

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

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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**...")

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 31st, 2006, assigned on November 25, 2009 and assigned and amended on January 1st, 2018, between IFH Inc. (as successor of Spa Lady Inc., the assignee of the original tenant 21st 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

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.

DocuSigned by:

Natasha Doelman

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Commissioner for Oaths in and for the
Province of Alberta

NATASHA DOELMAN
BARRISTER & SOLICITOR

CLERK'S STAMP:

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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

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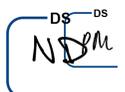
Counsel for the Applicants, International Fitness Holdings Inc., International Fitness Holdings LP and World Health North LP

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.

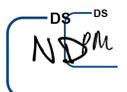
Background

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,



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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.

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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
21st day of May, 2021.

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

DocuSigned by:
Peter Melnychuk
EEDE78E6577440...

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.

DocuSigned by:

Natasha Doelman

971DBB8B283D412

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:
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.

Owner	Trademark	Appl. No.	Reg. No.	Comments
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

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Owner	Trademark	Appl. No.	Reg. No.	Comments
partner INTERNATIONAL FITNESS HOLDINGS INC.				
International Fitness Holdings LP	GYMVM T	1983817	NA	No documents recorded ¹
International Fitness Holdings LP	PWR X LAB	1998829	NA	No documents recorded ²
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
- (b) www.clubfit.mobi

¹ 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.

² 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)

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

(j)

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

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;

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ND


- (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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[Signature]

- (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

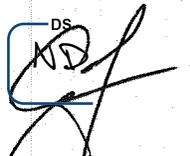
3.1 **Purpose**

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**

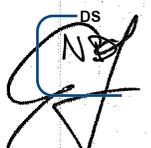
The Tenant will, at the expiration or sooner determination of the said Term, and all renewals thereof, peacefully surrender and yield up unto the Landlord the Premises in good order and repair (ordinary wear and tear excepted, but only to the extent that such wear and tear is not inconsistent with the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



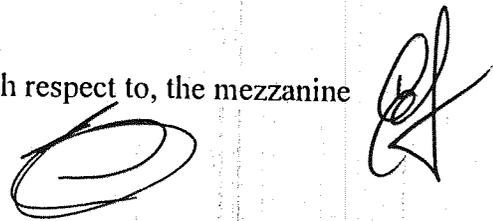
associated with the removal and disposition of such items which exceed any net proceeds received by the Landlord from the sale of such items.

**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.



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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



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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

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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;

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- (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



- (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.

6.4 **Notice of Repair or Maintenance**

If, at any time during the Term, or any renewal thereof, the Tenant defaults in its obligation of repairing or maintaining the Premises, or any part thereof, in accordance with the requirements of this Lease, the Landlord may give written notice, specifying the matter in respect of which such repair or maintenance is deficient, to the Tenant. If, within fifteen (15) days from the giving of such notice, the default specified in such notice has not been remedied or (if the nature of such default reasonably requires more than fifteen (15) days to remedy and make right) the Tenant has not commenced, or, having commenced, is not diligently completing the remedying of such default, or if such repair or maintenance is not of a type satisfactory to the Landlord, the Landlord may at its sole option enter upon the Premises and perform such repair or maintenance with the cost and expense thereof to be repaid by the Tenant to the Landlord (together with a fifteen (15%) percent administration fee on the amount of such cost and expense) as Additional Rent forthwith upon demand being made therefor by the Landlord upon the Tenant. In the event of any dispute as to the time necessary to complete any repair or maintenance specified in a notice, the matter will be determined by the Architect. In the event of an issuance of such a notice and if the default specified in such notice is not remedied by either the Tenant or the Landlord, then, at the election of the Landlord, the Tenant shall pay to the Landlord the cost and expense to remedy the default (together with a fifteen (15%) percent administration fee on the amount of such cost and expense) as Additional Rent forthwith upon demand being made therefor by the Landlord upon the Tenant. In the event of any dispute as to the amount of the cost and expense of remedying the default specified in such notice, the matter shall be determined by the Architect.

6.5 **Landlord's Recovery**

In the event that the Landlord shall pay any sum of money due or payable by the Tenant, either at the request of the Tenant, or by reason of any default by the Tenant in performance of its covenants herein contained, the Tenant will, forthwith after notice from the Landlord, repay to the Landlord, as Additional Rent hereunder, the amount paid by the Landlord on the Tenant's behalf.

6.6 Compliance with Law

The Tenant will, at its own cost and expense, comply promptly with and conform to the requirements of all applicable statutes, laws, by-laws, regulations, ordinances and orders from time to time or at any time in force during the Term hereof, or any renewal thereof, and affecting the condition, equipment, maintenance, use or occupation of the Premises and with every applicable regulation, order and requirement of the Canadian Fire Underwriters' Association or any body having similar functions or of any liability or fire insurance company by which the Landlord and the Tenant or either of them may be insured at any time during the Term hereof, or any renewal thereof, and, in the event of the default of the Tenant under the provisions of this Section 6.6, the Landlord may itself comply with any such requirements as aforesaid and the Tenant will forthwith pay all costs and expenses incurred by the Landlord in this regard and the Tenant agrees that all such costs and expenses shall be recoverable by the Landlord as if the same were Additional Rent reserved and in arrears under this Lease.

6.7 Nuisance

The Tenant shall not do, suffer or permit to be done any act or thing upon or above the Premises which is or would constitute a nuisance or damage to the public generally or to the occupiers of other Shopping Centre Structures or of any lands or premises adjoining or in the vicinity of the Lands or the Building. The Tenant will not cause any waste or damage to the Premises or the Shopping Centre. Notwithstanding any other provisions of this Lease, the Landlord acknowledges that the use and occupation of the Premises as a fitness facility is approved by the Landlord and such use shall not, in and by itself, be considered to be a nuisance or objectionable. The Premises are leased to the Tenant as separate and self contained premises approved and suitable for such use.

6.8 Advertising and Signage

The Tenant shall not construct, erect, place or install on the outside of the Building, or elsewhere on, in or upon the Premises or the Shopping Centre, any poster, advertising sign or display, electrical or otherwise, without first obtaining the consent, in writing, of the Landlord (such consent not to be unreasonably withheld) and all permits and authorizations required by any municipal or other governmental body or instrumentality of competent jurisdiction. It is acknowledged that the Tenant, at its own expense, shall have the right to install signage on the south and west exterior walls of the Building (either affixed or free standing) and directional signage at the roadway entrances to the Shopping Centre subject to and in compliance with all applicable laws and subject to the approval of the Landlord as to design, size and location (such approval not to be unreasonably withheld).



6.9 Alterations, Erections, Etc.

The Tenant shall not make any alterations, additions or improvements to the Premises or any element or portion thereof without first obtaining the written approval of the Landlord. In seeking the written approval of the Landlord, the Tenant shall submit to the Landlord detailed plans and specifications of any proposed alterations, additions or improvements. The Tenant shall pay to the Landlord the Landlord's costs (not to exceed, in any event, the amount of \$150.00) of having its Architect examine such plans and specifications and advise the Landlord with respect thereto. In completing any alterations, additions or improvements, the Tenant shall comply strictly with all statutes, regulations or by-laws of any governmental authority having jurisdiction and of any association of insurance underwriters. The Landlord, as part of its written approval, may require that any alterations, additions or improvements be completed by contractors and/or workmen engaged by the Tenant but first approved by the Landlord. Any and all alterations, additions and improvements shall be done and completed at the sole cost and expense of the Tenant. All alterations, additions and improvements requiring the approval of the Landlord shall be done in the manner and according to the terms and conditions, if any, as the Landlord may prescribe in its written approval. All alterations, additions and improvements shall be the Landlord's property without compensation therefore to the Tenant and shall be subject to the terms of this Lease including, without limitation, the provisions of Section 4.4 hereof. For clarification, the Landlord acknowledges that the Tenant may construct an additional mezzanine or mezzanines in the Premises, on and subject to, and in strict compliance with, the provisions of this Section 6.9. It is further understood and agreed that, with respect to such mezzanine or mezzanines, the Landlord may withhold its approval to such alteration, addition or improvement if as of the date of the Tenant's request for such approval, the Landlord has received and will approve, or has approved, a request from another tenant of the Shopping Centre for the construction of a mezzanine within such tenant's premises and the Tenant's request for such approval (if provided by the Landlord) would or could jeopardize the success of such other tenant in obtaining all required approvals or permits from the City of Calgary with respect to its mezzanine alteration, addition or improvement.

6.10 Liens

The Tenant shall use all reasonable efforts to keep the Shopping Centre and the Premises (as well as this Lease) free of all liens or claims of lien under the *Builders' Lien Act* (Alberta) or otherwise. In the event the Tenant shall fail to discharge any such lien or claim of lien upon written notice of the same being given by the Landlord to the Tenant, the Landlord, in addition to any other right or remedy, may, but shall not be obligated to, discharge the lien or claim of lien by paying the amount due or the amount claimed to be due together with a reasonable amount for costs, and the amount paid by the Landlord shall be repaid by the Tenant to the Landlord as Additional Rent forthwith upon demand being made therefor by the Landlord upon the Tenant. In



no case shall the Landlord be required to investigate the validity of a lien or claim of lien prior to discharging the same in accordance with this Section 6.10. This Section 6.10 shall be applicable to work done and services and materials supplied in respect of alterations, additions, improvements made to, and repairs to and maintenance of, and any other work done on or to or in respect of the Premises by, for, at the request of, on the behalf of or with the privity or consent of or for the benefit of the Tenant. The Tenant shall indemnify and save harmless the Landlord from all costs, liabilities, damages and expense pertaining to any lien or claim of lien as dealt with in this Section 6.10. The Tenant shall permit the Landlord to post the Premises and any portion or element thereof with notices under the *Builders' Lien Act* (Alberta) to the effect and import that the Landlord is not responsible for the work undertaken by the Tenant on the Premises.

6.11 **Hours of Business**

During the term hereof the Tenant will use and occupy the Premises, and keep the Premises open to the public for business during the normal business hours during which a majority of the stores owned, operated, or franchised by the Tenant in Calgary, Alberta are open for business, provided that the days and hours of business will conform to applicable laws, by-laws, regulations and ordinances of government bodies or authorities having jurisdiction in relation to the Premises.

6.12 **Rules and Regulations**

The Landlord will have the right to require, and does hereby require, the Tenant, its employees, agents, customers, licensees and invitees to observe and perform the rules and regulations set forth on Schedule "B". The Landlord will for the said purposes have the right to promulgate and from time to time amend, vary or add further reasonable rules and regulations not repugnant to the conditions of this Lease and to be uniformly and equitably instituted and applied relating to the operation of the Shopping Centre and the use of all Common Areas. Any amendment, variation of or addition to the said rules and regulations shall be binding upon the Tenant, its employees, agents, customers, licensees and invitees upon the Landlord giving notice thereof to the Tenant.

ARTICLE 7 ASSIGNMENT

7.1 **Assignment by Tenant**

The Tenant shall not cause or permit the Premises to be occupied in whole or in part by any person other than the Tenant and the Tenant shall not make any assignment of this Lease, nor any transfer or sublease of the whole or any portion of the Premises, without obtaining the prior



consent in writing of the Landlord to such assignment, transfer or sub-lease, such consent not to be unreasonably withheld. Notwithstanding any such consent, the Tenant shall not be released from its obligations hereunder including, without limitation, the obligations under this Section 7.1. For purposes of this Section 7.1, any change in control of the Tenant shall be deemed to be an assignment requiring prior consent in writing of the Landlord.

7.2 Assignment by Landlord

In the event of the assignment by the Landlord of this Lease or any interest of the Landlord hereunder, and to the extent that such assignee has agreed to assume the covenants and obligations of the Landlord hereunder, the Landlord shall, without further written agreement or consent of the Tenant, be freed and relieved of liability upon such covenants and obligations.

ARTICLE 8 LIABILITY AND INDEMNITY

8.1 Suspension of Services

Without limiting or restricting the generality of the provisions of Section 8.2 hereof, the Tenant shall not have nor make any claim or demand, nor bring any action or suit or petition against the Landlord or any of its officers, directors, servants, employees or agents, for any damage which the Tenant may sustain by reason of any suspension, interruption or discontinuance, in whole or in part from whatever cause arising in utilities supplied to the Premises and in no event shall the Landlord be liable for any injury to the Tenant, its servants, agents, employees, customers or invitees for any injury or damage to the Premises, the Tenant or its servants, agents, employees, customers or invitees caused by the suspension, interruption or discontinuance in the supply of any such utilities to the Premises unless such suspension, interruption or discontinuance of any such utilities is due to the negligence of an officer, director, servant, employee or agent of the Landlord while acting within the scope of his duties or employment.

8.2 Claim or Demand against Landlord

The Tenant shall not have any claim or demand against the Landlord or any of its officers, directors, servants, employees or agents, for detriment, damage, accident or injury, of any nature whatsoever or howsoever caused to the Premises, or to any person or property on or about the Premises or the Shopping Centre, including any structures, erections, aircraft, equipment, materials, supplies, motor or other vehicles, fixtures and articles, effects and things erected, brought, placed, made or being on or about the Premises or the Shopping Centre, unless such damage or injury is due

to the negligence of any officer, director, servant, employee or agent of the Landlord while acting within the scope of his duties or employment.

8.3 Claim or Demand against Tenant

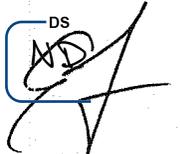
The Landlord shall not have any claim or demand against the Tenant or any of its officers, directors, servants, employees or agents, for detriment, damage, accident or injury, of any nature whatsoever or howsoever caused to the Premises, or to any person or property on or about the Premises or the Shopping Centre, including any structures, erections, aircraft, equipment, materials, supplies, motor or other vehicles, fixtures and articles, effects and things erected, brought, placed, made or being on or about the Premises or the Shopping Centre, unless such damage or injury is due to the negligence of any officer, director, servant, employee or agent of the Tenant while acting within the scope of his duties or employment.

8.4 Indemnity by Tenant

The Tenant shall at all times indemnify and save harmless the Landlord, and its officers, directors, servants, employees and agents, from and against all claims and demands, losses, costs (including without limitation legal fees and costs on a solicitor and his own client basis), liabilities, damages, actions, suits or other proceedings by whomsoever made, brought or prosecuted, in any manner based upon, occasioned by or attributable to the execution of this Lease, or any action taken or things done or maintained by virtue hereof, or the exercise in any manner of rights arising hereunder or any breach, violation or non-performance of any covenant or condition in this Lease set forth and contained on the part of the Tenant to be performed or observed, or any damage or injury (including without limitation death) on or about the Premises.

8.5 Indemnity by Landlord

The Landlord shall at all times indemnify and save harmless the Tenant, and its officers, directors, servants, employees and agents, from and against all claims and demands, losses, costs (including without limitation legal fees and costs on a solicitor and his own client basis), liabilities, damages, actions, suits or other proceedings by whomsoever made, brought or prosecuted, in any manner based upon, occasioned by or attributable to the execution of this Lease, or any action taken or things done or maintained by virtue hereof, or the exercise in any manner of rights arising hereunder or any breach, violation or non-performance of any covenant or condition in this Lease set forth and contained on the part of the Landlord to be performed or observed, or any damage or injury (including without limitation death) on or about the Premises.



