in the amount of \$148,101.88 inclusive of GST, and will be paid in connection with the assignment of the Glenora Lease to Ayrfit Edmonton Inc. through the Lease Assignment Order.
32. Consistent with the above actions, I believe it was always the parties' intention to continue performing pursuant to the Glenora Lease until a lease amendment and assignment could be finalized. WHN would not have applied for government COVID-relief subsidies, and would not have expended resources on a rebranding, if we did not have a long term interest in the location.
33. On or about May 4, 2021, I was surprised to find out that it is the landlord's position that there is no long term lease in effect at the Glenora location, and that there is a month to month tenancy in place. This was the first time I became aware of the landlord's position in this regard. I was dismayed that the landlord would assert this position only after the NOI filing and the signing of the APA.
34. The fitness centre located at the Glenora location has historically performed very well. It is located in a residential neighborhood which is home to a diversified demographic. The fitness centre occupies approximately 80% of the building at this location, and has its own parking lot. As a result, the Glenora location is prominent and accessible. Further, when the IFH Group shut down its operations at its fitness centers in West Edmonton Mall, the Edmonton City Centre and Mayfield, it notified members of those fitness centers that the memberships would be transferred to the Glenora location. The loss of the Glenora location would thus have a detrimental impact on the IFH Group's operations in Edmonton following the closing of the Transaction. In light of these factors, the Purchasers believe that the assignment of the Glenora Lease is important to the overall success of the IFH Group's business as a going-concern following the closing of the Transaction.

Purchasers' Ability to Perform the Obligations under the Canyon Meadows Lease and the Glenora Lease

- 35. I believe that the Purchasers are able to perform the obligations under the Canyon Meadows Lease and the Glenora Lease. I understand that a representative of the Purchasers will be filing an affidavit setting out further information regarding the Purchasers' ability to perform these obligations.
- 36. Any and all monetary defaults in relation to the Canyon Meadows Lease and the Glenora Lease. will be remedied before the closing of the Transaction.
- 37. I believe it is appropriate to assign the rights and obligations under the Canyon Meadows Lease and the Glenora Lease to the Purchasers. Such assignments will allow for the Canyon Meadows Lease and the Glenora Lease. to be continued, by way of the Purchasers performing the obligations thereunder, which, in my view, will benefit the counterparties to each lease.
- 38. I am advised by the Proposal Trustee and verily believe that the Proposal Trustee approves the assignment of the Canyon Meadows Lease and the Glenora Lease to the Purchasers.

**V. Conclusion**

- 39. I swear this affidavit in support of the Applicants' application for an order approving the assignment of the Canyon Meadows Lease and the Glenora Lease. to the Purchasers and for no other or improper purpose.

*This affidavit was sworn using video technology. The deponent was not physically before the commissioner but was linked with the commissioner utilizing video technology. The process as required by the Court of Queen's Bench of Alberta "Notice to the Profession & Public Notice: Remote Commissioning of Affidavit For Use In Civil and Family Proceedings During the COVID-19 Pandemic" was utilized.*

SWORN) BEFORE ME via video conference, )  
 this 3 day of June, 2021. )  
 )  
 )  
 )  
 \_\_\_\_\_ )  
 Commissioner for Oaths in and for the Province )  
 of Alberta )

DocuSigned by:  
  
 EEDDE78E6577440  
 \_\_\_\_\_  
**PETER MELNYCHUK**

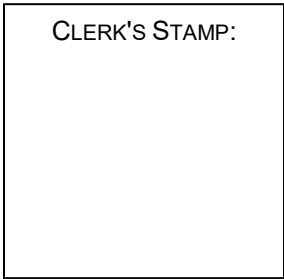
**NATASHA DOELMAN**  
BARRISTER & SOLICITOR

This is **Exhibit "A"** referred to in the Affidavit No. 4 of Peter Melynychuk sworn before me at the City of Calgary, in the Province of Alberta this 3 day of June, 2021.

---

Commissioner for Oaths in and for the  
Province of Alberta

**NATASHA DOELMAN**  
BARRISTER & SOLICITOR



COURT FILE NUMBERS 25-731795  
 25-731797  
 25-731799

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 **AFFIDAVIT NO. 3 OF PETER MELNYCHUK**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

**STIKEMAN ELLIOTT LLP**  
 4300 Bankers Hall West  
 888 – 3<sup>rd</sup> 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**

**AFFIDAVIT NO. 3 OF PETER MELNYCHUK**

**Sworn on May 21, 2021**

I, Peter Melnychuk, of Calgary, Alberta, AFFIRM AND SAY THAT:

1. I am the Chief Executive Officer of International Fitness Holdings Inc. ("**IFH**") and I am authorized to swear this affidavit on its behalf. I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I verily believe the same to be true.
2. I have previously sworn two affidavits in this action, on April 30, 2021 (the "**First Melnychuk Affidavit**") and May 6, 2021 (collectively, the "**Melnychuk Affidavits**").

3. All capitalized terms that are used but not defined in this affidavit are intended to bear their meanings as defined in the Melnychuk Affidavits.

**I. Introduction and Relief Sought**

4. On April 23, 2021, IFH, International Fitness Holdings LP and World Health North LP (collectively, the "**Applicants**") each filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**", and such proceedings, the "**NOI Proceedings**") and appointed KPMG Inc. as its proposal trustee (the "**Proposal Trustee**").
5. As a result of filing the NOI, all proceedings against the Applicants and their assets were automatically stayed for an initial period of thirty (30) days (i.e. until May 23, 2021) (the "**Stay Period**").
6. On May 5, 2021, this Honourable Court pronounced an order (the "**Initial Order**"), which, *inter alia*, (i) extended the Stay Period for an additional period of five (5) days (i.e. until May 28, 2021, and (ii) authorized the Applicants to obtain and borrow under a debtor-in-possession credit facility from First Canadian Cardio-Fitness Clinics Ltd. (the "**Lender**") in an amount of up to \$10,000,000.00 (the "**DIP Facility**").
7. For the reasons further described herein, the Applicants hereby seek from this Court an Order, inter alia:
  - (a) abridging the time for delivery of this Application and deeming service of this Application to be good and sufficient;
  - (b) an order further extending the Stay Period for an additional thirty-three (33) days from the expiry of the Stay Period (i.e. until June 30, 2021);
  - (c) approving and authorizing the transaction (the "Transaction") contemplated by the Asset Purchase Agreement dated April 23, 2021 (the "**Transaction**") between Ayrfit West Inc. Ayrfit Alberta Inc. and Ayrfit Edmonton Inc. (collectively, the "**Purchasers**") and the Applicants and Spa Lady (West) Inc. (as vendors), and as amended by Amending Agreement dated May 20, 2021 (collectively, the "**APA**"), a redacted copy of which is marked as **Exhibit "A"** and an unredacted copy of which is marked as **Exhibit "B"** (the "**Confidential Exhibit**") to this affidavit;
  - (d) ordering that, upon delivery by the Proposal Trustee to the Purchasers of the certificate contemplated in the proposed form of Sale Approval and Vesting Order, all

of Applicants' right, title and interest in and to the Purchased Assets shall vest in the Purchasers in the manner contemplated in the APA and set out in the Sale Approval and Vesting Order, free and clear of all Claims (as defined in the Sale Approval and Vesting Order); and

- (e) a sealing order with respect to the Confidential Exhibit and the First Confidential Supplemental Report (the "**Confidential Supplemental Report**") to the second report of the Proposal Trustee, until three months after the closing of the Transaction contemplated in the APA (the "**Sealing Order**").

8. I am advised by the Proposal Trustee and do verily believe that the Proposal Trustee supports this Application.

### Background

9. As set forth in the First Melnychuk Affidavit, the Applicants are part of an enterprise which operated twenty-one (21) fitness centres in Edmonton and Calgary (the "**IFH Group**").

10. Since the onset of the COVID-19 pandemic in February and March 2020 and the various closures of its facilities mandated by the provincial and other governments and health authorities, the IFH Group has been presented with considerable operational and financial challenges. In response, the IFH Group implemented strategies to mitigate its losses, all of which were aimed at positioning the business for reopening, even on a reduced basis, once provincial health restrictions were eased. These efforts included:

- (a) renegotiating its leases and negotiating deferral arrangements with landlords of its facilities;
- (b) reducing staff and streamlining its operations;
- (c) accessing the Canada Emergency Wage Subsidy program ("**CEWS**") and the Canada Emergency Commercial Rent Assistance Program ("**CECRA**"); and
- (d) engaging the services of MNP Ltd. ("**MNP**") to lead a strategic process, including a possible sale of the IFH Group's assets. From this process, one potential viable transaction arose involving the Purchasers, the approval for which is being sought in this Application.

