

Estate No. 25-2731795
25-2731797
25-2731799

Calgary Registry

**IN THE MATTER OF THE BANKRUPTCY OF
INTERNATIONAL FITNESS HOLDINGS INC.,
INTERNATIONAL FITNESS HOLDINGS LP AND
WORLD HEALTH NORTH LP
TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

International Fitness Holdings Inc., International Fitness Holdings LP and World Health North LP. (Together “**IFH**” or the “**Company**”) was deemed to have made an assignment into bankruptcy on July 8, 2021 and KPMG Inc. was appointed as the Trustee (the “**Trustee**”) of the Estate. This report has been prepared by KPMG Inc., in its capacity as Trustee of the Estate of IFH, to provide preliminary information to the Company’s creditors.

BACKGROUND

International Fitness Holdings Inc. is a privately-owned company incorporated under the Alberta Business Corporations Act, whose head office was located in Calgary, Alberta. International Fitness Holdings Inc. is the general partner of International Fitness Holdings LP and World Health North LP.

The Company operated 21 fitness clubs in Calgary and Edmonton, as well as spin and CrossFit studios, branded as GYMVMT, HER GYMVMT, ClubFit and Banker’s Hall Club (one location).

Due to a weakened economy in Alberta, increased competition, declining membership, and aging facilities, the Company decided in late 2019 to rebrand the business. The Company spent approximately \$8.3 million on extensive club improvements, diversified service offerings, overhauled its information technology infrastructure, and optimized its real estate portfolio.

Subsequent to the Alberta Government’s decision to increase COVID-related restrictions, the Company closed all its clubs and laid off a significant number of employees in mid-March 2020 and implemented a number of strategies in an attempt to preserve the Company’s long-term operations. In line with a partial repeal of provincial restrictions, the Company re-opened its facilities in June 2020 to reduced membership numbers. Subsequent, adjustments to provincial restrictions in response to the COVID-19 pandemic affected the Company’s ability to remain open.

In September of 2020, the Company engaged MNP Ltd. (“**MNP**”) to lead a strategic process, including a sale of the Company’s assets, in order to maximize value for all stakeholders.

International Fitness Holdings Inc.
International Fitness Holdings LP
World Health North LP

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A total of four parties submitted letters of interest for the purchase of the Company's assets by the November 11, 2020 deadline (collectively, the "**Interested Parties**"). Negotiations from November 12, 2020 to February 24, 2021 with the Interested Parties yielded only one potential viable transaction involving an arms-length purchaser (the "**Transaction**").

On April 23, 2021, IFH filed a notice of intention to make a proposal pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "**NOI**"). The NOI provided the Company with a stay of proceedings until May 23, 2021. The primary objectives of the NOI were to maintain and restructure the ongoing operations of the Company, including the proposed closure of underperforming clubs and lease disclaimers in respect thereof, and finalize the proposed Transaction.

On May 5, 2021 the Court of Queen's Bench of Alberta issued an order approving the interim financing, the administrative charge, the directors charge, and granting an extension of the stay to May 28, 2021.

On May 27, 2021 the Court of Queens Bench of Alberta granted an order approving the Transaction and extending the stay to June 30, 2021. The sale closed on June 18, 2021.

On June 27, 2021 the Court issued an order distributing the proceeds of the Transaction and extending the stay of proceedings to July 7, 2021 to provide the Company with the time required to complete the post-closing matters and prepare for the administration of the bankruptcy proceedings.

Upon the expiry of the extension period on July 8, 2021 the Company was deemed to have made an assignment into bankruptcy.

PRELIMINARY EVALUATION OF ASSETS

Majority of the assets were sold as part of the Transaction and a distribution was made pursuant to a court order issued on June 29, 2021. The net sale proceeds from the Transaction were distributed in first priority to pay any amounts owing to the beneficiaries of the Administration charge, and in second priority to TriFit and CIBC as partial repayment of the amounts owing.

As at the date of bankruptcy the Company had the following assets:

Cash

The Trustee is holding funds in trust in the amount of \$648,540.

Deposits

Deposits held by various parties due to the Company; amounts to be confirmed by the Trustee at a later date.

Other assets

Miscellaneous IP assets; value to be determined.

BOOKS AND RECORDS

The Trustee is in process of gathering all of the Company's financial books and records including electronic records which are in various locations.

PROOFS OF CLAIM

Secured

As of the date of this report, the following secured claim has been received.

Creditor	Amount	Proxy
CIBC	\$69,095,549	Nick Brearton

Preferred

As of the date of this report, the following preferred claims have been received.

Creditor	Amount	Proxy
1451945 Ontario Ltd.	\$259,086.12	No Proxy

Unsecured

As of the date of this report, the following proofs of claim from unsecured creditors have been received:

Creditor	Amount	Proxy
Tri-Alta Mechanical Group	\$687.75	No Proxy
1451945 Ontario Ltd.	\$602,312.93	No Proxy
Lucki's exercise Equipment Ltd.	\$5,303.71	No Proxy
Jonas Lindenbach	\$4,200	No Proxy
222 & 223 Baseline Road Inc.	\$2,308,062.38	No Proxy form filled – Counsel is Kember Handzic
Bankers Hall LP	\$6,465,101.27	Colin Norris
First Capital (Northgate) Corp.	\$218,473.98	Neil Honess

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First Capital (Transcanada) Corp.	\$277,473.12	Neil Honess
FirstOnsite Restoration Ltd.	\$15,232.48	No Proxy
Wood Wyant Inc.	\$6,551.21	Neil Honess
607204 NB Ltd.	\$41,350.00	No Proxy

PREFERENCE PAYMENTS & TRANSFERS AT UNDERVALUE

The Trustee has not completed its review for potential preference payments and transfers at undervalue at this point.

ESTIMATED REALIZATION & DISTRIBUTION

At this time, the Trustee believes that no distribution will be available to unsecured creditors at the conclusion of the administration of the estate. Any dividends will be distributed in the manner and priority described by BIA section 136.

REMUNERATION OF THE TRUSTEE

The cost of the administering the bankruptcy estate including the Trustee's fees and disbursements are being funded from the estate. If the costs of administering the bankruptcy estate exceed the realized value of the assets, TriFit Holdings Limited Partnership has agreed to indemnify the trustee to a maximum amount of \$351,460.

KPMG INC.,

Trustee of the Estate of
International Fitness Holdings Inc.,
International Fitness Holdings LP
World Health North LP
and not in its personal capacity



Per: Joe Sithole
Vice-President

Dated this 29th day of July, 2021