8.6 **Hazardous or Toxic Substances or Materials**

- (a) The Tenant shall not bring upon the Premises or the Lands, or any part thereof, any hazardous or toxic substances or materials.
- (b) The Tenant shall, at its own cost and expense, comply with all statutes, laws, by-laws, regulations, ordinances and orders from time to time or at any time in force relating to the Landlord, the Tenant, the business of the Tenant and the Premises and the Lands relating to hazardous or toxic substances or materials brought upon the Lands or the Premises by the Tenant or anyone for whom the Tenant is responsible at law and the protection of the environment, (including, without limitation, all statutes, laws, by-laws, regulations, ordinances and orders regulating the manufacture, use, storage, transportation or disposal of any hazardous or toxic substances or materials), shall immediately give written notice to the Landlord of the occurrence of any event in or on or about the Premises constituting an offence thereunder or being in breach thereof and shall make, obtain and deliver all reports or studies required by any governmental authority having jurisdiction.
- (c) If any governmental authority having jurisdiction shall require the clean-up of any hazardous or toxic substances or materials held, released, spilled, abandoned or placed upon the Premises or the Lands by the Tenant or anyone for whom the Tenant is responsible at law, or released into the environment by the Tenant (or anyone for whom the Tenant is responsible at law) in the course of the Tenant's business or as a result of the Tenant's use or occupancy of the Premises, then the Tenant shall, at its own cost and expense, prepare all necessary studies, plans and proposals and submit the same for approval, provide all bonds and other security required by governmental authorities having jurisdiction and carry out the work required and shall keep the Landlord fully informed and provide to the Landlord full information with respect to proposed plans and comply with the Landlord's reasonable requirements with respect to such plans. And the Tenant agrees that if the Landlord determines, in its own discretion, that the Landlord, its property or its reputation, is placed in any jeopardy by the requirement for any such work, the Landlord may itself undertake such work or any part thereof at the cost and expense of the Tenant.
- (d) The Tenant hereby authorizes the Landlord to make enquiries from time to time of any government authority having jurisdiction with respect to the Tenant's compliance with any and all laws and regulations pertaining to the Tenant, the Tenant's business, the Premises and the Lands including without limitation laws and regulations pertaining to any hazardous or toxic substances or materials brought upon the Lands



or the Premises by the Tenant or anyone for whom the Tenant is responsible at law and the protection of the environment; and the Tenant covenants and agrees that the Tenant will from time to time provide to the Landlord such written authorization as the Landlord may reasonably require in order to facilitate the obtaining of such information.

- (e) If at any time:
- (i) notwithstanding the covenant of the Tenant contained in this Section 8.4, in the event that there shall at any time be any hazardous or toxic substances or materials upon the Premises, or any part thereof, which are brought upon the Premises or the Lands by the Tenant or anyone for whom the Tenant is responsible at law; or
 - (ii) there occurs an event in or on the Premises constituting an offence under, or being in breach of, any statute, law, by-law, regulation, ordinance or order from time to time or at any time in force relating to the Landlord, the Tenant, the business of the Tenant or the Premises relating to hazardous or toxic substances or materials and the Tenant, either alone or with others, causes the happening of such event;

the Tenant shall at its own cost and expense:

- (a) immediately give the Landlord notice to the appropriate effect and thereafter give the Landlord from time to time written notice of the extent and nature of the Tenant's compliance with the provisions of the provisions contained in paragraphs (B) and (C) hereinafter set forth;
- (b) promptly remove any hazardous or toxic substances or materials from the Premises in a manner which conforms with all laws and regulations governing the movement of the same;
- (c) if requested by the Landlord, obtain a report at the Tenant's cost and expense from an independent consultant designated or approved by the Landlord verifying the complete and proper removal thereof from the Premises or, if such is not the case, reporting as to the extent and nature of any failure to comply with the foregoing provisions of paragraphs (B) and (C); and

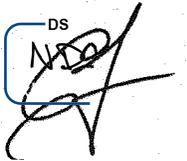
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- (d) remedy any damage to the Premises caused by an event such as is referred to in either or both of paragraphs (i) and (ii) above or by the performance of the Tenant's obligations under this subsection 8.4(e) as a result of the occurrence of either or both of such events.

- (f) If the Tenant (or anyone for whom the Tenant is responsible at law) shall bring or create upon the Premises or the Lands any hazardous or toxic substances or materials or if the conduct of the Tenant's business shall cause there to be any hazardous or toxic substances or materials upon the Premises or the Lands then, notwithstanding any rule of law to the contrary or any other term of this Lease, such hazardous or toxic substances and materials shall be and remain the sole and exclusive property of the Tenant and shall not become the property of the Landlord notwithstanding the degree of affixation of hazardous or toxic substances or materials or the goods containing the hazardous or toxic substances or materials to the Premises or the Lands and notwithstanding the expiry or earlier termination of this Lease.

- (g) The obligations of the Tenant hereunder relating to hazardous or toxic substances and materials shall survive the expiry or earlier termination of this Lease save only that, to the extent that the performance of those obligations requires access to or entry upon the Premises or the Lands or any part thereof the Tenant shall have such entry and access only at such times and upon such terms and conditions as the Landlord may from time to time specify; and the Landlord may, at the Tenant's cost and expense, itself or by its agents, servants, employees, contractors and subcontractors, undertake the performance of any necessary work in order to complete such obligations of the Tenant; but having commenced such work, the Landlord shall have no obligation to the Tenant to complete such work.

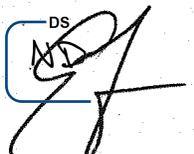
- (h) The Tenant shall indemnify and save harmless the Landlord and its directors, officers, servants, agents and employees from any and all claims, liabilities, actions, proceedings, demands, losses, costs, damages and expenses whatsoever which may be commenced against or suffered by the Landlord, its directors, officers, servants, agents or employees or which they may sustain or incur as a result of the existence of hazardous or toxic substances or materials on the Premises or elsewhere on or about the Lands which were brought upon the Premises or the Lands by the Tenant or those for whom the Tenant is in law responsible.

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**ARTICLE 9
INSURANCE**

9.1 Insurance to be Maintained by Landlord

- (a) The Landlord covenants and agrees that throughout the Term (and any renewal thereof) it will take out and maintain at its sole cost and expense and in the names of the Landlord and any mortgagee designated by the Landlord from time to time and the Tenant, as their respective interests appear:
- (i) fire insurance with all risk extended coverage endorsement in respect of the Building in an amount equal to the full replacement value thereof, from time to time, including foundations and excavations, together with water damage insurance (including, if applicable, sprinkler leakage), and all risk direct damage insurance upon its fixtures, improvements and all other contents of the Premises and all parts of the Premises to the full replacement value thereof; and insurance against loss of rents in an amount equivalent to the Basic Rent and Additional Rent (estimated by the Landlord, acting reasonably) payable under this Lease for a period of twelve (12) months; and
 - (ii) such other insurance in amounts and upon terms reasonable for a prudent Landlord to provide or as determined by the Landlord's insurance advisers or its mortgagee(s).
- (b) The Tenant covenants and agrees that throughout the Term (and any renewal thereof) it will take out and maintain at its sole cost and expense and in the names of the Landlord and any mortgagee designated by the Landlord from time to time and the Tenant, as their respective interests appear:
- (i) comprehensive public liability and property damage insurance with respect to injury, death and property damage occurring on or about the Premises or the operations of the Tenant on the Lands and in or upon the Building in the amount of not less than Two Million (\$2,000,000) Dollars, all inclusive; and
 - (ii) such other insurance in amounts and upon terms reasonable for a prudent Tenant to provide.



9.2 Endorsement of Policies

Each insurance policy referred to in subsections 9.1(a) or 9.1(b) hereof will (as appropriate) name the Landlord and the persons, firms or corporations designated by the Landlord as additional named insureds as their interests may appear, will (as appropriate) name all of the Landlord's mortgagee(s) as loss payee(s) as their respective interests may appear, will (as appropriate) contain a waiver of rights of subrogation, will (as appropriate) contain a cross-liability clause protecting the Landlord and other insureds designated by it against claims by the Tenant as if the Landlord and other insureds designated by it were separately insured and protecting the Tenant against claims by the Landlord and other designated insureds by it as if the Tenant were separately insured and will contain a clause that the insurer will not cancel or change or refuse to renew the insurance without first giving the Landlord and its mortgagee(s) thirty (30) days' prior written notice. All policies of insurance will be with insurers acceptable to the Landlord and in form satisfactory to the Landlord, and the Tenant will see that there is delivered to the Landlord certified copies of the policies. If the Tenant fails to take out or keep in force any policy of insurance referred to in subsection 9.1(b) hereof the Landlord may take out such insurance and pay the premium, and in that event the Tenant will pay to the Landlord the amount so paid as premium as Additional Rent and it will be due and payable on the first day of the month following the payment by the Landlord.

9.3 Cancellation of Policies

The Tenant covenants and agrees that it will not do or permit or omit to be done anything upon the Premises or any part thereof whereby any insurance policy shall be impaired or cancelled or the Premises shall be rendered uninsurable.

9.4 Insurance Proceeds

Subject to the requirements of any mortgagee of the Landlord, the proceeds of any policy of insurance maintained by the Landlord pursuant to this Article 9, which shall become payable as a result of any destruction of or damage to the Building, shall be used for the repairing, restoring, replacing and/or rebuilding the Building in accordance with and subject to the provisions of Article 10 hereof. All such insurance proceeds as aforesaid, which are required to repair, restore, replace and/or rebuild the Building, shall be paid in trust to the Landlord and the Tenant, and shall be released, having regard to the provisions of the applicable legislation governing builders liens in the Province of Alberta, in instalments as the rebuilding or replacing of the Building is accomplished, in accordance with the certificates of the Architect (retained at the cost and expense of the party responsible for the repair), and the last of such payments shall be made when the repairing, restoring, rebuilding or replacing of the Building shall have been completed, free and clear of all liens; provided, that if this Lease is terminated pursuant to the provisions of Article 10 hereof,

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all insurance proceeds shall be released to the Landlord. If, however, the Tenant shall insure its contents in or on the Premises under its insurance policy, all proceeds thereof in respect of such contents to which the Tenant is entitled pursuant to the provisions thereof shall be released to the Tenant.

9.5 Termination Upon Cancellation of Policy

The Tenant will not use or occupy the Premises or any part thereof in a manner such that any insurance policy upon the Shopping Centre or the Premises, or any part thereof, shall be cancelled or shall be threatened by the insurer to be cancelled, or the coverage thereof reduced in any way by the insurer or the premium in respect thereof increased.

**ARTICLE 10
DAMAGE AND DESTRUCTION**

10.1 Damage and Destruction

Provided and it is hereby expressly agreed between the parties hereto that if and whenever during the Term hereby demised, or any renewal thereof, and provided that sufficient proceeds are available to the Landlord from any policy of insurance maintained or required to be maintained hereunder, as contemplated in Section 9.4 hereof, the Premises shall be destroyed or damaged by any cause whatsoever, then, subject to the provisions of Section 10.2 hereof, the Term and provisions of this Lease shall continue in full force and effect and the Rent shall abate in proportion to the area of the Premises that is untenable, and, the Landlord agrees to, and shall, upon receiving all required permits and subject to any delays arising from events beyond the reasonable control of the Landlord, repair, restore, replace and/or rebuild the Premises at its cost and expense, in a diligent manner and in accordance with the original plans and specifications for the Building, with such variations (if any) as may be necessary having regard to the then existing statutory provisions, by-laws and regulations affecting the Building, in accordance with the requirements of all approvals and permits required by all planning and other authorities of competent jurisdiction with respect to the repairing, restoration, replacement and/or rebuilding of the Building (which the party responsible shall obtain at its cost and expense) and to the satisfaction in all respects of the Architect.

10.2 Termination Upon Damage or Destruction

Notwithstanding anything contained in this Article 10 to the contrary, in the event the Premises shall be damaged or destroyed by fire or other casualties at any time during the years of the Term hereof, or, at any time during the years of any renewal term in accordance with the

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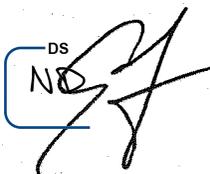

provisions hereof, to the extent of fifty (50%) percent or more of the replacement value of same at the date of any such damage or destruction (excluding foundations and excavations), either party may, at its option, to be evidenced by notice in writing given to the other within sixty (60) days after the occurrence of such damage or destruction, elect to terminate this Lease and upon the expiration of the thirty (30) days after such notice given by either party to the other, this Lease shall be terminated and the Landlord shall be entitled to receive the proceeds of all insurance taken out by the Landlord hereunder covering such damage or destruction of the Premises other than insurance proceeds received by the Tenant in respect of the Tenant's contents.

**ARTICLE 11
DEFAULT AND RE-ENTRY**

11.1 Default and Re-entry

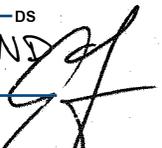
(a) It is expressly agreed that:

- (i) if the Tenant shall be in default in the payment of Rent or amounts collectable hereunder as rent, whether lawfully demanded or not, and such default shall continue for a period of ten (10) days after the Rent has become due and payable; or
- (ii) if the Tenant shall be in default of any of its covenants and agreements hereunder (other than its covenant to pay Rent or amounts collectable hereunder as rent) and such default shall continue for a period of fifteen (15) days (or such longer period as may be reasonably necessary to cure such default considering the nature thereof or such longer period as may be necessary to cure such default if such default involves a non-material and non-financial term of this Lease and the Tenant, acting reasonably and in good faith, is disputing with the Landlord whether or not the Tenant is in default of such term) after notice by the Landlord to the Tenant specifying with reasonable particularity the nature of such default and requiring the same to be remedied; or
- (iii) if the default set out in the notice given to the Tenant by the Landlord pursuant to paragraph (ii) reasonably requires more time to cure than the fifteen (15) day period referred to in that paragraph and the Tenant has not commenced remedying or curing the same within the fifteen (15) day period or; in the opinion of the Landlord's Architect (acting reasonably) fails to diligently complete the same within a reasonable time; or

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- (iv) if the Tenant shall make an assignment for the benefit of creditors, or shall make an assignment or have a receiving order made against it under the *Bankruptcy and Insolvency Act*, or shall make application for relief under the provisions of any statute now or hereafter in force concerning bankrupt or insolvent debtors, or any action whatsoever, legislative or otherwise, shall be taken with a view to the winding-up, dissolution or liquidation of the Tenant, or if a receiver is appointed for the business, property, affairs or revenues of the Tenant, or if a petition with respect to the Tenant is filed under the *Bankruptcy and Insolvency Act*, or if the Tenant shall be otherwise bankrupt or insolvent; or
- (v) if the term of this Lease hereby granted or any of the goods or chattels on the Premises are at any time possessed, seized, or taken in execution or attachment by any creditor of the Tenant, whether under a bill of sale, chattel mortgage, debenture, conditional sales contract, lien note, lease of personal property, consignment contract or otherwise; or
- (vi) if a writ of execution or replevin order issues against the goods or chattels of the Tenant; or
- (vii) if any insurance policy insuring the Premises or the Landlord in respect thereof is cancelled, threatened with termination or is refused to be renewed by reason of the use and occupation of the Premises or any part thereof by the Tenant; or
- (viii) if the Tenant fails to substantially complete the Tenant's work in respect of the Building;

then, at the option of the Landlord, the term hereby granted shall become forfeited and void, and the Landlord may without notice or any form of legal process whatsoever forthwith re-enter upon the Premises, or any part thereof, in the name of the whole and repossess and enjoy the same as its former estate, anything contained in any statute or law to the contrary notwithstanding. Re-entry or taking possession of the Premises shall be construed as an election on the part of the Landlord to terminate this Lease unless at the time of or subsequent to such re-entry or taking of

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possession such termination is decreed by a Court of competent jurisdiction not to be valid.

- (b) Forfeiture of this Lease by the Tenant or any re-entry or taking possession of the Premises shall be wholly without prejudice to the right of the Landlord to recover arrears of Rent or damages for any antecedent breach of covenant on the part of the Tenant and, notwithstanding any such forfeiture, the Landlord may subsequently recover from the Tenant damages for loss of Rent suffered by reason of the Lease having been determined prior to the end of the Term of this Lease as set out herein and this subsection 11.1(b) and the rights hereunder shall survive the termination of this Lease whether by act of the parties or by operation of law.

**ARTICLE 12
RENEWAL TERMS**

12.1 First Renewal Term

The Landlord covenants and agrees with the Tenant that, if the Tenant duly and punctually observes and performs the covenants and conditions in this Lease on the part of the Tenant to be observed and performed, and if no notice of termination of this Lease shall have been properly given and if the Tenant is not in default hereunder, the Landlord will, at the expiration of the Term, upon the Tenant's written notice to the Landlord not later than six (6) months prior to the expiration of the Term, grant to the Tenant a renewal lease of the Premises for a renewal term of three (3) years (the "First Renewal Term") upon all the covenants and conditions contained in this Lease, except as to the Basic Rent for the First Renewal Term (which, subject any adjustment pursuant to the provisions of Section 5.1 hereof, shall be the amount of \$101,539.00 per annum for each Lease Year of such First Renewal Term) and except for any rent-free periods, tenant allowances or other tenant inducements.