11. Despite the foregoing, the IFH Group reported net losses on a consistent basis. The Applicants' secured debt exceeds \$72 million, which is far in excess of the fair market value of its assets,



and the Applicants are in default with their secured lenders, who have indicated they are no longer willing to continue financing the Applicants under their current structure.

### **Restructuring Efforts post-NOI Filing**

12. Following the commencement of these NOI Proceedings, the Applicants have continued to pursue activities aimed at restructuring and streamlining its operations, including:
  - (a) consulting with the Proposal Trustee and its legal advisors on the various cost-saving measures available to the Applicants in the context of a formal restructuring process;
  - (b) finalizing discussions with the Purchaser in connection with the APA (as described below), which contemplates the sale of substantially all of the Applicant's business on a going concern basis;
  - (c) working with the Purchaser to identify those leases which the Purchaser intends to assume, and liaising with the Purchaser and various landlords regarding new lease agreements for certain fitness locations where the Purchaser intends to carry on business, and disclaiming leases for eight (8) locations (the "**Disclaimed Locations**");
  - (d) communicating with sub-tenants of the Disclaimed Locations;
  - (e) working with the Lender in respect of cashflows and advances under the DIP Facility;
  - (f) working with the Proposal Trustee and counsel to prepare a cash flow projection and to identify issues with respect to their financial condition and the status of their creditors;
  - (g) engaging with the IFH Group's employees, including holding a town hall meeting on April 25, 2021, regarding the NOI Proceedings, providing weekly updates, and scheduling another town hall meeting on May 28, 2021;
  - (h) working with the Purchasers to develop new employee compensation plans for those employees of the IFH Group anticipated to employment agreements with the Purchasers following the closing of the Transaction;
  - (i) streamlining operations;
  - (j) communicating with IFH Group's members regarding the status of their memberships and the operation of its fitness centres, and with further communication to members on May 28, 2021;

- (k) continuing to engage with governmental authorities in connection with the CEWS and CECRA programs; and
- (l) communicating with various lienholders and claimants regarding the status of their claims against the Applicants under the present NOI Proceedings.

13. Since the Initial Order, the Applicants have borrowed from the Lender a total of \$500,000 under the DIP Facility in order to continue operations during the stay extension period, and in order to support the fees of the Proposal Trustee and counsel involved in the restructuring process

### **The Asset Purchase Agreement**

14. On April 23, 2021, the Applicants entered into the APA, as amended on May 20, 2021, pursuant to which the Purchasers will acquire certain of the Applicants' assets as a going concern sale of the business. The APA was amended to address primarily the involvement of two purchasers to acquire the Calgary and Edmonton related assets. Any references to the APA herein, refers to the APA as amended. I understand that some of the key terms of the APA include:

- (a) the purchase price consists of cash considerations, a promissory note, Purchaser consideration shares, and the value of assumed liabilities under the APA. The particulars of the purchase price (including the mechanism by which the Purchase Price is determined), are releasable upon the closing of the Transaction;
- (b) the APA has closing date of June 18, 2021 (the "**Closing Date**");
- (c) on the Closing Date the Purchasers will acquire certain of the Applicants' assets as a going concern and free and clear of all encumbrances, including personal property, equipment, inventories, accounts receivable, intellectual property, books and records, good will of the Applicants, contact information for the Applicants' members, and all rights to deposits and prepaid expenses;
- (d) the Purchasers will also assume all of the Applicants' liabilities under Assumed Leases and Purchased Contracts (each as defined in the APA), and all amounts owing by the Applicants under the DIP Facility less any adjustments calculated pursuant to the terms of the APA;
- (e) excluded assets from the Transaction include all outstanding loans to the Applicants' management investors; all employment contracts and benefit plans offered to employees; certain loan agreements with management and other investors described at

Schedule 2.2 of the APA; promotional and certain corporate memberships; and personal training contracts;

- (f) the conditions of closing include that:
  - (i) the Purchasers waive all conditions in respect of the Assumed Leases by May 19, 2021, which the Purchasers have so waived; and
  - (ii) the Court approves the APA, vesting the purchased assets in the Purchaser free and clear of any encumbrances;
- (g) the Purchasers are finalizing their review of employee requirements for the locations being assumed pursuant to the APA, which allows the Purchasers the option to make new offers of employment to the Applicants' employees within five (5) days of the Closing Date.

#### **Approval of the Sale and Vesting Order**

- 15. The Applicants did not conduct a Court-supervised sales process for the Purchased Assets, as an extensive sales process was conducted prior to the NOI filing, and the Applicants did not have the financial resources or the time to run an additional process post-filing. The Applicants worked closely with MNP and with the Applicants' secured lenders over the course of many months, and we believe that MNP thoroughly canvassed the market and the Transaction represents a positive outcome that ensures that the Applicants' business remains a going concern without interruption in service to its members.
- 16. The Applicants did not obtain a formal valuation of their business, other than a liquidation analysis of the used fitness equipment in its facilities. Due to the special nature of the business, and especially due to the current conditions during the global pandemic and its particular effect on the fitness industry, it was impossible to obtain such a valuation. However, we believe that the efforts of MNP and the APA which was extensively negotiated over the course of many months, represents the best indication of the value of the underlying business, and the best offer available in the circumstances.
- 17. As a result of the Transaction, it is anticipated at least fourteen (14) of the IFH Group's fitness facilities will remain open, which will result in the continued employment of certain of IFH Group's employees. Additionally, the IFH Group's permanent (i.e. non-promotional) members will retain their membership status with the Purchasers. The Sale and Vesting Order provides that the purchased assets located in Edmonton and those located in Calgary will be acquired by different Purchaser entities.

18. Furthermore, given that the Transaction is a going concern sale of certain of the Applicants' assets and business, it is a positive outcome for many of Applicants' stakeholders and other parties with which the Applicants have commercial relationships, including certain landlords, service providers, suppliers and vendors.
19. The Applicants' secured lenders have actively participated in the pre-filing sales process and strategy to monetize the Applicants' assets. The secured lenders, who are owed in excess of \$72 million, and who will be suffering a significant shortfall on their secured debt, continue to support the Transaction being completed.
20. With respect to assumed and assigned leases, negotiations have been ongoing between the Applicants, the Purchasers and landlords. As of the date of my Affidavit, there are eight (8) Disclaimed Leases, and the leases in respect of three (3) locations are anticipated to be assigned to the Purchasers by way of Court Order if terms of the assignment cannot be negotiated with landlords. The Applicants and Purchasers anticipate returning to Court in June of 2021 to seek Assignment Orders, as may be required.

#### **Extension of the Stay of Proceedings**

21. As outlined above in paragraph 12, since the filing of the NOI, the Applicants have been working diligently and in good faith toward a restructuring of their affairs for the benefit of their stakeholders, employees and members.
22. While the Applicants anticipate that, subject to Court approval of the APA, closing of the Transaction will occur on or about June 18, 2021, the requested stay extension to June 30, 2021 will allow for the closing of the Transaction and for the Applicants and the Proposal Trustee to attend to any post-closing matters, including applying for a further Assignment Order or Distribution Order, as required. I have been advised that the Proposal Trustee supports the requested extension of the Stay Period.
23. I believe that the Applicants have been acting in good faith and with due diligence in these NOI Proceedings. I believe it is in the best interests of the Applicants and all of their stakeholders that the Stay Period be extended to allow for the closing of the Transaction, and that such an extension is appropriate in the circumstances.
24. I am not aware of any material prejudice to any of the Applicants' creditors as a result of the proposed extension of the Stay Period.

#### **Cash Flow Projections**

25. Attached as Exhibit "C" is a true copy of the cash flow forecast for the period from May 28, 2021 to June 30, 2021.
26. The Applicants' cash flow forecast projects that it will have sufficient cash to fund its projected operating costs until June 30, 2021.
27. The DIP Facility as approved in the Initial Order contemplated a May 31, 2021 maturity date, to align with an earlier May 31, 2021 closing date and provided an initial available amount of funding of up to \$2 million. On May 20, 2021, the Lender and Applicants entered into an amending agreement with respect to the DIP Facility, which extends the closing date to June 30, 2021, and increases the amount available to the Applicants under the DIP Facility to \$3 million (the "**DIP Amending Agreement**"). Attached hereto and marked as Exhibit "D" is a copy of the DIP Amending Agreement.
28. The Proposal Trustee has reviewed the cash flow forecast and, I understand, is supportive of the same. I expect that the Proposal Trustee will report on the forecast in the Proposal Trustee's Second Report.

#### Sealing Order

29. The Confidential Exhibit will contain an unredacted copy of the APA. I believe that the APA contains information of a highly sensitive commercial nature, namely the Purchase Price (and the mechanism for its determination) and personal information. I also believe the Confidential Supplemental Report contains highly sensitive commercial information regarding the marketing process and efforts that MNP undertook prior to the Applicants' filing of the NOI (the "**Marketing Process**").
30. Publication of the Purchase Price and Marketing Process before the approval and closing of the Transaction could result in serious commercial damage to the Applicants as it could prejudice any future sales process, in the event that the Transaction does not close, to the detriment of the Applicants' stakeholders.
31. I believe the sealing order being sought is the least restrictive means possible to prevent disclosure of the confidential and commercially sensitive information regarding the Transaction and from disclosing confidential personal information.

## Conclusion

32. I swear this affidavit in support of the Applicants' application for an order (i) granting a sale and vesting order in respect of the Transaction, (ii) extending the Stay Period to June 30, 2021, and (iii) granting a sealing order for the Confidential Exhibit and Confidential Supplemental Report, and for no other or improper purpose.

*This affidavit was sworn using video technology. The deponent was not physically before the commissioner but was linked with the commissioner utilizing video technology. The process as required by the Court of Queen's Bench of Alberta "Notice to the Profession & Public Notice: Remote Commissioning of Affidavit For Use In Civil and Family Proceedings During the COVID-19 Pandemic" was utilized.*

AFFIRMED BEFORE ME by videoconference, this  
21<sup>st</sup> day of May, 2021.

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Commissioner for Oaths/Notary Public in and for  
the Province of Alberta

DocuSigned by:  
*Peter Melnychuk*  
EEDE78E6577440...

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**PETER MELNYCHUK**

This is **Exhibit "B"** referred to in the Affidavit No. 4 of Peter Melynychuk sworn before me at the City of Calgary, in the Province of Alberta this 3 day of June, 2021.

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Commissioner for Oaths in and for the  
Province of Alberta

**NATASHA DOELMAN**  
BARRISTER & SOLICITOR

## SECOND AMENDING AGREEMENT

This Agreement is dated May 27, 2021, among:

**AYRFIT WEST INC. (FORMERLY 2819066 ONTARIO INC.), AYRFIT ALBERTA INC. AND AYRFIT EDMONTON INC.**

- and -

**INTERNATIONAL FITNESS HOLDINGS INC., INTERNATIONAL FITNESS HOLDINGS LP, WORLD HEALTH NORTH LP AND SPA LADY (WEST) INC.**

**WHEREAS** International Fitness Holdings Inc., International Fitness Holdings LP, World Health North LP and Spa Lady (West) Inc. (collectively, the “**Vendors**”) and Ayrfit West Inc., Ayrfit Edmonton Inc. and Ayrfit Alberta Inc. (collectively, the “**Purchasers**”) have entered into an Asset Purchase Agreement dated April 23, 2021, as amended May 20, 2021 (the “**Purchase Agreement**”) in respect of the sale of all, or substantially all, of the assets of the Vendors to Purchasers;

**AND WHEREAS** the parties wish to amend the Purchase Agreement as described below.

**IN CONSIDERATION** of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto (the “**Parties**”) agree as follows:

1. Schedule 1.1(e) to the Purchase Agreement is hereby deleted in its entirety and is replaced with Schedule 1.1(e) attached hereto.
2. Schedule 2.1(e) to the Purchase Agreement is hereby deleted in its entirety and is replaced with Schedule 2.1(e) attached hereto.
3. Schedule 2.2 to the Purchase Agreement is hereby deleted in its entirety and is replaced with Schedule 2.2 attached hereto.
4. The Purchase Agreement, as amended by this Amending Agreement, is hereby ratified and confirmed. All references to the Purchase Agreement shall refer to the Purchase Agreement as amended by this Amending Agreement. Except as amended by this Amending Agreement, the Purchase Agreement is unchanged and continues in full force and effect.
5. This Amending Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile or other electronic means of an executed counterpart of this Amending Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.



This Amending Agreement has been executed by the Parties as of the date first above written.

**AYRFIT WEST INC. (FORMERLY 2819066 ONTARIO INC.)**

Per: \_\_\_\_\_  
Name: *PST*  
Title:

**AYRFIT ALBERTA INC.**

Per: \_\_\_\_\_  
Name: *PST*  
Title:

**AYRFIT EDMONTON INC.**

Per: \_\_\_\_\_  
Name: *PST*  
Title:

**INTERNATIONAL FITNESS HOLDINGS INC.**

Per: \_\_\_\_\_  
Name:  
Title:

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

Per: \_\_\_\_\_  
Name:  
Title:

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

Per: \_\_\_\_\_  
Name:  
Title:

**SPA LADY (WEST) INC.**

Per: \_\_\_\_\_  
Name:  
Title:

This Amending Agreement has been executed by the Parties as of the date first above written.

**AYRFIT WEST INC. (FORMERLY 2819066 ONTARIO INC.)**

Per: \_\_\_\_\_  
Name:  
Title:


**AYRFIT ALBERTA INC.**

Per: \_\_\_\_\_  
Name:  
Title:


**AYRFIT EDMONTON INC.**

Per: \_\_\_\_\_  
Name:  
Title:


**INTERNATIONAL FITNESS HOLDINGS INC.**

Per:  \_\_\_\_\_  
Name: Jeff Belford  
Title: Director


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

Per:  \_\_\_\_\_  
Name: Jeff Belford  
Title: Director

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

Per:  \_\_\_\_\_  
Name: Jeff Belford  
Title: Director

**SPA LADY (WEST) INC.**

Per:  \_\_\_\_\_  
Name: Jeff Belford  
Title: Director

**SCHEDULE 1.1(e)**  
**ASSUMED LEASES**

- (a) Canyon Meadows – 158 – 13226 Macleod Trail South, Calgary, AB T2J 7E5
- (b) Glenora – 10720 142 Street NW, Edmonton, AB T5N 2P7
- (c) TransCanada Centre, Unit No. C01160A, 16th Avenue & 52nd Street N.E. Calgary, AB
- (d) Northgate Centre - 9499 – 137th Avenue NW, Edmonton, AB

**SCHEDULE 2.1(e)**  
**IP ASSETS**

The following table includes trademark applications and registrations standing in the names of the Vendors.

<b>Owner</b>	<b>Trademark</b>	<b>Appl. No.</b>	<b>Reg. No.</b>	<b>Comments</b>
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	SPA LADY	0435482	TMA240041	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	FITNESS 2000	0749924	TMA453041	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	WORLD HEALTH CLUB	1383216	TMA749460	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	WORLD HEALTH CLUB & Design 	1383217	TMA749231	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	WORLD HEALTH CLUB & Oval Design 	1383218	TMA749230	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	SPA KIDZ	1459860	TMA781670	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	EXPERIENCE YOUR BEST	1465872	TMA797625	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	EXCEPTIONAL RESULTS	1465873	TMA797636	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	EXCEPTIONAL EXPERIENCE	1465874	TMA797637	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	WORLD HEALTH	1465875	TMA805146	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	WORLD HEALTH & Design 	1465879	TMA805147	No documents recorded
INTERNATIONAL FITNESS HOLDINGS LP by its general partner INTERNATIONAL FITNESS HOLDINGS INC.	WORLD HEALTH Logo (Colour)	1465880	TMA805148	No documents recorded

ds

PM

Owner	Trademark	Appl. No.	Reg. No.	Comments
partner INTERNATIONAL FITNESS HOLDINGS INC.				
International Fitness Holdings LP	GYMVMT	1983817	NA	No documents recorded <sup>1</sup>
International Fitness Holdings LP	PWR X LAB	1998829	NA	No documents recorded <sup>2</sup>
World Health North LP	Fresh Fit Foods	Abandoned Trademark Application 1654674 (Word Mark)	N/A	No documents recorded
World Health North LP	Live Life Light	1654676	TM946148	No documents recorded
World Health North LP	Tru Ride	1746728	TMA996651	No documents recorded
World Health North LP	CLUB FIT	1097695	TMA580175	No documents recorded
World Health North LP		1097694	TMA580148	No documents recorded

The following domain names were assigned to World Health North LP from World Health Edmonton Inc. on April 30, 2018:

- (a) [www.clubfit.ca](http://www.clubfit.ca)
- (b) [www.clubfit.mobi](http://www.clubfit.mobi)

<sup>1</sup> Note: This trademark application has been accepted by the Canadian Intellectual Property Office and has met the minimum filing requirement but has not yet been assigned an examiner.


<sup>2</sup> Note: This trademark application has been accepted by the Canadian Intellectual Property Office and has met the minimum filing requirement but has not yet been assigned an examiner.