12.2 Second Renewal Term

The Landlord covenants and agrees with the Tenant that, if the Tenant duly and punctually observes and performs the covenants and conditions in this Lease on the part of the Tenant to be observed and performed, and if no notice of termination of this Lease shall have been properly given and if the Tenant is not in default hereunder, the Landlord will, at the expiration of the First Renewal Term, upon the Tenant's written notice to the Landlord not later than six (6) months prior to the expiration of the First Renewal Term, grant to the Tenant a renewal lease of the Premises for a renewal term of five (5) years (the "Second Renewal Term") upon all the covenants

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and conditions contained in this Lease, except as to the Basic Rent for the Second Renewal Term (which, subject to any adjustment pursuant to the provisions of Section 5.1 hereof, shall be the amount of \$116,545.00 per annum for each the Lease Year of such Second Renewal Term) and except for any rent-free periods, tenant allowances or other tenant inducements.

12.3 **Third Renewal Term**

(a) **Notice of Renewal for Third Renewal Term**

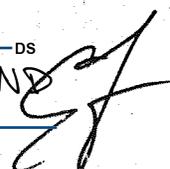
The Landlord covenants and agrees with the Tenant that, if the Tenant duly and punctually observes and performs the covenants and conditions in this Lease on the part of the Tenant to be observed and performed, and if no notice of termination of this Lease shall have been properly given and if the Tenant is not in default hereunder, the Landlord will, at the expiration of the Second Renewal Term, upon the Tenant's written notice to the Landlord not later than six (6) months prior to the expiration of the Second Renewal Term, grant to the Tenant a renewal lease of the Premises for a third renewal term of five (5) years (the "Third Renewal Term") upon all the covenants and conditions contained in this Lease, except as to the Basic Rent for the Third Renewal Term and except for any further right to renew, and rent-free periods, tenant allowances or other tenant inducements.

(b) **Basic Rent During Third Renewal Term**

The Basic Rent to be payable annually by the Tenant pursuant to Article 5 of this Lease during the Third Renewal Term shall be the amount of the fair market annual rent for the Premises as then existing, determined as at the date upon which the Third Renewal Term is to commence and in accordance with the provisions of subsection 12.3(c) hereof.

(c) **Determination of Basic Rent**

The fair market annual rent shall be mutually agreed upon by the Landlord and the Tenant by a date three (3) months prior to the date upon which the Third Renewal Term is to commence, and in the event the Landlord and the Tenant are unable to agree on or before the aforesaid date upon the fair market annual rent, then the fair market annual rent shall be determined by arbitration in accordance with the provisions of Article 18 hereof.

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(d) **Supplementary Lease**

Upon exercise by the Tenant of its option to renew the Term in accordance with the provisions of subsection 12.3(a) hereof and upon the determination of the fair market annual rent in accordance with the provisions of subsection 12.3(c) hereof, the Landlord and the Tenant shall enter into a supplementary lease modifying and extending this Lease all in accordance with the terms and conditions of subsections 12.3(a), 12.3(b) and 12.3(c).

(e) **Basic Rent Pending Determinations**

In the event that the fair market annual rent has not been determined by the date upon which the revised Rent commences to be payable by the Tenant, pending such determination the Tenant shall pay Basic Rent equal to the Basic Rent in effect under this Lease for the last year of the Second Renewal Term and the parties shall readjust, as of the date when revised Basic Rent commenced to be payable, promptly upon such determination being made.

**ARTICLE 13
ESTOPPEL CERTIFICATES OR STATEMENTS**

13.1 Estoppel Certificates or Statements

- (a) The Tenant or the Landlord at any time and from time to time, upon not less than ten (10) day's prior written notice, shall execute and deliver to the other a statement in writing certifying that this Lease is unmodified and in full force and effect (or if modified, stating the modifications and that the same is in full force and effect as modified); certifying the amount of the Rent then being paid hereunder; certifying the dates to which the same relates, by instalment or otherwise, and that other sums herein provided to be paid by the Tenant have been paid; and stating, whether or not there is any existing default on the part of the Landlord or the Tenant, as the case may be, of which the other has notice; the particulars and amount of insurance policies on the Premises in which the interest of the party giving such certificate is noted; the amount of prepaid Rent or security deposit being held by the Landlord; and providing such other information with respect to this Lease or the Premises as may be reasonably requested.

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- (b) Any statement delivered pursuant to the provisions of this Article 13 may be conclusively relied upon by any purchaser or prospective purchaser or any mortgagee or prospective mortgagee of the Premises or the leasehold or any sub-lessee or prospective sublessee save as to any default on the part of the Landlord or the Tenant of which the party giving such statement does not have notice at the date thereof.

ARTICLE 14 FINANCING AND SUBORDINATION

14.1 **Financing and Subordination**

Provided that any mortgagee, trustee or holder under any mortgage, deed of trust, lien or other charge provides assurance in writing to the Tenant of quiet possession so long as the Tenant is not in default hereunder pursuant to an agreement prepared by the Landlord and approved by the Tenant, acting reasonably (with such amendments thereto, in any event, that may be required by such mortgagee, trustee or holder), this Lease and all of the rights of the Tenant hereunder are and shall be subject and subordinate to all mortgages, deeds of trust, liens or other charges resulting from any method of financing and all renewals, modifications, consolidations, replacements and extensions thereof which may now or at any time hereafter be in force against or affect the Premises in whole or in part and whether or not such mortgages, deeds of trust, liens or other charges shall affect only the Premises or shall be blanket mortgages, deeds of trust, liens or other charges affecting other premises as well. The Tenant shall at any time on notice from the Landlord attorn to and become a tenant of a mortgagee, trustee or holder under any such mortgage, deed of trust, lien or other charge upon the same terms and conditions as set forth in this Lease and, provided such mortgagee, trustee or holder provides assurance to the Tenant of quiet enjoyment so long as the Tenant is not in default hereunder (pursuant to an agreement prepared by the Landlord and approved by the Tenant, acting reasonably, with such amendments, in any event, that may be required by such mortgagee, trustee or holder), the Tenant shall execute promptly upon request by the Landlord any instruments of postponement or attornment or other instruments from time to time requested to give full effect to this requirement and the Tenant hereby constitutes the Landlord the agent or attorney of the Tenant for the purpose of executing any such instruments of postponement or attornment.

14.2 **Priority of Lease**

The Tenant agrees that the holder of any lien, mortgage, charge or encumbrance of the Premises, or any part thereof, at any time by an instrument in writing registered against the title to the Premises may subordinate such lien, mortgage, charge or encumbrance to this Lease without any further consent or agreement of the Tenant.

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14.3 Financial Information

If the Landlord shall, in connection with any proposed financing or sale of the Premises, require information relating to the financial position of the Tenant, the Tenant shall, within fifteen (15) days of the service upon it by the Landlord of a notice in writing requesting such information, furnish directly to the prospective lender or prospective purchaser, as the case may be, identified by the Landlord in such notice, copies of the audited financial statements of the Tenant (or unaudited statements if audited ones are not available), including a balance sheet and statements of profit and loss and surplus or deficit, in respect of each of the most recent two (2) years for which such statements are available. Such financial statements shall only be used by such prospective lender or purchaser, as the case may be, in connection with any proposed financing or sale of the Premises and shall deliver the same to such prospective lender or purchaser, as the case may be, on the basis that they are confidential information and are to be treated by the lender or purchaser as such.

**ARTICLE 15
RIGHT TO SHOW PREMISES AND PLACE SIGNS****15.1 Right to Show Premises and Place Signs**

The Landlord shall at any time have the right to place upon the Premises a sign (of reasonable dimensions and reasonably placed so as not to interfere with the Tenant's business) stating that the Premises are for sale and shall have the right within six (6) months prior to the termination of the Term, or any renewal thereof, to place upon the Premises a notice (of reasonable dimensions and reasonably placed so as not to interfere with the Tenant's business) stating that the Premises are for rent; further, the Tenant will not remove such signs or permit the same to be removed. The Landlord and its agents and employees shall also be permitted to enter upon the Premises on reasonable written notice within the aforesaid periods to show the same to prospective purchasers or tenants, provided that at all times the Landlord's representative shall be accompanied and escorted by an employee or other representative of the Tenant.

**ARTICLE 16
GENERAL****16.1 No Implied Obligations**

No implied terms or obligations of any kind by or on behalf of the Landlord shall arise from anything in this Lease and the express covenants and agreements herein contained and made by the Landlord are the only covenants and agreements upon which any rights against the Landlord may be founded.

16.2 Net Lease

It is the intention of the Landlord and the Tenant and it is hereby agreed by them that the Tenant shall pay all Rent to be paid hereunder to the Landlord without any deduction, abatement or set-off whatsoever except as may be otherwise expressly agreed to elsewhere in this Lease; and notwithstanding any statutory or other provisions, all charges, expenses, payments and costs of every nature and kind whatsoever incurred in respect of the Premises or for any matter or thing affecting the Premises shall (other than with respect to any franchise, corporate, estate, inheritance, succession, net income, excess profits, capital levy, speculation or transfer tax of the Landlord or any rates, assessments or charges levied, assessed or charged against or in respect of any other tax or impost of a personal nature charged to or levied upon the Landlord and other than with respect to any payments on account of principal and interest or principal or interest in respect of any financing arranged by the Landlord and secured against or charging any interest of the Landlord in the Lands and unless otherwise expressly stipulated herein to the contrary) be borne by the Tenant so that the Rent herein provided for shall be absolutely net to the Landlord. The Landlord shall not be responsible for any charge, claim or liability whatsoever in connection with the Premises except as expressly provided in this Lease.

16.3 Entire Agreement

This Lease shall be deemed to constitute the entire agreement between the Landlord and the Tenant with respect to the subject matter hereof, provided that paragraphs 11 and 12 of the Agreement to Lease shall survive and remain in full force and effect.

16.4 Effect of Lease

This Lease and everything herein contained shall enure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns as the case may be of each of the parties hereto, subject to the granting of consent by the Landlord as provided herein to any assignment or transfer of this Lease. Where there is a male, female or corporate party, the provisions hereof shall be read with all grammatical changes to gender and number required by the context. Where there is more than one party comprised in the Tenant, all covenants and obligations on the part of the Tenant shall be joint and several. The captions, headings and section numbers appearing in this Lease are inserted only as a matter of convenience for reference only and in no way define, limit, enlarge, construe or describe the scope, meaning or intent of the articles or sections of this Lease or any of its provisions.

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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.

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(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

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16.5 Provisions Separately Valid

If any covenant, obligation, agreement, term or condition of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such covenant, obligation, agreement, term or condition to persons or circumstances other than those in respect of which it is held invalid or unenforceable, shall not be affected thereby and each covenant, obligation, agreement, term or condition of this Lease shall be separately valid and enforceable to the fullest extent permitted by law.

16.6 Waiver Negated

The failure by the Landlord to require the fulfilment of the obligations, or to exercise any rights herein contained shall not constitute a waiver, a renunciation or a surrender of those obligations or rights.

16.7 Governing Law

This Lease shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

16.8 Time of the Essence

Time shall be of the essence of this Lease and of every part hereof.

16.9 Expropriation

If at any time during the Term, or any renewal thereof, the whole or a portion of the Premises are expropriated by right or exercise by any competent authority of power of expropriation, the Landlord and the Tenant shall each be entitled to advance separately their claims for compensation for the loss of their respective interests in the Premises and shall be entitled to receive and obtain such compensation as may be awarded to each of them respectively. If an award of compensation made to the Landlord specifically includes an award for the Tenant, the Landlord will account therefor to the Tenant; and if an award of compensation made to the Tenant specifically includes an award for the Landlord, the Tenant will account therefor to the Landlord. Upon termination of this Lease by expropriation or other operation of law, the Tenant will forthwith pay to the Landlord the Rent and all other charges which may be due to the Landlord up to the date of such termination. The Tenant will have no claim upon the Landlord for the value of its property

expropriated or the unexpired term of this Lease or for any other damages, costs, losses or expenses whatsoever. The Landlord and the Tenant agree to cooperate one with the other in respect of any expropriation of all or any part of the Lands or the Premises so that each may receive the maximum award to which they are respectively entitled in law.

16.10 Registration

The Tenant shall not register this Lease on title to the Lands; however the Tenant may register a Caveat on title to the Lands, at its sole cost, provided such Caveat shall describe only the parties to this Lease, the Premises, the Term of this Lease and any renewal options. Such Caveat shall be prepared by the Tenant's solicitors, and shall be subject to the prior written approval of the Landlord and its solicitors, and shall be registered at the Tenant's expense.

16.11 Surviving Obligations

On any termination of this Lease, the Tenant's right of possession shall cease and terminate, but the obligations of the parties with respect to payment of Rent or covenants not performed at the date of such termination, indemnification, or any other obligations which, by their nature or by reason of the circumstances at the time of such termination, are not completely performed prior to such termination, shall remain in full force and effect until satisfied.

16.12 Extended Meanings

The word "Tenant" as used herein shall include each and every person or corporation mentioned as Tenant herein or liable as Tenant, their successors and assigns. If at any time there shall be more than one Tenant, any notice required or permitted by the terms of this Lease may be given by the Landlord to any one thereof, and shall have the same force and effect as if given to all. Where the context allows, the word "Tenant" shall include the servants, employees, agents, invitees, partons, customers, concessionaires, franchises and licensees of the Tenant and all others over whom the Tenant might reasonably be expected to exercise control. Provided, however, that this extended meaning shall not confer any rights where any required consent has not been duly obtained under this Lease. The word "Landlord" as used in this Lease shall be deemed to include the successors and assigns of the Landlord. The Landlord may act through such managers, representatives, agents or employees as it may from time to time appoint. All references to the Landlord or the Tenant or others under this Lease shall be construed and adjusted for the applicable gender and number, regardless of the gender and number in which they are expressed. All provisions of this Lease creating obligations on any party hereto shall be deemed to be and shall be construed as covenants.

16.13 Remedies of Landlord are Cumulative

The remedies of the Landlord in this Lease are cumulative and are in addition to any remedies of the Landlord at law or in equity. No remedy will be deemed to be exclusive and the Landlord may from time to time have recourse to one or more of all the available remedies specified herein or at law or in equity.

16.14 Landlord's Work

The Landlord agrees that, upon it obtaining all required permits, it shall commence, and shall thereafter diligently pursue to completion, the Landlord's Work.

16.15 Tenant's Inducement

Provided that the Tenant is not in default under this Lease, the Landlord shall, and does hereby agree to, pay to the Tenant the amount of \$100,000.00 to be used by the Tenant in completing the Tenant's Work with respect to the Premises. The said amount of \$100,000.00 shall be paid to the Tenant, as to one half (½) of such amount, when the Tenant provides the Landlord with invoices evidencing that work and materials, in respect to the Tenant's Work in an amount of at least \$50,000.00, have been incorporated into the Premises and provided that no builders' lien has been, and remains, registered. The balance of such amount shall be paid when the following conditions have been satisfied:

- (a) the Tenant has substantially completed all of the Tenant's Work with respect to the Premises, all builders' lien periods have expired with respect to such work and no builders' liens have been registered with respect to such work; and
- (b) the Tenant is in possession of the Premises pursuant to this Lease.