**SCHEDULE 2.2  
EXCLUDED ASSETS**

- (a) Loan Agreement between IFH Acquisition Corp. (“IFHA”) and Rochelle Greenman dated August 1, 2014.
- (b) Loan Agreement between IFHA and Jolene Boyer dated August 1, 2014.
- (c) Loan Agreement between IFHA and Dennis Gardner dated August 1, 2014.
- (d) Loan Agreement among IFHA, 1837920 Alberta Inc. (“1837920”) and Scott Wildeman dated August 1, 2014.
- (e) Loan Agreement among IFHA, 1837920 and Trevor Thirsk dated August 1, 2014.
- (f) Personal training contracts.
- (g) Promotional memberships, including Staff and Friends of Staff Memberships, Lead Box Memberships and other friends and family memberships; and (iii) corporate membership with Go Auto Corporation.
- (h) Corporate Membership with Go Auto Corporation and Letter Agreement – Company Paid Corporate Membership Program between Go Auto Corporation and WHN LP (as successor in interest to World Health Edmonton Inc. (“WHE”), by its general partner, Summit Acceptance Limited Partnership, dated May 7, 2015.
- (i)

<b>Owner</b>	<b>Trademark</b>	<b>Appl. No.</b>	<b>Reg. No.</b>	<b>Comments</b>
International Fitness Holdings Inc.	BANKERS HALL CLUB	1136483	TMA610338	No documents recorded

(j)

<b>Owner</b>	<b>Trademark</b>	<b>Appl. No.</b>	<b>Reg. No.</b>	<b>Comments</b>
International Fitness Holdings Inc.	Bankers Hall club DESIGN 	1136484	TMA601645	No documents recorded

This is **Exhibit "C"** referred to in the Affidavit No. 4 of Peter Melynychuk sworn before me at the City of Calgary, in the Province of Alberta this 3 day of June, 2021.

---

Commissioner for Oaths in and for the  
Province of Alberta

**NATASHA DOELMAN**  
BARRISTER & SOLICITOR

**LEASE**

**Landlord:** 690569 Alberta Ltd.

**Tenant:** 21st Century Health Spas (Western) Ltd.



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THIS INDENTURE made this 17 day of July, 1997.

BETWEEN:

690569 ALBERTA LTD., a corporation, with an office in the City of Calgary, in the Province of Alberta (hereinafter called the "Landlord")

OF THE FIRST PART

- and -

21st CENTURY HEALTH SPAS (WESTERN) LTD. (operating as "SPA LADY"), a corporation, with an office in the City of Calgary, in the Province of Alberta (hereinafter called the "Tenant")

OF THE SECOND PART

**ARTICLE 1  
DEFINITIONS**

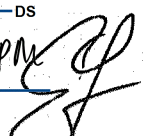
**1.1 Definitions**

In this Lease, the following terms shall have the following meanings:

- (a) "**Additional Rent**" means all amounts, other than Basic Rent, to be paid by the Tenant whether to the Landlord or otherwise pursuant to this Lease;
- (b) "**Agreement to Lease**" means the agreement dated December 12, 1996 and made on behalf of the Landlord with the Tenant with respect to the Premises, as agreed to by the Tenant on December 13, 1996; *offer*
- (c) "**Architect**" means the architect or engineer from time to time appointed by the Landlord, who shall be a member in good standing of a professional association recognized in Alberta, it being understood that MBM & Associates Consultants Ltd. of Calgary, Alberta has been appointed by the Landlord for the purposes of this Lease. The decision of the Architect whenever required hereunder and any certificate related thereto will be final and binding on the Landlord and Tenant;
- (d) "**Basic Rent**" means the rent specified in Section 5.1 hereof;
- (e) "**Building**" means, collectively, the building, improvements, structures and facilities erected or to be erected by the Tenant on or under that portion of the Lands outlined in red on the site plan attached as Schedule "A" hereto and includes all alterations, additions and improvements thereto;


- 2 -

- (f) **"Common Areas"** has the meaning ascribed thereto in Section 6.2 hereof;
- (g) **"Controllable Costs, Charges and Expenses"** means all costs, charges and expenses incurred, paid or payable by the Landlord for or in respect of the Lands and the Shopping Centre (other than Uncontrollable Costs, Charges and Expenses) recoverable by the Landlord under, or pursuant to, the provisions of Section 5.5 hereof.
- (h) **"CPI"** means the Consumer Price Index for the City of Calgary published by Statistics Canada of the Government of Canada or any equivalent as successor index replacing or substituting for such index from time to time;
- (i) **"fair market annual rent"** has the meaning ascribed thereto in Section 18.2 hereof;
- (j) **"First Renewal Term"** has the meaning ascribed thereto in Section 12.1 hereof;
- (k) **"Fixturing Period"** means that period of time occurring between the Lease Commencement Date and the Rent Commencement Date;
- (l) **"hazardous or toxic substances or materials"** means any substance or material that is hazardous or toxic to persons, animals, fish or plants or property including, without limiting the generality of the foregoing, radioactive materials, any substance that (if added to water) would degrade or alter or form part of a process of degradation or alteration of the quality of that water to the extent that it is detrimental to its use by man or by animal, fish or plant and any solid, liquid, gas or odour or any combination thereof that (if emitted into the air) would create or contribute to the creation of a condition of the air that endangers the health, safety or welfare of persons or the health of animals, interferes with normal enjoyment of life or property or causes damage to plant life or to property;
- (m) **"Lands"** means those lands (on which the Building and other Shopping Centre Structures are, or are to be, situate and including, without limitation, the Common Areas) legally described as Lot 5, Block 1, Plan 9211715, Excepting thereout all mines and minerals;
- (n) **"Landlord"** means 690569 Alberta Ltd. and its successors and assigns;
- (o) **"Landlord's Work"** means the work to be carried out and performed by the Landlord with respect to the Premises as described in Schedule "C" attached hereto;

DS  
PM  


- (p) **"Lease"** means this instrument and all Schedules attached hereto and all amendments made hereto and renewals hereof;
- (q) **"Lease Commencement Date"** means the later to occur of:
  - (i) the date upon which the Tenant takes, or is required to take, delivery of the possession of that portion of the Premises to commence the Tenant's Work in respect of the Building pursuant to the provisions of the Agreement to Lease; and
  - (ii) October 1, 1997;
- (r) **"Lease Year"** means the period of one (1) year commencing on the Rent Commencement Date and thereafter commencing on each successive anniversary thereof;
- (s) **"Parking Area"** has the meaning ascribed thereto by Section 2.3 hereof;
- (t) **"Premises"** means that portion of the Building outlined in green on the site plan attached as Schedule "A" hereto (which, for certainty, includes the mezzanine area currently located within the Premises);
- (u) **"Rent"** means the rent referred to in Article 5 and includes Basic Rent and Additional Rent;
- (v) **"Rent Commencement Date"** means the earlier to occur of:
  - (i) the date upon which the Tenant commences to carry on business on or from the Premises; and
  - (ii) that date which is one hundred and twenty (120) days following the Lease Commencement Date;
- (w) **"Sales Taxes"** has the meaning ascribed thereto in subsection 5.4(b) hereof;
- (x) **"Second Renewal Term"** has the meaning ascribed thereto in Section 12.2 hereof;
- (y) **"Shopping Centre"** means the Lands and the Shopping Centre Structures;

*LANDLORDS ESTOPPEL shows Dec 31/07 as expiry*

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- (z) **"Shopping Centre Structures"** means collectively all buildings, improvements, structures and facilities, erected or to be erected, on or under the Lands and all expansions, alterations, additions and relocations thereto within, upon or under the Lands, including without limitation the Building, all as illustrated on the site plan attached as Schedule "A" hereto;
- (aa) **"Taxes"** has the meaning ascribed thereto in subsection 5.4(a) hereof;
- (bb) **"Tenant"** means 21st Century Health Spas (Western) Ltd. and its successors and permitted assigns;
- (cc) **"Tenant's Proportionate Share"** means a fraction, the nominator of which is the leasable area of the Premises (being, for certainty, expressed in square feet as measured and certified by the Architect (MBM & Associates Consultants Ltd.), and measured from the exterior face of exterior walls and the midpoint of demising or interior walls, without any deduction for any bays or recesses, any space used for heating, ventilating and air conditioning equipment, transformer vaults, stairways, service or mechanical areas, any interior space occupied by projections, structures or columns, whether structural or not structural, but excluding any Common Areas of the Building) and the denominator of which is the total leasable area of the Building, including the Premises (being, for certainty, expressed in square feet ( or in square metres) as measured and certified by the Architect (MBM & Associates Consultants Ltd.), and measured from the exterior face of all walls, without any deduction for any bays or recesses, any space used for heating, ventilating and air conditioning equipment, transformer vaults, stairways, service or mechanical areas, any interior space occupied by projections, structures or columns, whether structural or not structural, but excluding any Common Areas of the Building;
- (dd) **"Tenant's Work"** means the work with respect to the construction of the Building and the completion of the Building to be performed by the Tenant pursuant to, and in accordance with, the provisions of the Agreement to Lease;
- (ee) **"Term"** means the term of this Lease as stipulated in Section 4.1 hereof;
- (ff) **"Third Renewal Term"** has the meaning ascribed thereto in Section 12.3 hereof; and
- (gg) **"Uncontrollable Costs, Charges and Expenses"** means:



- (i) municipal property, local improvement (with respect only to local improvements initiated by the City of Calgary or some other person other than the Landlord or anyone for, or on behalf of, the Landlord) or school taxes payable upon the Lands and the Shopping Centre structures and any special tax or other tax (other than income or estate or successor duties) imposed or levied on the Lands or the Shopping Centre Structures at any time during the Term or any renewal thereof; and
- (ii) the cost of insurance maintained by the Landlord upon, or in respect of, the Shopping Centre or the liability of the Landlord therefor.

**1.2 Schedules**

All schedules attached to this Lease are incorporated into and form a part of this Lease. The schedules can be summarized as follows:

- Schedule "A" - Site Plan
- Schedule "B" - Rules and Regulations
- Schedule "C" - Landlord's Work

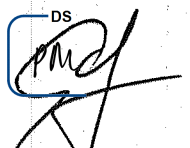
**ARTICLE 2  
DEMISE AND COMMON AREAS**

**2.1 Demise**

WITNESSETH that the Landlord, in consideration of the rents, covenants, provisos and conditions hereinafter reserved and contained, has demised and leased, and, by this Lease, demises and leases the Premises to the Tenant. The Tenant does accept this Lease and the Premises, subject to the conditions, restrictions and covenants herein set forth and contained.

**2.2 Common Areas**

During the Term, but subject to the terms and conditions of this Lease, the Tenant, in common with the Landlord and all other tenants, occupants or users of the Building and of the Shopping Centre, will have the right to use and enjoy the Common Areas in such manner and subject to reasonable regulations and restrictions as the Landlord may from time to time designate.





### 2.3 **Parking Area**

The Landlord acknowledges and agrees that the area of the Common Areas of the Lands outlined in brown on the site plan attached as Schedule "A" (the "Parking Area") shall be designated as an exclusive parking area for the Tenant and its patrons. The Tenant, at its cost and expense, may erect (and if erected, shall maintain) signs identifying the Parking Area as an exclusive parking area for the Tenant and its patrons, subject to the Tenant obtaining (at its cost and expense) any permits or approvals required in respect thereof from all authorities of jurisdiction. The Landlord shall not be required to police or supervise, nor responsible for policing or supervising, the Parking Area.

## **ARTICLE 3 PURPOSE**

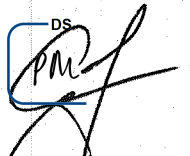
### 3.1 **Purpose**

The Premises shall be used by the Tenant for the purpose of the operation of a fitness centre and related retail and general office uses, and for no other purpose whatsoever.

### 3.2 **Restrictions on Use**

The Tenant covenants and agrees with the Landlord that the Tenant shall not occupy or use, nor suffer or permit to be occupied or used, the Premises, or any portion thereof, for or with respect to or in connection with, in whole or in part, the carrying on of the business for the operation of a motion picture theatre or for the purpose of any one or more of the following:

- (a) the sale of second hand goods, war surplus articles, insurance salvage stock, fire sale stock, merchandise damaged by or held out to be damaged by fire, except merchandise damages by fire or smoke occurring in the Shopping Centre and then only for thirty (30) days after the date of any such damage;
- (b) an auction;
- (c) a bankruptcy sale or a sale described as a bankruptcy sale (except to the extent that it relates to the bankruptcy of a previous occupant of the Shopping Centre), or a going out of business sale or a liquidation sale or any other similar sale;
- (d) a pawnshop;



- (e) a billiard parlour or amusement arcade, whether in whole or in part devoted to the operation of games and other forms of entertainment equipment including without limitation, video games; or
- (f) the sale for consumption off premises in any other locations in the Shopping Centre of any popcorn, foodstuffs, confectionery or beverages normally sold on the premises in the Shopping Centre occupied by Cineplex Odeon Corporation (or any successor thereof).

#### **ARTICLE 4 TERM**

##### **4.1 Length of Term**

The Tenant shall have and hold the Premises for a term of Two (2) years (plus the Fixturing Period) (the "Term") commencing on the Lease Commencement Date and ending:

- (a) if the Rent Commencement Date falls on the first day of a calendar month, on that date which is one (1) day prior to the second (2nd) anniversary of the Rent Commencement Date; or
- (b) if the Rent Commencement Date does not fall on the first day of a calendar month, on that date which is one (1) day prior to the second (2nd) anniversary of the first day of the next calendar month following the Lease Commencement Date,

subject to renewal or earlier termination in accordance with the provisions hereof.

##### **4.2 Overholding Tenancy**

It is hereby agreed by and between the parties hereto that if the Tenant shall hold over after the expiration of the Term hereby granted, or any renewal thereof, and the Landlord shall accept rent, the new tenancy thereby created shall be a tenancy at will and not a tenancy from year to year, and the Tenant shall pay as Basic Rent during the time of such occupancy an amount equal to the Basic Rent payable by the Tenant during the last year of the Term or the applicable renewal term, as the case may be, of this Lease plus fifteen (15%) percent of such Basic Rent, and shall be subject to the covenants and conditions herein contained so far as the same are applicable to a tenancy at will.



#### 4.3 **Surrender of Premises**


The Tenant will, at the expiration or sooner determination of the said Term, and all renewals thereof, peacefully surrender and yield up unto the Landlord the Premises in good order and repair (ordinary wear and tear excepted, but only to the extent that such wear and tear is not inconsistent with the repair and maintenance of the Premises in good order and repair), subject however to the provisions of Section 10. 2 hereof.

#### 4.4 **Tenant's Fixtures**

The Tenant, when not in default hereunder, may remove its chattels, supplies, equipment and trade or Tenant's fixtures at the end of the Term and all renewals thereof. The Tenant will not remove from the Premises during the Term, or any renewal thereof, any chattels, supplies, equipment or trade or Tenant's fixtures (other than with respect to the movement or sale of furnishings or equipment in the ordinary course of business and the removal of furnishings or equipment in respect of which the Tenant intends to, and does within thirty (30) days of such removal, replace such removed furnishings or equipment with furnishings or equipment of equal or greater value) which are the property of the Tenant, even though there is no Rent in arrears, without the written consent of the Landlord, which consent may not be unreasonably withheld. Provided, however, that notwithstanding anything herein contained, all leasehold improvements (being, for clarification, all installations, alterations, additions, partitions and fixtures, other than the Tenant's trade fixtures) in, upon or to the Premises, whether placed there by the Tenant or the Landlord shall be the Landlord's property upon termination of this Lease without compensation therefor to the Tenant, subject to the Tenant's right to remove its Tenant's fixtures in accordance with the foregoing. Provided further that, notwithstanding anything herein contained, the Landlord shall be under no obligation to repair or maintain any leasehold improvements (being such installations, alterations, additions, partitions or fixtures, other than the Tenant's trade fixtures) made or installed by or for the Tenant. Provided further that, notwithstanding anything herein contained, the Landlord shall have the right upon the termination of this Lease to require the Tenant to remove its chattels, supplies, equipment and trade or Tenant's fixtures made or installed by the Tenant, and to make good any damage caused to the Premises by such installation or removal.

#### 4.5 **Abandonment of Goods**

Any chattels, goods, supplies, articles, equipment, materials, effects and things not removed from the Premises on the expiry of the Term, and all renewals thereof, shall be deemed to have been abandoned by the Tenant and the Landlord may thereupon remove and dispose of them, retain them or convey them to a new tenant or otherwise deal with them in any manner whatsoever without compensation to the Tenant. The Tenant shall reimburse the Landlord for all costs



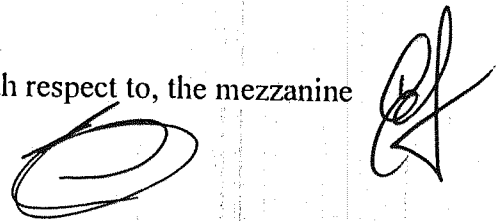
associated with the removal and disposition of such items which exceed any net proceeds received by the Landlord from the sale of such items.