**ARTICLE 17
NOTICES****17.1 Notice**

Any notice to be given by either party hereto to the other pursuant to this Lease shall be in writing and delivered by hand or sent by prepaid registered mail or sent by telex or other electronic communication which results in a written or printed notice being given, addressed to:

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(a) the Landlord at:

690569 Alberta Ltd.
c/o Opus Building Corporation
300, 1400 Kensington Road N.W.
Calgary, Alberta
T2N 3P9

Fax No. (403) 270-7716

Attention: Mr. J.J. Shannon

(b) the Tenant at:

21st Century Health Spas (Western) Ltd.
c/o Spa Lady
6030 - 5th Street S.E.
Calgary, Alberta
T2H 1L4

Fax No. (403) 259-5775

Attention: Mr. Ed Forrest
President

with a copy to:

21st Century Health Spas (Western) Ltd.
Suite 207, 1661 Portage Avenue
Winnipeg, Manitoba
R3J 3T7

Fax No. (204) 779-3719

Attention: Controller

Any notice delivered by hand shall be deemed to be received when left during normal office hours at the addresses set forth above, and any notice sent by prepaid registered mail shall be deemed to have been received when actually received. Any notice sent by telex or other electronic communication shall be deemed to be given on the date of such transmission if received. Either party shall be entitled to change its address for notice to an address elsewhere in Canada by notice in writing to the other.

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**ARTICLE 18
ARBITRATION**

18.1 Arbitration

If the Landlord and the Tenant are unable to agree, on or before the date specified in either subsection 12.3(c) hereof, as to the fair market annual rent, the fair market annual rent shall be determined by arbitration and the following provisions shall apply thereto:

- (a) promptly upon the provision for arbitration becoming applicable, each of the Landlord and Tenant shall give written notice to the other appointing an arbitrator on behalf of the party giving the notice. In the event that either party shall fail to give such written notice within ten (10) days, the arbitrator named in the notice given by the other party shall be the sole arbitrator. If the two arbitrators are duly appointed they shall jointly appoint a third arbitrator, but if such appointment has not been made by them within ten (10) days of the appointment of whichever of the two (2) arbitrators was last appointed, either party may, on notice to the other, apply to the Court of Queen's Bench of the Province of Alberta which shall have jurisdiction to appoint a third arbitrator;
- (b) the arbitrators or sole arbitrator (as the case may be) appointed hereunder shall govern their or his own proceedings (subject to the provisions of Section 18.2 hereof) and the decisions of any two (2) arbitrators (if three (3) have been appointed) or the sole arbitrator made as aforesaid shall be final and binding on the parties hereto and shall not be capable of appeal or judicial review;
- (c) if an arbitrator appointed as aforesaid dies or resigns or fails to act and such failure continues for a period of seven (7) days after notice thereof has been given to either party by the other, a new arbitrator shall be appointed within ten (10) days after the death, resignation or expiration of the above-mentioned period by the party which such arbitrator so represented or by the two (2) arbitrators if such arbitrator was appointed as a third (3rd) arbitrator, failing which the appointment shall be made by the Court of Queen's Bench of the Province of Alberta upon application by either party;
- (d) the arbitrators will have the power to obtain the assistance, advice or opinion of any expert as they may think fit and will have the discretion to act upon any assistance, advice or opinion so obtained;

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- (e) the cost of any arbitration shall be borne equally by the Landlord and the Tenant, except if the arbitrator or arbitrators or a majority of them, as the case may be, may otherwise determine. The arbitration award may include an award of costs; and
- (f) each of the Landlord and the Tenant will execute all such documents and perform all such acts as may be necessary to give effect to any award made upon any such arbitration.

18.2 Determination of Fair Market Annual Rent

For the purposes of subsections 12.3(c) hereof and Section 18.1 hereof, it is understood and agreed that the expression "fair market annual rent" for the Premises shall mean the fair market annual rental for the Premises for the Third Renewal Term being the annual rent which could reasonably be obtained by the Landlord for the Premises for the Third Renewal Term from a willing tenant or willing tenants dealing at arm's length with the Landlord in the market prevailing as at the date upon which the Third Renewal Term is to commence, having regard to all relevant circumstances including, without limitation, the physical characteristics of the Premises, the term of this Lease, and having regard also to rentals currently being obtained for premises similar to the Premises located in the vicinity of the Premises. The value of all Tenant's fixtures shall not be considered in making this determination. If the Tenant has failed to repair in accordance with its obligations under this Lease, such disrepair shall be disregarded in making this determination.

IN WITNESS WHEREOF the parties hereto have executed this Lease as of the day and year first above written.

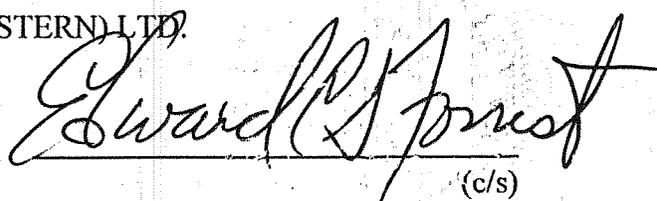
LANDLORD: 690569 ALBERTA LTD.

Per: 

 (c/s)

Per: _____

TENANT: 21st CENTURY HEALTH SPAS
 (WESTERN) LTD.

Per: 

 (c/s)

Per: _____

SCHEDULE "A"

Site Plan showing:

- (a) the Building outlined in red and the Premises outlined in green; and
- (b) the Common Areas on the Lands outlined in blue; and
- (c) the Parking Area outlined in brown.

SCHEDULE "B"

RULES AND REGULATIONS

1. The Tenant will not burn any trash in or about the Premises or anywhere upon the Lands. All trash shall be kept within the interior of the Premises until the day of removal. Such removal will comply with arrangements prescribed from time to time by the Landlord, and shall be at the expense of the Tenant. If the Tenant's trash is of a deteriorating nature, creating offensive odours, then the Tenant will provide and maintain at its sole expense sealed refrigerated garbage rooms. If it is considered necessary by the Landlord that such garbage be placed outside the Premises, and the Landlord consents in writing to the placing of garbage outside the Premises, then such garbage shall be placed in a container specified by the Landlord but provided at the expense of the Tenant.
2. The Tenant will not overload any floor of the Premises nor will the Tenant hang or suspend from any wall or ceiling or roof, or any other part of the Building any equipment, displays, fixtures or signs which are not authorized by the Landlord.
3. The Tenant will at its expense maintain all fixtures.
4. The Tenant will not attempt any material repairs, alterations or modifications to the heating, air-conditioning, plumbing or electrical systems of the Premises or the Building without the prior written approval of the Landlord. The Tenant will not impede the operation of, or place any articles upon, any heating or air-conditioning equipment, if available, or facilities within the Premises or the Building.
5. The Tenant, from time to time as required, will provide the Landlord with a copy of the current key for the Premises.
6. The Tenant will not make or permit any noise or conduct in the Building which, in the opinion of the Landlord, may disturb any other tenant of the Building. No portion of the Premises shall be used for the storage of personal effects or articles not required for business purposes. The Landlord acknowledges that the Tenant's business will involve the playing of music from time to time, provided that it shall be the obligation of the Tenant to ensure that the playing of such music will not be so loud so as to cause or create a nuisance to or for the other tenants in the Building. Notwithstanding any other provision of this Lease, the Landlord acknowledges that the use and occupation of the Premises as a fitness facility shall not, in and by itself, be considered to

be a nuisance or objectionable. The Premises are leased to the Tenant as a separate and self contained premises approved and suitable for such use.

7. The Tenant will ensure that all loading, unloading and shipping of merchandise, supplies, fixtures and other materials whatsoever are made only through such areas, entrances and corridors and during such days and hours and in compliance with such provisions for the regulation of same as the Landlord may from time to time prescribe, and that delivery and shipping to and from the Building and the Premises are in accordance with and subject to such rules and regulations as are in the judgment of the Landlord necessary for the proper operation of the Building.

8. The Landlord reserves the right to restrict, control or prohibit canvassing, soliciting and peddling within the Buildings and upon the Lands. The Tenant will not grant any concessions, licenses or permission for the sale or taking of orders for food or services or merchandise in the Premises or the Building, nor permit the preparation, serving, distribution or delivery of food or beverages in the Premises without approval of the Landlord and in compliance with arrangements prescribed by the Landlord. Only persons approved by the Landlord shall be permitted to serve, distribute or delivery food and beverages within the Building, or to use the elevators or public areas of the Building for that purpose.

9. If the Tenant requires any electrical equipment which will overload the electrical facilities in the Premises, the Tenant will first submit to the Landlord plans and specifications for the work required to install and supply additional electrical equipment necessary to prevent overloading of the electrical facilities in the Premises, and obtain from the Landlord written approval to perform the same. All such work will meet all governmental regulations, any other competent authority, regulations of the Canadian Underwriters Association, and requirements as set down by the Landlord's Insurers, and shall be at the sole expense of the Tenant.

10. If the Premises are office premises, the Tenant and its employees, agents and contractors may enter the Premises at all times outside regular business hours of the Building, but only by such entrances as the Landlord may from time to time prescribe, and subject to such means as the Landlord may require to control the presence of persons within the Building when it is closed to the public.

11. The Tenant shall not mark, paint, drill into, or in any way deface any part of the Premises or the Building. No boring, cutting or stringing of wires shall be permitted except with the prior written consent of the Landlord and as the Landlord may direct. Only contractors approved in writing by the Landlord may be employed by the Tenant for making repairs, changes or any improvements to the Premises. Metal cabinets shall be set on a suitable base wherever the floors are tile.

12. The Tenant shall not use the name of the Building or the Landlord in any advertising without the express consent in writing of the Landlord. The Landlord shall have the right to prohibit any advertising by any Tenant which, in any way, tends to impair the reputation of the Building, and upon written notice from the Landlord, the Tenant shall refrain from or discontinue such advertising.

13. Each Tenant, before closing and leaving the Premises at any time, shall see that all entrance doors to the Premises are closed and locked.

14. The Tenant shall not keep upon the Premises any inflammable, combustible, or explosive fluid, chemical or substance, nor permit to be done anything in conflict with any insurance policy which may or might be in force upon the Building or any part thereof or with the laws relating to fires, or with the regulations of the Fire Department or the Health Department, or with any of the rules, regulations or ordinances of the municipality in which the Premises are located, or of any other duly constituted authority.

SCHEDULE "C"

LANDLORD'S WORK

At no cost to the Tenant, the Landlord shall provide the following work. Such work shall be performed in accordance with all applicable codes and regulations of all authorities having jurisdiction and shall be adequate in size and capacity to accommodate a health club with 350 persons engaged in exercise activity.

- (a) Demolition of all existing improvements and all other walls within the demised Tenant area (other than existing 1,200 square foot mezzanine area).
- (b) Demising walls taped, sanded and prime coated.
- (c) Sprinkler mains, branch lines and heads to conform to Tenant layout.
- (d) Cold water, sewer and vent lines brought inside the Premises to a located designated by the Tenant, acting reasonably.
- (e) A complete and operational HVAC system including air distribution and controls and designed to ASHRAE Standards.
- (f) A separately metered electrical service capable of providing adequate service brought to a panel inside the Premises to a mutually agreed location, both parties acting reasonably.
- (g) Concrete floor (single-plane, smooth finish) ready to receive tenant finishes.
- (h) Gas line adequate in size to accommodate two 75 gallon hot water heaters.
- (i) Upgrade of landscaping along west and south parking area.
- (j) Fire alarm system as required by code.

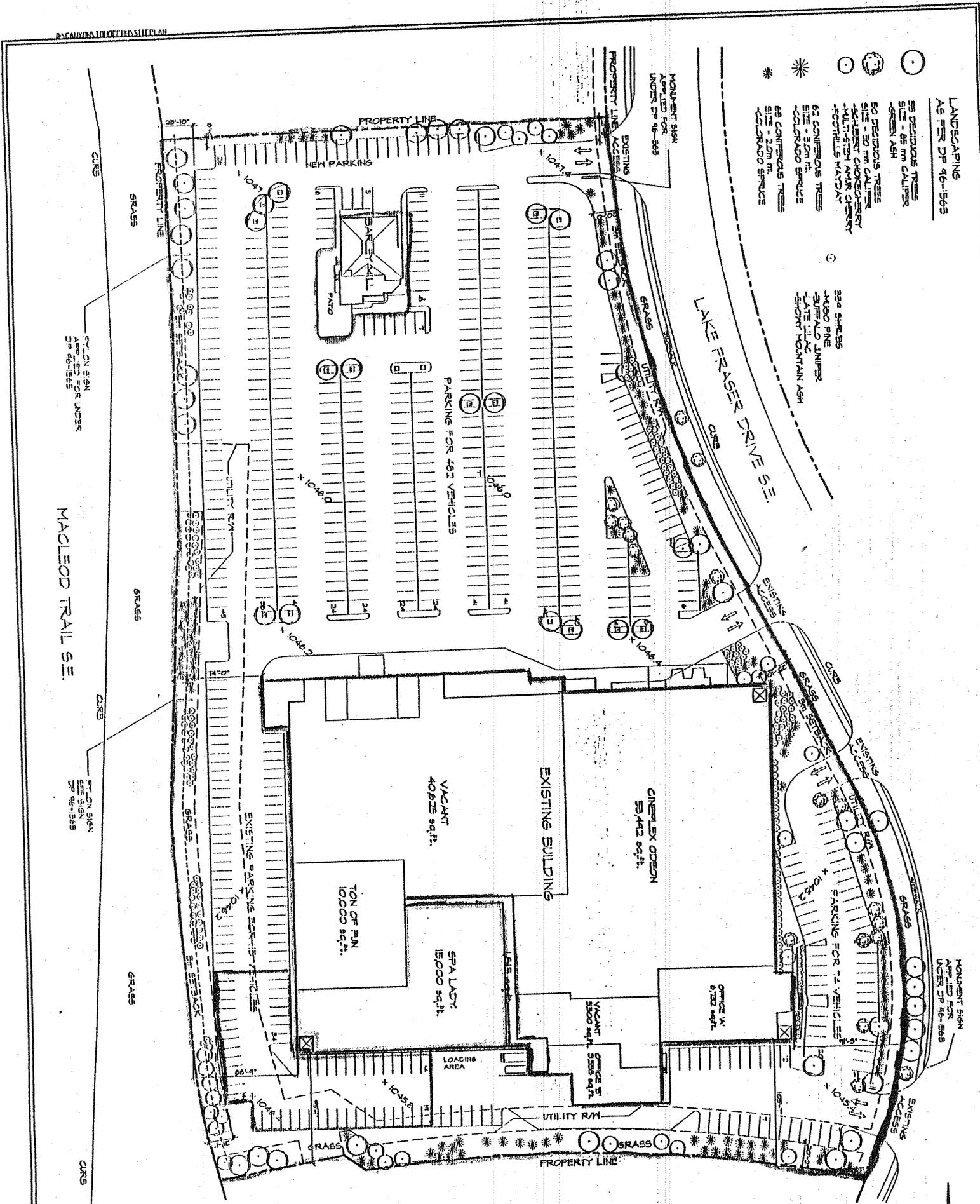
products thereby obtained the amount of \$4,000.00 per annum in respect of the mezzanine area currently located within the Premises.

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.