**ARTICLE 5  
RENT**

**5.1 Rent**

Subject to the provisions of Section 5.2 hereof, the Tenant shall pay Rent from and after the Rent Commencement Date and during the Term of this Lease to the Landlord in lawful money of Canada in an amount equal to the aggregate of the following:

- (a) Basic Rent for the Premises for each the first two (2) years of the Term, in the amount of \$101,539.00 per annum, payable monthly in advance in equal consecutive instalments of \$8,461.58, which amount is based upon the total of:
  - (i) that amount obtained when \$6.50 per square foot is multiplied by the area of the Premises (excluding the area of any mezzanine area currently located within the Premises) expressed as 15,006 square feet, plus
  - (ii) the amount of \$4,000.00 per annum for, and with respect to, the mezzanine area ~~currently~~ located within the Premises; and
- (b) all Additional Rent.



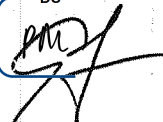
A handwritten signature in black ink is located to the right of the list. Below the signature is a circular stamp or mark, possibly a date or initials, also in black ink.

The area of the Premises (excluding, for clarification from such calculation, the area of the mezzanine area currently located within the Premises), expressed in square feet, shall be measured and certified by the Architect (MBM & Associates Consultants Ltd.) on, or within fifteen (15) days of, the Rent Commencement Date (by measuring from the exterior face of exterior walls and the mid-point of demising or interior walls, without any deduction for any bays or recesses, any space used for heating, ventilating and air conditioning equipment, transformer vaults, stairways, service or mechanical areas, any interior space occupied by projections, structures or columns, whether structural or not structural). If the area of the Premises, as measured and certified, is different from 15,006 square feet, the annual Basic Rent (and monthly instalments thereof) payable pursuant to subsection 5.1(a) hereof (and pursuant to Sections 12.1 and 12.2 hereof) shall be adjusted by multiplying the per square foot rate of \$6.50 per annum by such certified area for the first two (2) years of the Term and for the First Renewal Term and by multiplying the per square foot rate of \$7.50 per annum by such certified area for the Second Renewal Term, and adding to the respective

products thereby obtained the amount of \$4,000.00 per annum in respect of the mezzanine area currently located within the Premises.

5.2 **Payment of Rent**

- (a) Basic Rent for the Term, and for any renewal of the Term, shall be paid by the Tenant to the Landlord in advance in equal monthly instalments on the first day of each and every month thereafter during the Term and any renewal thereof. If the Rent Commencement Date falls on a day other than the first day of a calendar month, the Basic Rent that is payable following the Rent Commencement Date until the first day of the month next following the Rent Commencement Date until the end of such calendar month shall be calculated on a per diem basis from the Rent Commencement Date, and such Basic Rent for such period shall be paid on the Rent Commencement Date.
- (b) Subject only to the provisions of Section 5.3 hereof with respect to the payment of utility charges, the Tenant shall pay Additional Rent as and when it falls due only as and from the Rent Commencement Date.
- (c) All Rent shall be paid by the Tenant to the Landlord without prior demand therefor.
- (d) The Tenant shall pay all Rent herein reserved at the time and in the manner in this Lease set forth, without any abatement, set-off or deduction whatsoever.
- (e) The rights that the Landlord has in respect of Basic Rent the Landlord shall also have in respect of Additional Rent.
- (f) The Landlord acknowledges having received from the Tenant the sum of \$17,394.45 as partial consideration for the execution by the Landlord of this Lease. Such amount (which includes applicable Sales Taxes thereon) shall be applied in payment of the Basic Rent due and owing by the Tenant for the first and second months of the Term hereof.
- (g) Upon the request of the Landlord, the Tenant shall deliver post-dated cheques to the Landlord for each Lease Year to facilitate the payment of Basic Rent and estimated Additional Rent during such Lease Year.

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**5.3 Utilities**

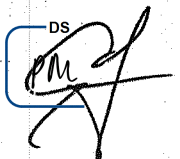
The Tenant shall pay, as Additional Rent, as and from, the Lease Commencement Date, directly to the appropriate person, as the same becomes due respectively, or, if any such charges shall be paid by the Landlord, to the Landlord, all charges for public utilities which, without limiting the generality of the foregoing, shall include sewage, water, gas, heat, electrical power or energy, garbage removal, telephone, steam or hot water used upon or in respect of the Premises and for fittings, machines, apparatus, meters or other things leased in respect thereof and for all work or services performed by any corporation (or other person) in respect thereof and for all work or services performed by any corporation (or other person) or commission in connection with such public utilities.

**5.4 Taxes**

- (a) The Tenant shall pay, as Additional Rent, or cause to be paid, as Additional Rent, all rates, taxes and assessments, of whatsoever description (including, without limitation, all levies or assessments for local improvements (with respect only to local improvements initiated by the City of Calgary or some other person other than the Landlord or anyone for, or on behalf of, the Landlord) and business taxes), that are imposed upon or in respect of the Premises or upon the Landlord in respect thereof (the "Taxes"):
- (i) directly to the taxing authority if the whole of the amount of the Taxes due is attributable to the period of time covered by the Term or a portion thereof;  
or
  - (ii) to the Landlord if the amount of the Taxes due is only partially attributable to the period of time covered by the Term or a portion thereof.

The Tenant shall pay all interest, penalties or like amounts in respect of Taxes which are imposed or become payable after the failure of the Tenant:

- (A) to pay the amount of Taxes due prior to the due date thereof where the Tenant is obligated to pay the Taxes directly to the taxing authority; or
- (B) to make payment to the Landlord on account of the amount of Taxes due in accordance with the provisions of subsection 5.2(b) hereof





where the Tenant is obligated to make payment on account of Taxes to the Landlord;

together with the payment of or on account of Taxes.

If the Landlord shall pay any Taxes or portion thereof or any interest, penalties or like amounts in respect of Taxes to the taxing authority upon the failure of the Tenant to make such payment directly to the taxing authority then the Tenant shall repay to the Landlord all such amounts paid by the Landlord as Additional Rent.

- (b) Notwithstanding any other provision contained in this Lease to the contrary, but without limiting the provisions contained in Section 16.2 (Net Lease) hereof, the Tenant shall pay to the Landlord an amount equal to any and all goods and services taxes, sales taxes, value added taxes, business transfer taxes or any other taxes imposed on the Landlord with respect to Rent payable by the Tenant to the Landlord under this Lease, or in respect of the leasing of the Premises under this Lease, whether characterized as a goods and services tax, sales tax, value added tax, business transfer tax or otherwise (herein called "Sales Taxes"), it being the intention of the parties that the Landlord shall be fully reimbursed by the Tenant with respect to any and all Sales Taxes payable by the Landlord. The amount of the Sales Taxes so payable by the Tenant shall be calculated by the Landlord in accordance with the applicable legislation and shall be paid to the Landlord at the same time as the amounts to which such Sales Taxes apply are payable to the Landlord under the terms of this Lease or, in the sole discretion of the Landlord, upon demand at such other time or times as the Landlord from time to time determines. Notwithstanding any other provision contained in this Lease to the contrary, the amount payable by the Tenant under this subsection 5.4(b) shall be deemed not to be Rent but the Landlord shall have all of the same remedies for and rights of recovery of such amount as it has for recovery of Rent under this Lease.

**5.5 Proportionate Share of Costs**

Subject to the provisions of Section 5.6 hereof, the Tenant shall pay to the Landlord, without duplication, the amount estimated by the Landlord to be the Tenant's Proportionate Share of all costs, charges or expenses incurred, paid or payable by the Landlord for or in respect of:

- (a) municipal property, local improvement (with respect only to local improvements initiated by the City of Calgary or some other person other than the Landlord or anyone for, or on behalf of, the Landlord) or school taxes payable upon the Lands



- and the Shopping Centre Structures and any special tax or other tax (other than income or estate tax or succession duties) imposed or levied on the Lands or the Shopping Centre Structures at any time during the Term or any renewal thereof;
- (b) water, light and power, gas, waste removal and all other utilities or services supplied to or provided for the Shopping Centre which are not supplied exclusively for nor utilized exclusively by a single tenant or occupant of the Lands;
  - (c) insurance maintained by the Landlord upon, or in respect of, the Shopping Centre;
  - (d) the repair and maintenance, including replacement, where necessary, of the sprinkler or alarm systems, heating, ventilation and air-conditioning systems and mechanical and other systems situate within the Shopping Centre which are not supplied exclusively for nor utilized exclusively by a single tenant or occupant of the Lands;
  - (e) Common Areas maintenance and facilities, which shall include:
    - (i) the cost of cleaning, removing garbage from, servicing, maintaining, operating, repairing, supervising, controlling the traffic, and insuring the security of and policing the Common Areas, and the cost of all supplies, labour, wages (including statutory or usual fringe benefits) and fees of independent contractors relating thereto; plus
    - (ii) the cost of cleaning, removing snow, ice and debris from, servicing, maintaining, operating, repairing, landscaping, gardening, supervising and policing all parking, loading, pedestrian, lawn garden and other outdoor Common Areas, and the cost of all supplies, labour, wages (including statutory or usual fringe benefits) and fees of independent contractors relating thereto; plus
    - (iii) the cost of gas, oil, power, electricity, water, sewer, communications and all other utilities or services consumed or used in or about, or provided to or for the benefit of the Common Areas; plus
    - (iv) the cost to the Landlord of taking out and maintaining such insurance as may from time to time be taken out or maintained by the Landlord upon, for or in connection with the Shopping Centre or the liability of the Landlord therefor;

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- (f) any costs incurred, and recoverable, by the Landlord pursuant to the provisions of subsection 6.1(c) or Section 6.3 hereof; and
- (g) a management fee equal to 15% of all costs, charges and expenses, other than Uncontrollable Costs, Charges and Expenses, that are attributable to this Lease and recoverable by the Landlord from the Tenant pursuant to this Lease.

together with the Tenant's Proportionate Share of all costs, charges and expenses payable by the Landlord in respect of the Shopping Centre, so that the Landlord shall receive the fixed annual Basic Rent payable hereunder free of all deductions. Notwithstanding anything to the contrary contained in this Lease it is understood and agreed that the Landlord shall not include, in determining the Tenant's Proportionate Share of the costs, charges and expenses payable by the Landlord in respect of the Shopping Centre, and the Tenant shall not be required to pay the Tenant's Proportionate Share of, any of the following costs, charges or expenses:

- (i) costs and expenses incurred solely as a result of the negligence of the Landlord or those for whom it is at law responsible;
- (ii) income taxes, corporate taxes, capital taxes, or other taxes personal to the Landlord;
- (iii) interest or other charges relating to borrowings made by the Landlord with respect to the Shopping Centre;
- (iv) all repairs, replacements, costs or expenses which are covered by, and in respect of which proceeds are available to the Landlord under insurance maintained or required to be maintained by the Landlord hereunder;
- (v) all costs incurred by the Landlord in enforcing the provision of the leases of other tenants in the Shopping Centre, including legal and accounting fees;
- (vi) all costs incurred by the Landlord in the advertising and promotion of the Shopping Centre;
- (vii) all costs incurred by the Landlord with respect to leasing commissions, tenant inducements, legal fees, or tenant allowances with respect to leasing any portion of the Shopping Centre;

- (viii) costs incurred for repairs, maintenance and improvements for the direct account of another tenant and all costs, including municipal and other taxes, incurred in respect of space which is available for lease in the Shopping Centre but not leased; and
- (ix) costs and expenses which are considered to be capital expenses in accordance with generally accepted accounting principles (other than any costs or expenses which might otherwise be considered capital expenses in accordance with generally accepted accounting principles, but which the Tenant is required to incur in making good any damage to the Premises pursuant to the provisions of Section 4.4 hereof or in performing its repair obligations pursuant to the provisions of Section 6.3 hereof).

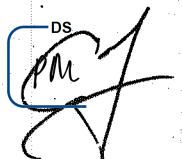
The Landlord shall from time to time during the Term invoice the Tenant quarterly for and with respect to the amount payable by the Tenant for the preceding quarter pursuant to this Section 5.5, and the Landlord shall include with such invoice copies of invoices (or other reasonable evidence) of the costs, charges and expenses incurred, paid or payable by the Landlord in respect of which the invoice from the Landlord to the Tenant relates. The Tenant shall pay such invoice within thirty (30) days of the receipt by the Tenant of such invoice from the Landlord and such invoice shall be paid notwithstanding that the Tenant may issue and serve a notice with respect to such invoice pursuant to Section 5.7 hereof.

The costs, charges and expenses hereinbefore required to be paid by the Tenant to the Landlord shall be payable as Additional Rent due hereunder, and the Landlord shall be entitled to enforce payment of same and interest thereon as herein provided by all remedies available to a Landlord for the recovery of Rent in arrears.

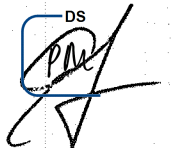
Subject only to the provisions of Section 5.3 hereof with respect to the payment of utility charges, any Additional Rent payable pursuant to the provisions of this Lease (including, without limitation, the provisions of this Section 5.5) shall be payable by the Tenant only as and from the Rent Commencement Date and for the greater of the period of the Tenant's occupancy of the Premises and the Term (including any renewal of the Term) and shall be adjusted as between the Landlord and the Tenant on a per diem basis.

**5.6 Limitation on Increase in Costs**

Notwithstanding anything to the contrary contained in Section 5.5 hereof, it is understood and agreed that:



- (a) with respect to Uncontrollable Costs, Charges and Expenses, the Tenant shall be required to pay the Tenant's Proportionate Share of such costs, charges and expenses based upon the actual amount of such costs, charges and expenses as provided for in, and in accordance with the provisions of, Section 5.5 hereof;
  
- (b) with respect to Controllable Costs, Charges and Expenses:
  - (i) the Tenant shall be required to pay the Tenants Proportionate Share of such costs, charges and expenses for the calendar years 1997 and 1998 based upon the actual amount of such costs, charges and expenses for such calendar years of 1997 and 1998 as provided for in, and in accordance with the provisions of, Section 5.5 hereof;
  
  - (ii) for the calendar year 1999, the Tenant shall be required to pay the Tenants's Proportionate Share of such costs, charges and expenses based upon the actual amount of such costs, charges and expenses for the calendar year 1998 and, if there is any increase in the actual amount of such costs, charges and expenses for the calendar year 1999 over the calendar year 1998, of the actual amount of such increase in such costs, charges and expenses up to a maximum, in any event, equal to the product obtained when the amount of such increase in such costs, charges and expenses is multiplied by the positive amount of the increase, if any, of the CPI between the calendar year 1998 and the calendar year 1999, as otherwise provided for in, and otherwise in accordance with the provisions of, Section 5.5 hereof; and
  
  - (iii) for each calendar year thereafter, commencing with the calendar year 2000, the Tenant shall be required to pay the Tenant's Proportionate Share of such costs, charges and expenses based upon the amount of such costs, charges and expenses used to determine the Tenant's Proportionate Share of such costs, charges and expenses for the immediately preceding year and, if there is any increase in the amount of such costs, charges and expenses for the current calendar year over the immediately preceding calendar year, of the actual amount of such increase in such costs, charges and expenses up to a maximum, in any event, equal to the product obtained when the amount of such increase in such costs, charges and expenses is multiplied by the positive amount of the increase, if any, of the CPI between such current calendar year and such immediately preceding calendar year as otherwise provided for in, and otherwise in accordance with the provisions of, Section 5.5 hereof.



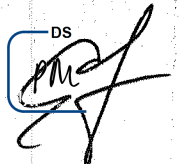
When using the CPI for any calendar year in making any determination or calculation pursuant to this Section 5.6, the CPI for, and effective as of the end of, such calendar year shall be used.

#### 5.7 **Right to Inspect**

The Tenant, upon fifteen (15) days written notice to the Landlord, shall have the right to inspect the Landlord's books or records relating to the costs, charges and expenses, referred to in Section 5.5 hereof, in respect of a quarterly invoice at any time within, but not after, one hundred and twenty (120) days following the receipt by the Tenant of such quarterly invoice. Such inspection may be carried out by the Tenant or any duly authorized and appointed representative of the Tenant. If, as a result of such inspection, the Tenant discovers, and verifies, a discrepancy of less than 3% in respect of, and between, the actual amount of the costs, charges and expenses incurred by the Landlord during the period covered by such invoice and the amount of the costs, charges and expenses for the period covered by such invoice utilized by the Landlord to calculate the Tenant's Proportionate Share, there shall be no adjustment as between the Landlord and the Tenant with respect to such discrepancy and the Tenant shall bear all costs and expenses incurred by the Tenant in connection with such inspection. If, as a result of such inspection, the Tenant discovers, and verifies, a discrepancy of 3% or more in respect of, and between, the actual amount of the costs, charges and expenses incurred by the Landlord during the period covered by such invoice and the amount of the costs, charges and expenses for the period covered by such invoice utilized by the Landlord to calculate the Tenant's Proportionate Share, the Landlord and Tenant shall make the appropriate adjustment within thirty (30) days of the date upon which the Tenant provides the Landlord with evidence verifying the determination of such discrepancy and the Landlord shall reimburse the Tenant for, and with respect to, the reasonable out-of-pocket costs and expenses incurred by the Tenant in inspecting such books and records and in determining and verifying such discrepancy.