DS
ND


SCHEDULE "A"



- LANDSCAPING**
AS PER DP 96-1563
- 55 DECIDUOUS TREES
SIZE - 65 MM CALIPER
GREEN ASH
 - 50 DECIDUOUS TREES
SIZE - 50 MM CALIPER
SILVER CHERRY
MULTI-STEM AMAR CHERRY
-FOXTAILS MAYDAY
 - 65 CONIFEROUS TREES
SIZE - 50 MM FT.
-COLORADO SPRUCE
 - 65 CONIFEROUS TREES
SIZE - 200 MM FT.
-COLORADO SPRUCE

- 300 GRASSES
-MUSGRAVE
-LATE LILAC
-SHORT MOUNTAIN ASH

MUNICIPAL ADDRESS	1525 MACLEOD TRAIL S.E. CALGARY, ALBERTA
LEGAL DESCRIPTION	LOT 3 BLOCK 1 PLAN 921 T18 ZONING: DCC5 LT AREA: 100 AC.
BUILDING AREA	GINERLX OFFICE 47,451 sq.ft. MAIN FLOOR 6,752 sq.ft. MEZZ 5,742 sq.ft. TOTAL GINERLX 59,945 sq.ft. OFFICE 'A' 6,752 sq.ft. VACANT 5,500 sq.ft. OFFICE 'B' 10,000 sq.ft. SPA LADY 10,000 sq.ft. RESTAURANT 40,625 sq.ft. LOADING & EXIT 1,919 sq.ft.
SECOND FLOOR OFFICE	15,546 sq.ft.
TOTAL LEASABLE AREA	152,311 sq.ft.
MECH. ROOMS	662 sq.ft.
TOTAL BLDG AREA	152,973 sq.ft.
BARLEY MILL	3,506 sq.ft.
MAIN FLOOR	2,345 sq.ft.
SECOND FLOOR	3,980 sq.ft.
BASEMENT	4,251 sq.ft.
TOTAL BARLEY MILL	12,082 sq.ft.
TOTAL BLDG. AREA	165,055 sq.ft.
TOTAL FOOTPRINT OF ALL BLDGS	154,849 sq.ft.
% OF SITE COVERED BY BLDGS	51.9%

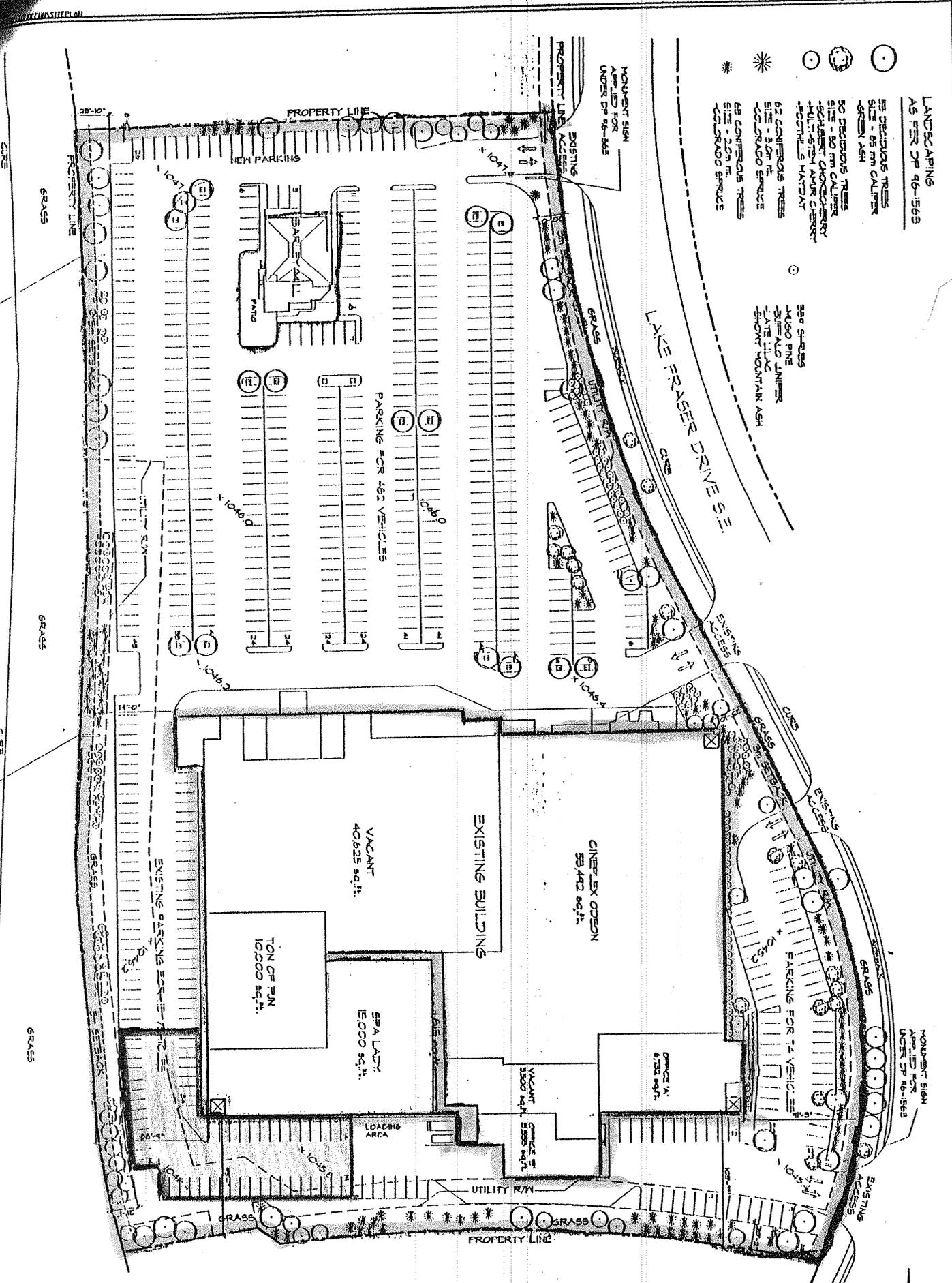
OPUS
BUILDING CORPORATION

DATE: 15 JUNE 97
DRAWN: DE TUN 97
SCALE: AS SHOWN
SITE PLAN

DS
ND

SCHEDULE "A"

- LANDSCAPING**
AS PER DP 96-1563
- 52 DECIDUOUS TREES
SIZE - 85 MM CALIPER
- GREEN ASH
 - 50 DECIDUOUS TREES
SIZE - 50 MM CALIPER
- SCOTT'S CONIFERARY
- HOLLAND MAJOR CHERRY
- FORTINUS MANZAR
 - 62 CONIFEROUS TREES
SIZE 80 MM
- COLONADO SPRUCE
 - 64 CONIFEROUS TREES
SIZE - 200 MM
- COLONADO SPRUCE
 - 500 SHRUBS
- LAGO PINO
- SUMALD JUNIPER
- LATE LINDA
- EXONIT MOUNTAIN ASH



MUNICIPAL ADDRESS	LEGAL DESCRIPTION
1520 MACLEOD TRAIL S.E. CALGARY, ALBERTA	LOT 5 BLOCK 1 PLAN 921 178 ZONING: DC-25 LOT AREA: 100 AC.

BUILDING AREA	AREA
CINEMA EX ODEON	47,487 sq.ft.
MAIN FLOOR	5,075 sq.ft.
TOTAL CINEMA EX	52,562 sq.ft.
OFFICE M	6,782 sq.ft.
OFFICE S	3,588 sq.ft.
TON OF FUN	10,000 sq.ft.
RESTAURANT	40,625 sq.ft.
LOADING & EXIT	1,519 sq.ft.

SECOND FLOOR OFFICE	MECH. ROOMS	TOTAL BLDG AREA	BARLEY MILL	MAIN FLOOR	SECOND FLOOR	BASEMENT	TOTAL BARLEY MILL	TOTAL BLDG. AREA	TOTAL FOOTPRINT	% OF SITE COVERED BY BLDGS
15,546 sq.ft.	662 sq.ft.	152,072 sq.ft.	5,506 sq.ft.	2,865 sq.ft.	3,980 sq.ft.	4,251 sq.ft.	16,224 sq.ft.	164,246 sq.ft.	154,946 sq.ft.	91 %

OPUS
BUILDING CORPORATION

DATE: 13 JUNE 97
DRAWN: DE JON 97
SCALE: AS SHOWN
SHEET NO. 1

OPUS
PROPERTY OF
BUILDING CORPORATION

Handwritten signature and initials.

LEASE EXTENSION AND AMENDING AGREEMENT

Made to be effective the 1st day of January, 2018

BETWEEN:

1710818 ALBERTA LTD.
(hereinafter called the "Landlord")

OF THE FIRST PART

- and -

INTERNATIONAL FITNESS HOLDINGS INC.
(hereinafter called the "Tenant")

OF THE SECOND PART

WHEREAS:

- A. By a lease made the 17th day of July, 1997 (which Lease, as assigned and amended in accordance with the documents recited hereafter, is herein referred to as the "Lease"), **690569 ALBERTA LTD.** (the "Original Landlord") demised unto **21st CENTURY HEALTH SPAS (WESTERN) LTD.** operating as "SPA LADY" (the "Original Tenant") certain commercial premises in the City of Calgary (hereinafter called the "Premises") comprising a rentable area of Fifteen Thousand Six (15,006) square feet on the main floor plus a mezzanine area which was subsequently expanded to a rentable area of Three Thousand (3,000) square feet, more or less, in the commercial complex known locally as "Canyon Meadows Centre", all as shown outlined on the plans attached to the Lease as Schedule "A";
- B. By a Renewal Agreement & Amendment to Lease dated for reference the 31st day of August, 2006, **1075461 ALBERTA LTD.** (the then current landlord) and the Original Tenant agreed to extend the term of the Lease for a period of Ten (10) years commencing January 1, 2008 and expiring December 31, 2017, effectively on the basis of the Tenant having exercised the first two of three options to renew afforded to the Tenant in the Lease;
- C. By an Assignment & Consent to Assignment Agreement made pursuant to an Asset Purchase Agreement made as of November 25, 2009 between the Original Tenant and **SPA LADY INC.**, the interests of the Original Tenant in and to the Lease were assigned to the **SPA LADY INC.**, and **1075461 ALBERTA LTD.**, in its then capacity as landlord, consented to the same;
- D. On or about August 1, 2014, **SPA LADY INC.** was amalgamated with **INTERNATIONAL FITNESS HOLDINGS INC.** to form **INTERNATIONAL FITNESS HOLDINGS INC.**, the current Tenant;
- E. The Landlord, through **1075461 ALBERTA LTD.**, is the successor in title to the Original Landlord;

- 2 -

- F. By its terms, the Lease will expire December 31, 2017, and the Tenant has exercised its final option to renew the term of the Lease; and
- G. The Landlord and the Tenant have agreed to extend the renewal term to six (6) years and to amend certain terms in the Lease as hereafter set out,

NOW THEREFORE, THIS AGREEMENT WITNESSETH THAT, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

ARTICLE I – EXTENSION OF TERM AND REVISED MINIMUM RENT

1.01 Extended Term:

The term of the Lease is hereby extended to December 31, 2023, and the period from January 1, 2018 to December 31, 2023 is referred to hereafter as the “2018 Renewal Term”.

1.02 Revised Basic Rent – Main Floor:

During the 2018 Renewal Term, the Basic Rent payable annually by the Tenant for the 15,006 square foot main floor portion of the Premises shall be calculated and shall be paid monthly, on the first day of every month during the 2018 Renewal Term as follows:

	Years 1 & 2 (2018-19)	Years 3 (2020)	Year 4 (2021)	Years 5 & 6 (2022-23)
Annual	\$ 180,072.00	\$ 195,078.00	\$ 210,084.00	\$ 240,096.00
Monthly	\$ 15,006.00	\$ 16,256.50	\$ 17,507.00	\$ 20,008.00
Annual Rate	\$ 12.00 p.s.f.	\$ 13.00 p.s.f.	\$ 14.00 p.s.f.	\$ 16.00 p.s.f.

1.02 Revised Gross Rent – Mezzanine Area:

Throughout the 2018 Renewal Term, the Gross Rent payable annually by the Tenant for the Mezzanine portion of the Premises of the Lease shall be the sum of NINE THOUSAND (\$9,000.00) DOLLARS per annum, payable in monthly installments of SEVEN HUNDRED FIFTY DOLLARS, each, on the first day of every month during the 2018 Renewal Term.

ARTICLE II – CONFIRMATION OF LEASE

2.01 Confirmation Statements

The Landlord and the Tenant hereby affirm the Lease and mutually covenant and agree that they will continue to perform and observe the several covenants, provisos and stipulations

set forth therein as fully as if such covenants, provisos and stipulations had been repeated herein in full, with only such modifications as are necessary to take into account the agreements set forth herein. The parties confirm that the Lease was executed, delivered, renewed and amended on the terms and in the manner set forth in the recitals hereto and on the terms and in the manner set forth in Article I hereof. As of the effective date of this Agreement, the obligations of each under the Lease were in good standing.

2.02 Further Renewal

The Tenant has exhausted its rights to further renew the term of the Lease.

IN WITNESS WHEREOF, the parties hereto have executed these presents as of the day and year first above written.

1710818 ALBERTA LTD.

(the "Landlord")

MARTELLO PROPERTY SERVICES INC.
per: As Agent to Landlord

per: Per/

INTERNATIONAL FITNESS HOLDINGS INC.

(the "Tenant")

per: [Signature]
David Brodmann, President

per: _____

This is **Exhibit "D"** 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

971DBB8R283D412

Commissioner for Oaths in and for the
Province of Alberta

NATASHA DOELMAN
BARRISTER & SOLICITOR

Search ID #: Z13715855

Business Debtor Search For:

INTERNATIONAL FITNESS HOLDINGS INC.

Search ID #: Z13715855

Date of Search: 2021-Apr-14

Time of Search: 11:17:48

Registration Number: 21031828965

Registration Type: REPORT OF SEIZURE

Registration Date: 2021-Mar-18

Registration Status: Current

Registration Term: Infinity

Service Area 2

Property has been seized under Landlord Distress.

Amount being seized for is \$179,246.38.

Property was seized on 2021-Mar-17

<u>Registration Type</u>	<u>Date</u>	<u>Registration #</u>	<u>Value</u>
Report of Seizure	2021-Mar-17	21031828965	\$179,246.38

Exact Match on: Debtor No: 1

Solicitor / Agent

MARTELLO PROPERTY SERVICES INC.
207-11460 JASPER AVE
EDMONTON, AB T5K 0M1

Civil Enforcement Agent

ALTERNATIVE BAILIFF SERVICES LTD.
109, 1289 HIGHFIELD CRESCENT SE
CALGARY, AB T2G 5M2
Phone #: 403 543 0900 Fax #: 403 543 0909

Debtor(s)**Block**

1 INTERNATIONAL FITNESS HOLDINGS INC.
7222 EDMONTON BLVD NW
CALGARY, AB T3A 2X7

Status
Current

DS
ND

Search ID #: Z13715855

Creditor(s)

Block

Status

Current

1 1710818 ALBERTA LTD. O/A MARTELLO PROPERTY SERVICES INC.
207-11460 JASPER AVE
EDMONTON, AB T5K 0M1

Collateral: General

Block **Description**

Status

Current

1 FOR A COMPLETE LIST OF SEIZED COLLATERAL PLEASE CONTACT CIVIL
ENFORCEMENT AGENCY AT 1-866-643-0900

Particulars

Block **Additional Information**

Status

Current

1 COLLATERAL SEIZED AND LEFT ON SITE AT SPA LADY,158-13226 MACLEOD TRAIL
SE CALGARY AB

Block **Additional Information**

Status

Current

2 ABS FILE # 21AC021

Result Complete

This is **Exhibit "E"** 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
971DBB8B283D412...

Commissioner for Oaths in and for the
Province of Alberta

NATASHA DOELMAN
BARRISTER & SOLICITOR

June 19, 2020

Mike Lailey, Property Manager
Martello Property Services Inc.
25B, 9620 Elbow Drive SW
Calgary, Alberta
T2T 1M2

via email: mike.lailey@martello-tra.com

Dear Mike,

Re: Her GYMVMT Canyon Meadows Rent Relief Proposal

Thank you for taking the time to connect over the phone. It was a pleasure meeting you. 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 26th to 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 endeavour to work cooperatively with you, and propose the following rent relief plan for consideration.

- IFH pays 50% gross rent for the months of July, August and September 2020
- IFH pays 100% gross rent for months October, November and December 2020
- Deferred repayment plan to include arrears rent for April, May and June and remaining deferred 50% gross rent for July, August and September, to be paid starting in 2021 and amortized over the course of the remaining term of the lease, interest free.

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 Inc.

This is **Exhibit "F"** 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

971DBB8B283D412...

Commissioner for Oaths in and for the
Province of Alberta

NATASHA DOELMAN
BARRISTER & SOLICITOR

Dated: as of the 1st day of August, 2012.