#### 5.8 **Interest on Rent in Default**

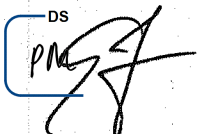
Without waiving any other right of action of the Landlord in the event of default of payment of Rent hereunder, in the event that the Tenant is delinquent, after the dates above appointed, in making any of the payments of Rent or other monies required hereunder (including, without limitation, Sales Taxes), the Tenant shall pay interest thereon at the rate of eighteen (18%) percent per annum from the date any such amount is due and payable until paid. In order to reflect prevailing interest rates, the Landlord may review and adjust the interest rate from time to time.



**ARTICLE 6  
ACCESS, REPAIRS AND IMPROVEMENTS**

**6.1 Access and Landlord Repairs and Maintenance**

- (a) The Landlord, and its officers, directors, servants, employees and agents, shall have full and free access, for inspection purposes and for the purposes of carrying out any repairs during normal business hours and in the presence of the Tenant or a representative of the Tenant and provided that at least forty-eight (48) hours prior notice has been provided to the Tenant, to any and every part of the Premises, provided that the exercise of such rights shall not unreasonably interfere with the Tenant's business, it being expressly understood and agreed, however, that in cases of an emergency, the Landlord and its officers, directors, servants, employees and agents, shall at all times and for all purposes have full and free access to the Premises without the Tenant, or a representative of the Tenant, being present.
  
- (b) If the Tenant pays the Rent hereby reserved and duly and punctually observes and performs the covenants and conditions herein on the part of the Tenant to be observed and performed, the Tenant shall have quiet possession of the Premises; provided that nothing in this subsection 6.1(b) shall limit or restrict the rights conferred upon the Landlord pursuant to subsection 6.1(a) hereof.
  
- (c) The Landlord, at its own cost and expense, throughout the Term, and any renewal thereof, shall make major repairs of a capital nature with respect to, and replace or rebuild (whenever reasonably required), only the following structural elements of the Building: the foundation, the roof membrane and roof support system and all support columns, beams, joists and walls and, in addition (but subject to the provisions of this subsection 6.1(c)), the Landlord shall:
  - (i) repair, or replace the systems, services and equipment provided for bringing utilities to or through the Building (including, without limitation, heating, ventilating, mechanical, electrical, plumbing and air conditioning systems, services and equipment) other than any systems, services or equipment situated in, and serving exclusively, the Premises;
  
  - (ii) repair or maintain of the roof of the Building;
  
  - (iii) repair or maintain (including, without limitation, painting) the exterior of the Building and any Common Areas within the Building; and

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- (iv) repair or replace fixtures (including, without limitation, alarms, wiring and piping) serving the Building other than and such fixtures situated in, and serving exclusively, the Premises,

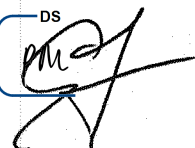
other than and except for any of such repairs, maintenance or replacements required or occasioned as a result of the default or negligence of the Tenant or anyone for whom the Tenant is responsible at law. With respect to the costs, charges or expenses incurred, paid or payable by the Landlord in respect to the repairs, maintenance or replacements to be undertaken or performed by the Landlord pursuant to paragraphs (i), (ii), (iii) or (iv) of this subsection 6.1(c), it is understood and agreed that:

- (A) to the extent that such costs, charges or expenses are not considered capital expenses in accordance with generally accepted accounting principles, such costs, charges and expenses shall be fully recoverable by the Landlord pursuant to the provisions of Section 5.5 hereof; and
- (B) to the extent such costs, charges or expenses are considered capital expenses in accordance with generally accepted accounting principles, such costs, charges and expenses shall not be recoverable by the Landlord pursuant to the provisions of Section 5.5 hereof.

## 6.2

### **Common Areas**

- (a) The portion of the Lands outlined and shaded in **blue** on Schedule "A" annexed hereto and any portion of the Building used, or available for use, as a common area for the benefit of tenants (herein collectively referred to as the "Common Areas"), subject to the provisions as hereinafter contained, shall (subject to the provisions of Section 2.3 with respect to the Parking Area) be treated as a common area for the benefit of the Tenant in common with all other tenants of the Lands and the Building, and their respective employees, licensees and invitees. For clarification, the Parking Area, although a part of the Common Areas, shall be subject to the exclusive rights in favour of the Tenant set forth in Section 2.3 hereof.
- (b) The Common Areas shall at all times be subject to the exclusive control and management of the Landlord. The Landlord will operate and maintain the Common Areas and the Lands in a reasonable and timely manner. Without restricting or limiting the generality of the foregoing, the Landlord will have the right, in the control, management and operation of the Common Areas and the Lands to:

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- (i) grant, modify and terminate easements or other agreements pertaining to the use and maintenance of all or any part or parts of the Common Areas and the Lands;
- (ii) obstruct or close off all or any part of the Common Areas or the Lands or parts thereof for the purpose of maintenance, reconstruction, construction or repair and for the purpose of providing security or to prevent the accrual of rights therein to any person;
- (iii) from time to time change the area, level, location, arrangement and use of the Common Areas;
- (iv) construct other buildings, structures or improvements in the Common Areas on the Lands and make alterations thereof or additions thereto or subtractions therefrom or rearrangements thereof, and build additional storeys on any building or buildings on the Lands and build adjoining same; and
- (v) subdivide the Lands, and in such event, the Tenant shall provide all necessary consents to facilitate the subdivision, and at the option of the Landlord, any subdivided parcel shall cease to form part of the Lands;

provided that the Landlord shall not restrict or interfere with the rights in favour of the Tenant set forth in Section 2.3 hereof, the Landlord shall not unreasonably restrict or interfere with access to and egress from the Premises during normal business hours and the Landlord shall not materially adversely affect the vista of the store front of the Premises.

- (c) The Common Areas are to be used and occupied under a revocable license and, if the area of the Common Areas are diminished by removal from the Common Areas or from the Lands of a portion thereof subsequent to a subdivision or otherwise, the Landlord shall not be subject to any liability nor shall the Tenant be entitled to any compensation, damages or diminution or abatement or rent, nor shall such diminution of such Common Areas be deemed constructive or actual eviction, or a breach of any covenant for quiet enjoyment set forth herein.

- (d) In its utilization of the Common Areas:
- (i) the Tenant shall not permit any vehicles belonging to the Tenant, its employees, contractors or agents to cause obstruction on any roads, driveways or parking areas about the Shopping Centre Structures, or prevent the ingress and egress by any other tenant in the Shopping Centre Structures or any adjoining buildings, and will use its best endeavours to ensure that persons doing business with the Tenant shall not permit any vehicles to cause such obstruction as aforesaid; and
  - (ii) the Tenant shall not stack any materials outside of the Premises (or any other Shopping Centre Structures) and shall cause no obstruction to vehicles operating on the roads, driveways or parking areas.

### 6.3 Tenant Repairs and Maintenance

The Tenant shall at its own cost and expense throughout the Term, and any renewal thereof, repair and maintain the Premises (including, without limitation, all interior and all permitted signs), and every part thereof, in good order and repair (ordinary wear and tear excepted, but only to the extent that such wear and tear is not inconsistent with the repair and maintenance of the Premises in good order and repair) and shall conduct regular, day to day, preventative maintenance thereof, and in accordance with all laws, directions, rules and regulations of all governmental agencies having jurisdiction and in a manner consistent with that of a prudent operator of a fitness facility and the Tenant shall at its own cost and expense throughout the Term, and any renewal thereof, keep the premises free of debris and neat and tidy at all times. With respect to heating, ventilating, mechanical, electrical, plumbing and air conditioning systems, services and equipment, situated in, and exclusively serving, the Premises and with respect to fixtures (including, without limitation, alarms, wiring and piping) situated in, and exclusively serving, the Premises, it is understood and agreed that the Landlord (subject to the provisions of this Section 6.3) shall repair, maintain and (when required) replace such systems, services and equipment and such fixtures; provided that, with respect to the costs, charges and expenses incurred, paid or payable by the Landlord in respect of such repairs, maintenance or replacements:

- (a) to the extent that such costs, charges or expenses are not considered capital expenses in accordance with generally accepted accounting principles, such costs, charges and expenses shall be fully recoverable by the Landlord pursuant to the provisions of Section 5.5 hereof; and