**JEFFREY BAKER, ON BEHALF OF
TESLIN INVESTMENTS JOINT VENTURE
(Landlord)**

- and -

**WORLD HEALTH EDMONTON INC.
(Tenant)**

L E A S E

WITTEN LLP
Barristers & Solicitors
2500, 10303 Jasper Avenue
Edmonton, Alberta T5J 3N6
ATTN: RONALD A. SOROKIN
Phone: (780) 441-3231
Fax: (780) 429-2559
File No.: 112,400 RAS

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THIS INDENTURE OF LEASE made as of the 1st day of August, 2012.

BETWEEN:

JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT VENTURE, an individual, residing in the Province of British Columbia ("the Landlord")

OF THE FIRST PART

- and -

WORLD HEALTH EDMONTON INC., a body corporate, registered to do business in the Province of Alberta (hereinafter referred to as "the Tenant")

OF THE SECOND PART

LEASE

1. INTENT OF LEASE

1.1 It is the intent of this Lease, and agreed to by both parties hereto that all and every cost, expense, rate, tax or charge in any way related to the demised premises, to the entire premises, and to the Tenant's share of occupancy costs (all as hereinafter defined) will be borne by the Tenant without any variation, set-off, or deduction whatsoever, excepting only:

- (1) any income tax or taxes, other than business tax, imposed or levied by any authority whatever, on the income received by the Landlord from the demised premises, and
- (2) structural repairs as defined in Paragraph 7.7.

2. LEGAL DESCRIPTION

2.1 The Landlord represents that it is the registered owner of those lands described as:

PLAN 2599KS
BLOCK 12
LOT 1

EXCEPTING THEREOUT ALL MINES AND MINERALS

hereinafter called "the said lands", and that there is or will be constructed on the said lands certain improvements, hereinafter called "the said building", the said lands and the said building being hereinafter referred to as "the entire premises".

3. LEASED PREMISES

3.1 Witnesseth that for and in consideration of the rents, covenants, agreements and conditions hereinafter reserved and contained by the Tenant to be respectively paid, kept,

observed and performed, the Landlord has demised and leased and by these presents doth demise and lease unto the Tenant the portion of the said building on the main floor thereof, comprising Nineteen Thousand Two Hundred Thirty Two (19,232) square feet more or less, municipally described as 10720 - 142 Street, Edmonton, Alberta, as approximately shown outlined in heavy black on Schedule "A" hereto including all fixtures which are owned by the Landlord located therein, hereinafter called "the demised premises".

- 3.2 The Landlord agrees that during the term of this Lease, the Tenant and the employees, agents, customers and invitees of the Tenant shall have the rights set forth in Schedule "B" hereto annexed, subject and except as in this Lease provided.

4. TERM

- 4.1 To have and to hold the demised premises for and during the term of Fourteen (14) years and Three (3) months from and including the 1st day of August, 2012 (hereinafter referred to as "the commencement date") to and including the 31st day of October, 2026 (hereinafter referred to as the "termination date").
- 4.2 At any time and from time to time after the Tenant's obligation to pay rent and the date of the commencement of the term hereof has been determined, and upon five (5) days prior notice, the Tenant shall promptly execute, acknowledge and deliver to the Landlord a written statement in the form annexed hereto as Schedule "C", or in such other form as the Landlord may reasonably require. Such statement, when so executed, acknowledged and delivered shall be deemed to be incorporated in and become a part of this Lease.
- 4.3 If the Tenant shall continue to occupy the demised premises after the expiration of the term hereby granted, or any renewal thereof, or sooner determination of this Lease, without any further written agreement, the Tenant shall be a monthly tenant only at a monthly rent equal to one hundred fifty (150%) percent of the minimum rent and all additional rent payable hereunder on the same terms and conditions as are herein contained excepting as to the termination date.

5. RENT

- 5.1 Yielding and paying therefor unto the Landlord, at such place or places as the Landlord designates from time to time in writing, the annual rent (hereinafter referred to as the "minimum rent") as hereafter set out. The Tenant shall pay to the Landlord in advance on the first day of each month during the term hereof, the minimum rent, plus goods and services tax ("GST"), as follows:
- (1) For the period August 1, 2012 to October 31, 2013, minimum rent of One Hundred Thirty Four Thousand Six Hundred Twenty Four (\$134,624.00) Dollars per annum based upon a rate of Seven Dollars (\$7.00) per square foot of the floor area of the demised premises per annum and payable by equal monthly installments of Eleven Thousand Two Hundred Eighteen Dollars and Sixty Seven Cents (\$11,218.67) per month;
 - (2) For the period November 1, 2013 to October 31, 2017, minimum rent of Two Hundred Forty Thousand Four Hundred (\$240,400.00) Dollars per annum based upon a rate of Twelve Dollars and Fifty Cents (\$12.50) per square foot of the floor area of the demised premises per annum and payable by equal monthly

installments of Twenty Thousand & Thirty Three Dollars and Thirty Three Cents (\$20,033.33) per month;

- (3) For the period November 1, 2017 to October 31, 2020, minimum rent of Two Hundred Seventy Eight Thousand Eight Hundred Sixty Four (\$278,864.00) Dollars per annum based upon a rate of Fourteen Dollars and Fifty Cents (\$14.50) per square foot of the floor area of the demised premises per annum and payable by equal monthly installments of Twenty Three Thousand Two Hundred Thirty Eight Dollars and Sixty Seven Cents (\$23,238.67) per month;
- (4) For the period November 1, 2020 to October 31, 2026, minimum rent of Three Hundred Seventeen Thousand Three Hundred Twenty Eight (\$317,328.00) Dollars per annum based upon a rate of Sixteen Dollars and Fifty Cents (\$16.50) per square foot of the floor area of the demised premises per annum and payable by equal monthly installments of Twenty Six Thousand Four Hundred Forty Four Dollars (\$26,444.00) per month.

5.2 The square foot area of the demised premises shall be made in accordance with BOMA 1996 Standards, and may be certified by the Landlord or the Landlord's architect or surveyor and such certification shall be final and binding upon the parties. For purposes of payment of minimum rent, operating costs and other amounts calculated with reference to the square foot area of the demised premises, the floor area of the demised premises may be grossed up to include a proportionate share of the floor area of the electrical, utilities and storage rooms (and, if applicable, the area of any corridors, washrooms, hallways, elevator shafts, entrance halls and stairwells in the said, as reasonably determined by the Landlord. If as a result of such measurement the square foot area of the demised premises is not as specified in section 3.1, the minimum rent, operating costs and all other amounts calculated with reference to the floor area of the demised premises shall be adjusted accordingly and the Tenant shall pay such amounts based upon such adjustment.

5.3 For any period during which the Tenant carried on or is required to carry on business under the terms of this Lease and which period is less than a month, the minimum monthly rent and all occupancy costs shall be payable on a per diem basis, calculated on the basis of a three hundred and sixty five (365) days per year and for all purposes of this Section 5.

5.4 The Landlord acknowledges receipt of the sum of Twenty Seven Thousand Seven Hundred Sixty Six Dollars and Twenty Cents (\$27,766.20), which payment shall be held by the Landlord, without liability for interest, and shall be applied against the minimum rent falling due for the last month of the term hereof and shall be held to the extent not so applied as security for and may be applied by the Landlord to performance of all of the covenants and obligations of the Tenant under this Lease. The aforesaid sum includes GST. If, the Landlord, in its discretion, applies any of the security deposit during the term because of the Tenant's breaches of this Lease, the Tenant, on demand will pay such further money to the Landlord so that the Landlord is always holding the sum of Twenty Seven Thousand Seven Hundred Sixty Six Dollars and Twenty Cents (\$27,766.20).

6. OCCUPANCY COSTS

6.1 Occupancy costs as referred to in this Lease shall, without restricting the generality of the foregoing, be and consist of all costs, charges, and expenses in respect of the demised

premises and the entire premises incurred in each calendar year during the term hereof including:

- (1) the cost of gas, oil, power, electricity, water, sewer, communications and all other utilities and services, together with the direct cost of administering such utility services; provided that non-exclusive utility costs may at the discretion of the Landlord be apportioned by the Landlord's engineering consultants in cases where, in the opinion of the Landlord the consumption of any utility is heavier in one or more of the rentable premises by reason of the business carried on in such premises; and
- (2) the cost of servicing and maintaining all heating, air conditioning (if any), plumbing, electrical (including light fixtures) and other machinery and equipment; and
- (3) the cost of real property, local improvement and school taxes, rates and charges, charged, levied or rated by any competent authority, and the cost of all appeals against increased assessments for the purpose of such taxes, rates and charges; and
- (4) the cost of all business, machinery or other taxes, charges and license fees which are charged, levied or rated by any competent authority, and the cost of all appeals against increased assessments for the purposes of such taxes, rates and charges; and
- (5) the cost of all capital tax charged, levied or rated by any competent authority; capital tax will be imputed:
 - (a) as if the entire premises were the only property of the Landlord; and
 - (b) on the basis of the Landlord's determination of the amount of capital attributable to the entire premises;
- (6) the cost of all insurance (including any deductibles payable by the Landlord) required to be placed and maintained by the Landlord pursuant to the provisions of Section 12.1 and any further and additional insurance placed and maintained by the Landlord with respect to the entire premises; and
- (7) amortization of the cost of installation of capital investment items which are primarily for the purposes of reducing operating costs or which may be required by governmental authority. Such costs shall be amortized over the reasonable life of the capital investment items, with the reasonable life and amortization schedule to be determined in accordance with generally accepted accounting principles and in no event shall it extend beyond the reasonable depreciable life of the said building; and
- (8) the proportionate share of the cost to the Landlord for installing and maintaining a directory listing board respecting the said building; and
- (9) the proportionate share of the cost to the Landlord for maintaining the parking area and the landscaping of the said lands; and
- (10) all costs of operating the entire premises (subject to paragraph 6.2 hereof), including the costs of cleaning, janitorial service, signage, removing snow and garbage from, servicing, maintaining, operating, repairing, replacing, supervising and policing the common areas and the costs of all supplies, labour wages (including statutory or usual fringe benefits) and fees to independent contractors

relating thereto, the cost of depreciation at generally accepted rates and practice and the cost and rental of machinery, equipment and fixtures including without limitation the machinery and equipment listed in 6.1(2) above which by their nature require periodic replacement or substantial replacement;

- (11) a fee for the management and administration of the said lands and the said building based upon four (4%) percent of the gross rent of the entire demised premises (with no adjustment for bad debts, incentives or forgiveness of rent).

6.2 The Tenant shall, during the term hereof, pay all occupancy costs for the demised premises and for the entire premises on the following basis:

- (1) The Tenant shall promptly pay all occupancy costs which are provided to and billed, apportioned or metered, charged, levied or rated directly to the Tenant in respect of the demised premises, together with the cost of servicing, maintaining and replacing all equipment and machinery providing such services. In the event that any such occupancy costs are charged to and paid by the Landlord, the Tenant shall forthwith upon demand reimburse the Landlord for the full amount of any such payments made by the Landlord on behalf of the Tenant;

- (2) Subject to the foregoing provisions of paragraph 6.2(1), the Tenant shall in respect of any of the occupancy costs referred to herein, pay only its proportionate share of such occupancy costs which occupancy costs are to be determined by multiplying the total occupancy costs by the fraction which has as its numerator, the square foot area of the floor area of the demised premises and as its denominator the total square footage of the said building; PROVIDED HOWEVER, and notwithstanding the foregoing and subject always to the provisions of paragraph 6.1(5), it is agreed that:

- (a) in the event the Tenant has special requirements respecting some of the items making up the occupancy costs, or uses a disproportionate amount of some of the items making up the occupancy costs, the Tenant will pay an increased allocation of the occupancy costs commensurate therewith ascertained by the Landlord's engineering consultants;

- (b) in the event that the building is a multi-use building the Landlord shall have the right to allocate and attribute some or all items making up occupancy costs on an equitable basis having regard, without limitation, to:

- (i) the various intended uses of the premises within the building;

- (ii) the cost of construction and improvement of such premises;

- (iii) the relationship of the location and the area of such premises in the building to other premises in the building,

and the Tenant will pay an increased allocation of occupancy costs commensurate with the Landlord's equitable allocation.

6.3 The Landlord shall apply all of the monies received by the Landlord on account of occupancy costs towards the payment of occupancy costs as defined in this Lease, subject always to the right of the Landlord to withhold payments in respect of the accounts, rates, levies or assessments which the Landlord in good faith disputes subject to receipt of payments therefor from the Tenant, the Landlord shall at all times do all things necessary to provide for the Tenant the services relating to each of the occupancy

costs referred to herein; PROVIDED HOWEVER, that it is hereby expressly understood and agreed that the Landlord shall not be held in default under this Lease in respect of any of the obligations of the Landlord during any interruption to utility or other services during periods of repair or construction or for any other reason beyond the reasonable control of the Landlord.

- 6.4 Occupancy costs, or any part thereof, payable by the Tenant during the term hereof, shall be estimated by the Landlord from time to time and the Tenant hereby agrees to pay such sum to the Landlord in equal monthly installments, each in advance on the first day of each and every month. The Landlord shall furnish to the Tenant at the end of each calendar year a statement of occupancy costs during the past twelve month period during which occupancy costs are payable by the Tenant, such statement to be certified correct by a responsible officer of the Landlord. Within ten (10) days after delivery of such statement the Landlord or the Tenant (as the case may be) shall make the appropriate adjusting payment in the amount of difference between the actual occupancy costs that should have been paid on the basis of the occupancy costs set out in such statement.
- 6.5 Upon the Landlord providing to the Tenant a statement of occupancy costs referred to in paragraph 6.4 hereof and from time to time, the Tenant shall provide to the Landlord a series of twelve (12) post-dated cheques comprising the aggregate of:
- (1) the minimum monthly rent; and
 - (2) the monthly estimated occupancy cost charge; and
 - (3) goods and services tax thereon.
- 6.6 In addition to other payments to be made by the Tenant hereunder, the Tenant shall pay to the Landlord within ten (10) days after the Landlord has given to the Tenant notice specifying the amount thereof:
- (1) an amount equal to the excess (if any) in the taxation rate for separate schools over and above the taxation rate for public schools in the event that the Tenant designates that any taxes payable by the Tenant be directed toward the support of separate schools; and
 - (2) an amount equal to any increase in taxes payable by reason of any installation or alteration made in, upon, or to the demised premises or by reason of any act, omission or default of the Tenant; and
 - (3) an amount equal to any increase in the occupancy costs of the entire premises directly attributable to any installation in or upon the demised premises or to the business operations conducted upon the demised premises; and
 - (4) an amount equal to all costs and professional fees (including, without limitation, legal fees and disbursements as between a solicitor and his own client) incurred by the Landlord in the enforcement of the Tenant's covenants under this Lease and in respect of the recovery of any insurance claims on behalf of the Tenant and all costs and professional fees (including, without limitation, legal fees and disbursements as between a solicitor and his own client) incurred or sums paid by the Landlord or any tenant or tenants or other occupants of the entire premises by reason of any breach of the Tenant's covenants to be performed and observed by the Tenant pursuant to the terms of this Lease; and
 - (5) any and all sums payable by the Tenant to the Landlord pursuant to Section 7 and any Schedule, Offer to Lease or other agreement mentioned herein.

- 6.7 The Tenant shall promptly pay any and all value added tax, business transfer tax, goods and services tax, or similar multi-stage sales tax from time to time imposed by an governmental authority in Canada which may from time to time be payable in connection with this Lease or the monies payable hereunder.
- 6.8 The Tenant shall pay to the Landlord an amount equal to any and all goods and services, taxes, sales taxes, value added taxes or any other taxes imposed on the Landlord with respect to rent payable by the Tenant to the Landlord under this Lease, whether characterized as a goods and services tax, sales tax, value added tax or otherwise (the "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 due and 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 upon demand at such other time or times as the Landlord from time to time determines. Despite any other section in this Lease, the amount payable by the Tenant under this paragraph shall be deemed not to be rent but the Landlord shall have all of the same remedies for and rights of recovery of such amounts as it has for recovery of rent under this Lease.
- 6.9 Where any occupancy costs or additional payment or charge is payable for a portion of a month, such occupancy costs, additional payment or charge shall be payable on a per diem basis which shall be one three hundred and sixty-fifth (1/365th) of the annual occupancy costs or additional payment or charge estimated by the Landlord, subject to the adjustment as provided herein.

7. PREPARATION OF DEMISED PREMISES, REPAIRS AND MAINTENANCE

- 7.1 The Tenant acknowledges that the demised premises are accepted "as is where is" and all improvements and finishes of any nature whatsoever to the demised premises are to be completed by the Tenant at the Tenant's sole cost and expense in strict accordance with the provisions of Schedule "D".
- 7.2 The Tenant shall examine the demised premises before taking possession hereunder and such taking of possession shall be conclusive evidence as against the Tenant that at the time thereof the demised premises were in good order and satisfactory condition, and that all promises, representations and undertakings by or binding upon the Landlord made in accordance with this Lease, with respect to any alteration, remodelling or decorating of, or installation of fixtures in the demised premises have been fully satisfied and performed by the Landlord. Provided that if the Tenant takes possession of the demised premises prior to the completion of the construction of the demised premises, then such possession shall be subject to a deficiency list in writing and signed by the Tenant and the Landlord.
- 7.3 The Tenant shall, in addition to the covenants as aforesaid and during the term hereof, maintain in the demised premises hand fire extinguishers acceptable to governmental authorities having jurisdiction with respect thereto and first class fixtures and furniture appropriate for the Tenant's business and the general character of the demised premises.
- 7.4 The Tenant agrees to obtain the prior written approval of the Landlord as to the nature specifications and nature of such improvements, finishes and fixtures and the layout thereof in the demised premises before installing the same and in any event:

- (1) such installation shall not damage the structure of the said building;
 - (2) the charge for and the cost of any and all damage to the said building resulting from such installation will be paid for by the Tenant; and
 - (3) such installation shall not contravene the provisions of paragraph 7.12.
- 7.5 If the Tenant has paid the minimum rent and additional rent hereby reserved, and performed the covenants herein contained and on its part to be performed, the Tenant shall have the right during the term and prior to the expiration of this Lease to remove its furniture and trade fixtures. In any event, the Landlord may, at its option, require the removal of some or all such furniture or trade fixtures. In either event, the Tenant shall make good any damage or injury caused to the demised premises or the entire premises by reason of such removal. The Tenant's obligation to fulfill its covenant shall survive the expiration or sooner determination of the term of this Lease.
- 7.6 Save as expressly limited by Paragraph 7.7, the Tenant shall at all times during the term of this Lease and at its sole cost and expense, well, properly and sufficiently repair, decorate, maintain and keep the demised premises with all appurtenances (including, without limiting the generality of the foregoing, repair or replace signs and the inside and outside plate glass windows, partitions and doors and light bulbs, tubes, ballasts and starters) in good and substantial repair, and will make all necessary non-structural repairs both exterior and interior to the demised premises, to the end that the same shall at all times be kept in good and tenantable condition.
- 7.7 The Landlord shall, during the term of this Lease, at its own cost and expense, make all necessary structural repairs, both exterior and interior, save due to the act, default or negligence of the Tenant, its employees, agents or invitees. For greater clarity the term "structural repairs" shall only include repairs to the structural elements of the roof, perimeter load bearing walls and foundations of the said building.
- 7.8 The Landlord shall be entitled to make changes or additions to the pipes, conduits and ducts or other installations in the demised premises where necessary to serve other portions of the entire premises but shall not unreasonably interfere with the use and enjoyment of the demised premises, and shall make good any resulting damage to the demised premises. The Landlord shall, in addition, be entitled to make such changes or additions to the said building and the entire premises as the Landlord may in its sole discretion deem necessary or desirable.
- 7.9 For the purpose of this Section 7, and of Schedule "B" annexed hereto, the Landlord shall have the right to enter into and upon and attach scaffolds or other temporary fixtures to or in the demised premises.
- 7.10 Without restricting the generality of the foregoing, at any time and from time to time during the term of this Lease, the Landlord, its employees, servants, agents and contractors shall have the right to enter into and upon the demised premises for the purpose of installation, maintenance or replacement of improvements, fixtures, machinery or equipment in the rentable premises on the floor immediately above the demised premises.
- 7.11 The Tenant covenants with the Landlord that the Landlord together with workmen may enter and view the state of repair of the demised premises and that the Tenant will repair the demised premises according to notice in writing received from the Landlord subject to the exceptions aforesaid. In the event that the Tenant refuses or neglects to repair as properly required hereunder and to the reasonable satisfaction of the Landlord as soon as

reasonably possible after written demand, the Landlord may make such repairs at such time and in such manner so as not to unreasonably interfere with the use by the Tenant of the demised premises. Provided always that in the event the Landlord determines, acting reasonably, that any repair that might in any manner affect the structure of the demised premises or the said building, or electrical, mechanical (including heating and air-conditioning if any), plumbing or telephone facilities, equipment, machinery, connections, wiring, pipes, ducts or other paraphernalia, and is the responsibility of the Tenant to perform pursuant to the provisions hereof, then the Landlord may at its sole option perform or cause to be performed such repairs. Upon completion of any such repairs and upon presentation of an invoice therefor the Tenant shall pay the Landlord's costs incurred in making such repairs plus Fifteen (15%) per cent of the Landlord's costs for overhead and supervision, all as additional rent. The said invoice shall provide for interest at the rate being equal to the greater of Twenty Four (24%) per cent per annum or Six (6%) per cent per annum in excess of the prime rate of interest from time to time charged by the Canadian Imperial Bank of Commerce, Main Branch, Edmonton, Alberta to its most preferred commercial customers if not paid within ten (10) days.

- 7.12 The Tenant may at any time, and from time to time, at its sole expense, make such changes, alterations or improvements to, and may paint and decorate the interior of the demised premises, in such manner as shall in the judgment of the Tenant better adapt the same for the purpose of its business, provided that:
- (1) no changes, alterations, additions or improvements shall be made without the prior written consent of the Landlord, such consent not to be unreasonably withheld; and
 - (2) all changes, alterations, additions and improvements shall comply with all statutes, regulations, by-laws, specifications or requirements of any municipal, provincial, federal or other authority; and
 - (3) the Tenant shall observe all the provisions of this Lease relating to fire regulations and insurance policies; and
 - (4) the Landlord may, at its option (which may be exercised by the Landlord at any time) direct the removal of some or all of such changes, alterations, additions and improvements, in which event the Tenant shall comply with such direction not later than the date of termination of this Lease and the Tenant shall make good any damage or injury caused to the demised premises or the entire premises by reason of such removal. The Tenant's obligation to fulfill this covenant shall survive the expiration or sooner determination of this Lease; and
 - (5) the Tenant shall not under any circumstances, whether in respect of changes, alterations, additions or improvements to the demised premises pursuant to this paragraph 7.12, or work performed pursuant to paragraph 7.1, or otherwise, permit any lien, caveat, encumbrance or charge (save as provided in paragraph 13.15) to be filed against the title to the entire premises and in the event of the filing of such lien, caveat, encumbrance or charge, shall forthwith cause the same to be discharged from the records of the Land Titles Office after demand therefor by the Landlord.
- 7.13 Upon the expiration or sooner termination of the tenancy hereby created, the Tenant covenants:

- (1) to surrender the demised premises in the same condition as the demised premises were in upon delivery of possession thereto under this Lease, reasonable wear and tear, and damage by fire, storm, tempest or other casualty not due to the negligence of the Tenant, its employees or agents only excepted; *and*
 - (2) to surrender all keys for the demised premises to the Landlord at the place then fixed for payment of rent and shall inform the Landlord of all combinations on locks, safes and vaults, if any, in the demised premises; *and*
 - (3) that subject to the provisions of paragraphs 7.5 and 7.12 all changes, alterations, additions and improvements to and upon the demised premises and which in any manner are affixed to the demised premises shall remain upon the demised premises and become the property of the Landlord.
- 7.14 The Tenant agrees that it will not allow any refuse, garbage, or other loose or objectionable material to accumulate in or about the demised premises or the entire premises and will at all times keep the demised premises in clean and wholesome condition. The Tenant further covenants that at the time of termination of the tenancy it will leave the demised premises in a clean and tidy condition.
- 7.15 The plumbing facilities shall not be used for any other purpose than that for which they are constructed, and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage, or damage shall be borne by the Tenant, who shall, or whose employees, agents, licensees or invitees shall have caused it.
- 7.16 The Tenant shall give the Landlord prompt written notice of any accident to or defect in the plumbing, water, pipes, heating and/or any air-conditioning apparatus, electrical equipment, conduits or wires, or of any damage or injury to the demised premises or any part thereof however caused provided that nothing herein shall be construed so as to require repairs to be made by the Landlord, except as expressly provided in the Lease.
- 7.17 The Tenant agrees that notwithstanding anything hereinbefore or hereinafter contained in this Lease, it will, at its sole cost and expense, at least once in each lease year have the plumbing and heating facilities in the demised premises duly inspected and maintained as may be reasonably required by a contractor or contractors specifically designated by the Landlord.

8. CONDUCT OF BUSINESS

8.1 The Tenant covenants that the demised premises shall be used and occupied for the purpose of conducting the business of a fitness club and selling or leasing to subtenants to sell related products and services, including but not limited to the following:

- food and beverage service
- athletic clothing and support equipment
- day spa services
- chiropractic services
- massage therapy
- personal training
- nutritional supplements

and for no other purpose whatsoever. The Tenant shall operate under the name "World Health Club" or such other name as may be used by the Tenant from time to time at other World Health locations owned or operated by the Tenant.

- (1) The Tenant covenants to operate and conduct its business upon the whole of the demised premises in an up-to-date, high class and reputable manner befitting the entire premises and throughout the whole of the term of this Lease and any renewals.
 - (2) The Tenant shall not use or permit the use of the demised premises, or any part thereof, for sleeping purposes.
 - (3) The Tenant will not permit any auction, fire or bankruptcy sales to be conducted in the demised premises without first obtaining the written consent of the Landlord.
 - (4) The Tenant shall throughout the whole of the term continuously operate, occupy and utilize the entire demised premises and conduct the Tenant's business therein. The Tenant acknowledges that the Landlord is executing this Lease in reliance upon the Tenant's covenant in this paragraph 8.1(4) and that such covenant is a material element inducing the Landlord to execute this Lease and will be enforceable against the Tenant by, inter alia, injunction and mandatory injunction, without limiting any of the other rights and remedies of the Landlord.
- 8.2 The Tenant covenants that it will carry on and conduct all businesses from time to time carried on upon the demised premises in such a manner as to comply with all statutes, by-laws, rules and regulations of any federal, provincial, municipal or other competent authority for the time being in force and shall not do anything upon the demised premises in contravention of any of them.
- 8.3 The Tenant shall not erect or install any exterior signs or any interior signs or door signs or advertising media or window or door lettering or placards without the prior written consent of the Landlord, said signs, advertising, media, lettering or placards to conform to the overall design criteria of the said building and to be installed and maintained at the sole cost of the Tenant. The Tenant shall not use any advertising media that the Landlord shall deem objectionable to it or other tenants, such as loudspeakers, phonographs, broadcasts or telecasts in a manner to be heard or seen outside the demised premises. The Tenant shall not install any exterior lighting or plumbing fixtures, shades, awnings, exterior decorations or painting or build any fence, aerial or mast, or make any change to the front of the demised premises without the previous written consent of the Landlord. The Tenant shall and does hereby indemnify and save harmless the Landlord from all claims, demands, loss or damage to any person or property arising out of such sign, mast, aerial or other installations.
- 8.4 The rules and regulations hereto attached shall in all respects be observed and performed by the Tenant and the employees, agents, invitees and licensees of the Tenant, and all such rules and regulations now or hereafter in force shall be read as forming part of the terms of this Lease as if the same were embodied herein.
- 8.5 The Tenant agrees not to at any time during the said term use, exercise or carry on, or permit or suffer to be used, exercised or carried on, in or upon the demised premises or any part thereof, any noisome or offensive act, trade, business, occupation or calling, and no act, matter or thing whatsoever shall at any time during the said term be done in or upon the demised premises, or any part thereof, which shall be done or may be or grow to the annoyance, nuisance, grievance, damage or disturbance of the occupiers or owners of adjacent lands or premises. The Tenant covenants that it will not do or omit, or permit to be done, or omitted, upon the demised premises anything which shall cause the rate of insurance upon the entire premises or any part thereof, to be increased. PROVIDED

HOWEVER and notwithstanding the generality of the foregoing, if at any time during the said term the Tenant carries on, or permits to be carried on, in or upon the demised premises, any trade, business, or calling, or uses any materials or equipment by reason of which the insurance rates upon the entire premises, or any part thereof, are increased from what they formerly were, and even though such use may be a permitted use hereunder, the Tenant covenants and agrees to repay to the Landlord the amount of any and all such increase, which amount shall be recoverable in the same manner as rent. If notice of cancellation shall be given respecting any insurance policy, or if any insurance policy upon the entire premises, or any part thereof, shall be cancelled or refused to be renewed by an insurer by reason of the use or occupation of the demised premises, or any part thereof, the Tenant shall forthwith remedy or rectify such use or occupation upon being requested to do so in writing by the Landlord, and if the Tenant shall fail to do so forthwith the Landlord, at its option, may forthwith terminate this Lease, and thereupon rent and any other payments for which the Tenant is liable under this Lease, shall be apportioned and paid in full to the date of such termination and the Tenant shall immediately deliver up possession of the demised premises to the Landlord.

- 8.6 The Tenant shall not suffer nor permit any part of the demised premises to be used or occupied by any persons other than the Tenant, any assignees or subtenants permitted under this Section 8 and the employees of the Tenant and any such permitted assignee or subtenant, or suffer or permit any persons to be upon the demised premises other than the Tenant, such permitted assignees or subtenants and their respective employees, invitees and customers.
- 8.7 The Tenant shall not assign or mortgage this Lease or sublet, license, grant a concession or part with any possession off the whole or any part of the demised premises (each of which act is hereinafter referred to as a "Disposition") unless it shall have first requested and obtained the consent in writing of the Landlord, which consent may not be unreasonably or arbitrarily withheld. No such Disposition by the Tenant shall relieve the Tenant of any obligation under this Lease. Any attempted Disposition by the Tenant in violation of the terms and covenants of this paragraph shall be void. The Tenant and the Transferee shall execute all documents and acknowledgments in such form and content as may be required by the Landlord. The Tenant shall be responsible for all of the expenses incurred by the Landlord in connection with the Landlord's review of any request for consent to a Disposition.
- 8.8 The Tenant is liable to the Landlord for the release of any hazardous materials, substances, contaminants, pollutants, toxic gases or wastes (hereinafter referred to as "Pollutants") which occurs on the demised premises and which might impair the quality of air, land or water, affect human health, or damage any plant, animal life, land, building or structure. The Tenant must ensure that all uses and activities on the demised premises are in compliance with all current and all future federal, provincial and municipal laws and regulations, and/or any permits or authorizations granted thereunder. Without limiting the generality of the foregoing, the Tenant shall ensure compliance with all federal, provincial and municipal environmental, health and safety laws. Any breaches of environmental or health and safety laws, present or future, and any breaches of the Tenant's covenants herein, shall be resolved expeditiously by the Tenant to the Landlord's satisfaction. If the Tenant fails to resolve such breaches to the Landlord's satisfaction, the Landlord may rectify such breaches in his sole option. All expenses incurred by the Landlord, including legal expenses on a solicitor and his own client basis and environmental tests, audits and reviews, shall be paid by the Tenant forthwith on demand and shall be collectible as rent from the Tenant. The Tenant indemnifies the

Landlord, its officers, directors, employees, agents and shareholders and agrees to hold each of them harmless from and against any and all losses, liabilities, damages, costs, expenses and claims of any and every kind whatsoever, attributable to a breach of the Tenant's covenants herein. It is understood and agreed that the Landlord and/or its agent(s), including consultants, have the ongoing right to enter upon the demised premises, from time to time, so that it may carry out such environmental tests, audits and reviews as the Landlord considers necessary.

9. DEFAULT AND TERMINATIONS

- 9.1 If, during the term of this Lease, or any renewal thereof, any of the goods and chattels of the Tenant on the demised premises shall be taken in execution or by attachment by any creditor of the Tenant, or if the Tenant shall make any assignment for the benefit of creditors, or if the Tenant, becoming bankrupt or insolvent shall take the benefit of any Act that may be in force for bankrupt or insolvent debtors, or if any order shall be made for the winding up of the Tenant, the then current rents, and the rent for the next ensuing Three (3) months shall immediately become due and payable, and the Landlord or its duly authorized agent may give the Tenant written notice of intention to end the term of this Lease on a date specified by the Landlord or its duly authorized agent in the said notice (which date shall not be less than Fifteen (15) days after the said notice is given) and on the date so specified (if the event of default shall still continue) the term of this Lease and all right, title and interest of the Tenant hereunder shall thereupon expire as fully and completely as if the said date were the date herein specifically fixed for the expiration of the term of this Lease, and the Tenant shall then quit and surrender the demised premises to the Landlord, and in any such case it shall be lawful for the Landlord or its duly authorized agent at any time after the said termination date to re-enter into and upon the demised premises, or any part thereof, in the name of the whole, and the same to have again, repossess and enjoy as of the Landlord's former estate.
- 9.2 If and whenever the rents hereby reserved or any part thereof shall be in arrears or unpaid after any of the days on which the same ought to have been paid, although no formal or other demand shall have been made therefor, or in case there be default or breach or non-performance of any of the covenants or agreements in this Lease contained on the part of the Tenant, or if the demised premises shall without written consent of the Landlord become and remain vacant for a period of Forty-eight (48) hours, or be used by any other person than such as are entitled to use them under the terms of this Lease, or if the Tenant shall without the written consent of the Landlord abandon the demised premises or sell or dispose of goods or chattels of the Tenant or remove them or any of them from the demised premises so that there would not in the event of such abandonment, sale or disposal be sufficient goods on the demised premises subject to distress to satisfy the rents due or accruing due, then, and in any of such cases, it shall be lawful for the Landlord or its duly authorized agent at any time thereafter to re-enter into and upon the demised premises, or any part thereof, and take possession thereof for the purposes of re-letting.
- 9.3 The Landlord or its duly authorized agent shall be entitled to distrain for the rent hereby reserved including accelerated rent, if any, or for any money hereby made recoverable by distress upon the goods and chattels of the Tenant wheresoever situate and upon any other premises to which the same may have been removed or wherever the same may be found within the Province of Alberta. Whensoever the Landlord or its duly authorized agent shall be entitled to levy distress against the goods and chattels of the Tenant it may

use such force as it may deem necessary for that purpose and for gaining admittance to the premises in which such goods and chattels are situate without being liable to any action in respect thereof, or for any loss or damage occasioned thereby and the Tenant hereby expressly releases the Landlord or its duly authorized agent from all actions, proceedings, claims or demands whatsoever for or on account of or in respect of any forcible entry or any loss or damage sustained by the Tenant in connection therewith. The Tenant waives and renounces the benefit of any present or future Act of the Legislature of Alberta taking away or limiting the Landlord's right of distress. The Tenant acknowledges that it shall have no claim upon the Landlord for the value of the unexpired term of this Lease. The Tenant further covenants and agrees that at its sole option the Landlord may sell such goods and chattels as are seized by levy of distress by way of private sale to the Landlord or any other party.

9.4 It is stipulated and agreed that in the event of termination of this Lease by the Landlord or its duly authorized agent pursuant to the default of the Tenant, the Landlord shall forthwith and notwithstanding any other provisions of this Lease, or any rule of law or equity to the contrary, be entitled to recover from the Tenant as a genuine pre-estimate by the parties hereto of the damage suffered by the Landlord and as and for liquidated damages, and not as penalty, an amount equal to the rent reserved for the unexpired portion of the term hereby demised.

Alternatively, and in the sole discretion of the Landlord, in the event of termination of this Lease by the Landlord pursuant to the provisions hereof, the Landlord may, but shall not be obliged, to re-let the demised premises for such rent and upon such terms as the Landlord deems reasonable. If all amounts owing under this Lease shall not be realized to satisfy the rents hereby reserved, including, without limitation, all expenses of reletting and collecting, the Tenant hereby agrees to satisfy and pay any deficiency.

The failure or refusal of the Landlord to re-let the demised premises or any part or parts thereof, in any event shall not release or affect the Tenant's liability hereunder.

9.5 The Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of the Landlord obtaining possession of the demised premises by reason of the violation by the Tenant of any of the covenants or conditions of this Lease or otherwise. As the demised premises do not constitute residential premises, the Tenant hereby waives, to the extent that it can in law, all rights granted to the Tenant and all provisions affecting this Lease contained in any current legislation and amendments from time to time thereto.

9.6 The Tenant shall pay to the Landlord interest at the rate being equal to the greater of:

- (1) twenty-four (24%) per cent per annum; or
- (2) six (6%) per cent per annum in excess of the prime rate of interest from time to time charged to its most preferred commercial customers by the Canadian Imperial Bank of Commerce, Main Branch, Edmonton, Alberta;

on all overdue payments required to be made by the Tenant under any one or more of the provisions of this Lease.

10. EXPROPRIATION

10.1 If at any time during the term of this Lease, title is taken by the right or exercise of condemnation or expropriation to all or materially all of the said lands and/or the said

10. EXPROPRIATION

10.1 If at any time during the term of this Lease, title is taken by the right or exercise of condemnation or expropriation to all or materially all of the said lands and/or the said building (whether or not including the demised premises) the Landlord may, at its option, give notice to the Tenant terminating this Lease on the date stated in the notice or this Lease may be terminated by the operation of the law, as the case may be. On either such termination, the Tenant shall immediately surrender the demised premises and all its interest therein to the Landlord and to the expropriating authority as the law and circumstances may require, and the rent shall abate and be apportioned to the date of termination and the Tenant shall forthwith pay to the Landlord, the apportionate rent and all other amounts which may be due to the Landlord up to the date of such termination. The Tenant shall have no claim upon the Landlord for the value of the unexpired term of this Lease, but the parties shall be entitled to separately advance their claims for compensation for the loss of their respective interests in the demised premises and the parties shall each be entitled to receive and retain such compensation as may be awarded to each respectively. If an award of compensation made to the Landlord specifically includes an award for the Tenant, the Landlord will account thereof to the Tenant. For the purpose of this clause "materially all" shall mean that in the opinion of the Landlord and the Tenant the said land and the said building cannot be reasonably used for the purpose defined in Section 8.1(1) of this Lease, and in the event that the Landlord and Tenant cannot agree within fifteen (15) days of such taking, then the matter shall be submitted to arbitration, pursuant to the Arbitration Act of the Province of Alberta.

11. DESTRUCTION

11.1 Provided and it is expressly agreed that if during the term hereby demised the said building, or any part of thereof, in which the demised premises are situate shall be destroyed or damaged by fire, lightning, tempest, impact from aircraft, acts of God or the Queen's enemies, riots, insurrection, explosion, structural defects or weaknesses, or other casualty, the following provisions shall have effect:

- (1) if the demised premises are rendered partially unfit for occupancy by the Tenant, the rent hereby reserved shall abate in part only in the proportion that the part of the demised premises rendered unfit for occupancy by the Tenant bears to the whole of the demised premises and continuing until the demised premises have been rebuilt, repaired and restored. If the demised premises are rendered wholly unfit for occupancy by the Tenant, the rent hereby reserved shall abate in whole until the demised premises have been rebuilt, repaired and restored, if such is to be done. All rebuilding, repairing and restoration shall be done by the Landlord with reasonable diligence.
- (2) in the event of substantial destruction of the demised premises or of the said building, (even though the demised premises may not be affected), if there are insufficient proceeds of insurance available to the Landlord to rebuild, repair or restore the building, the Landlord may within Sixty (60) days after destruction and on giving written notice to the Tenant, declare this Lease terminated as at the date of the substantial destruction, and in such event, rent shall be apportioned and shall be payable up to the time of such destruction, and the Tenant shall be entitled to be repaid by the Landlord any rent paid in advance and unearned or a proportionate part thereof. The expression "substantial destruction" shall mean

such damage as, in the opinion the Landlord's Architect, requires substantial alteration or reconstruction of the demised premises or of the said building, or such damage to the said building as, in the opinion of the Landlord's Architect, cannot be repaired within Ninety (90) days from the time of such damage, having regard to the weather conditions prevailing at the time such damage occurs, and having further regard to the availability of materials and labour.

- 11.2 Notwithstanding any of the provisions of Section 11.1, if there are insufficient proceeds of insurance available to the Landlord to rebuild, repair or restore the building and the demised premises or either of them, as the case may be, the Landlord shall not be obliged to rebuild, repair or restore as aforesaid.

12. INSURANCE AND INDEMNITIES

- 12.1 The Landlord covenants and agrees to place and maintain:

- (1) insurance against fire and other risks as are included in a standard all risks coverage insurance contract in an amount equal to the full replacement value (excluding excavations and foundations) of the buildings and equipment of the entire premises, boiler and machinery insurance and rent interruption insurance but subject to whatever deductible(s) as may be imposed or required by the insurer; and
- (2) commercial general liability insurance in respect of all common areas of the entire premises with a limit of not less than Two Million (\$2,000,000.00) Dollars inclusive, for any one occurrence; and
- (3) any and all other insurance considered necessary by the Landlord acting reasonably as a prudent owner.

Notwithstanding anything contained in this Lease, including but not limited to the covenant of the Landlord to take out the aforesaid insurance or the contribution of the Tenant to the cost of such insurance, nothing in this Lease shall confer any insurable interest upon the Tenant in respect of such insurance and the Tenant acknowledges that it has no right to receive the proceeds or any part thereof from such insurance policies.

- 12.2 The Tenant shall throughout the term of this Lease and during such other times as the Tenant occupies the demised premises, take out and maintain the following insurance, at the Tenant's sole expense, in such form and with such companies as the Landlord may reasonably approve:

- (1) commercial general liability insurance against claims for bodily injury, including death, and property damage or loss arising out of the use or occupation of the demised premises, or the Tenant's business on or about the demised premises; such insurance to contain a "cross liability" and/or "severability of interest" clause so that the Landlord and the Tenant may be insured in the same manner and to the same extent as if individual policies had been issued to each, and shall further include a "blanket contractual liability" clause in a form and of a nature broad enough to insure the obligations imposed upon the Tenant under the terms of this Lease; such insurance shall be in the amount of not less than \$2,000,000.00 combined single limit, or such other amount as may be reasonably required by the Landlord from time to time;

Tenant or for which the Tenant is legally liable, and insurance upon all glass and plate glass in the demised premises against breakage and damage from any cause, all in an amount equal to the full replacement value thereof, which amount in the event of a dispute shall be determined by the decision of the Landlord;

- (4) boiler and machinery insurance on a comprehensive policy form basis on such boilers, pressure vessels, machinery, production equipment or miscellaneous electrical apparatus as may be installed by, or are under the exclusive control of, the Tenant in the demised premises.

12.3 The Tenant's policies of insurance set out above shall contain the following:

- (1) provisions that the Landlord is protected notwithstanding any act, neglect or misrepresentation of the Tenant which might otherwise result in the avoidance of claim under such policies, and further that such policies shall not be affected or invalidated by any act, omission or negligence of any third party which is not within the knowledge or control of any insured(s);
- (2) provisions that such policies and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by the Landlord, that any coverage carried by the Landlord may only be called upon on a difference in conditions or excess coverage basis, and that any such Landlord coverage shall inure to the sole benefit of the Landlord;
- (3) provisions that all insurance as specified in 12.2(1), (2) and (3) above shall provide for waiver of all insurer's rights of subrogation as against the Landlord and/or shall name the Landlord as an additional insured;
- (4) provisions that all policies of insurance carried by the Tenant shall not be cancelled without the insurer providing the Landlord thirty (30) days written notice stating when such cancellation shall become effective.

12.4 The Tenant shall further during the whole of the term maintain such other insurance in such amounts and in such sums as a Tenant acting reasonably shall purchase, or as the Landlord or the Landlord's mortgagees may reasonably determine from time to time. Evidence satisfactory to the Landlord of all such policies of insurance shall be provided to the Landlord upon request and, in the absence of said satisfactory evidence of such coverage being provided, the Landlord may, but will not be obligated to, provide for the purchase of such insurance, the cost of which will be borne exclusively by the Tenant.

12.5 The Tenant covenants and agrees that, except for the sole negligence of the Landlord, its servants and agents for which in law the Landlord is responsible:

- (1) The Landlord shall not be liable for any bodily injury to or death of, or loss or damage to any property belonging to the Tenant or its employees, invitees or licensees or any other person in or about the demised premises or the entire premises and in no event shall the Landlord be liable for any consequential injury, loss, damage or loss of use relating thereto or, without limiting the generality of the foregoing:

- (a) for any injury or damage of any nature whatsoever to any persons or property caused by the failure by reason of a breakdown or other cause, either directly or indirectly, to supply adequate drainage, snow or ice removal or by reason of the interruption of any public utility or other services, or in the event of gas, steam, water, rain, snow, ice or other substances leaking into, issuing or flowing from the water, steam, sprinkler or drainage pipes or plumbing of the entire premises or the demised premises or from any other place or quarter, into any part of the demised premises or from any loss or damage caused by or attributable to the condition or arrangement of any electrical or other wiring or for any damage caused by anything done or omitted to be done by any other tenant of the entire premises;
- (b) For any act or omission, including theft, malfeasance or negligence on the part of any agent, contractor or person from time to time employed by the Landlord to perform security services, maintenance, supervision, cleaning or any other work or service in or about the demised premises or the entire premises;
- (c) For loss or damage, however caused, to money, securities, negotiable instruments, papers or other valuables of the Tenant, including any consequential loss, loss of use or damage(s) resulting therefrom; or
- (d) For loss or damage to any automobiles or their contents or for the unauthorized use by other tenants or strangers of any parking space allotted to the Tenant or for parking in or upon the common areas;

and the Tenant covenants to indemnify and hold harmless the Landlord against and from all losses, costs, claims and demands in respect of any such injury, death or loss to the Tenant or its employees, invitees or licensees and/ or any other person in or on the entire premises for the purpose of attending at the demised premises or the entire premises in respect of any such damage to property belonging to or entrusted to the care of any of the aforementioned;

- (2) The Landlord shall have no responsibility or liability for the failure to supply, if required to do so under the terms of this Lease, interior and climate control when prevented from doing so by strikes, the necessity of repairs, any order or regulation of anybody having jurisdiction, the failure of the supply of any utility required for the operation thereof or any other cause beyond the Landlord's reasonable control, and the Landlord shall in no event be held responsible or liable for indirect, consequential damages, loss of use or other damages for personal discomfort or illness or injury or death resulting therefrom;
- (3) The Landlord shall be under no obligation to repair or maintain or insure any of the improvements made by the Tenant in or upon the demised premises, the Tenant's trade fixtures or any other property of the Tenant or installed by the Tenant in or upon the demised premises;
- (4) The Landlord shall be under no obligation to remedy any default of the Tenant and shall not incur any liability to the Tenant for any act or omission in the course of its curing or attempting to cure any such default or in the event of its entering upon

the demised premises to undertake any examination thereof or any work therein or in the case of any emergency.

- 12.6 The Tenant agrees to and does hereby indemnify, defend and save harmless the Landlord in respect of any claims for bodily injury or death, property damage or any other loss or damage arising howsoever out of the use or occupation of the demised premises, sole negligence of the Landlord only excepted, or from the conduct of any work by or any act or omission of the Tenant or any assignee, subtenants, agents, employee, contractor, invitee, or licensee of the Tenant or anyone else for whom the Tenant may be responsible and in respect of all costs, expenses and liabilities incurred by the Landlord in connection with or arising out of all such claims, including the expenses of any action or proceeding pertaining thereto and in respect of any loss, cost, expense or damage suffered or incurred by the Landlord arising from any breach or non-performance by the Tenant of any of its covenants or obligations under this Lease. The Tenant's obligations to observe or perform the foregoing covenants shall survive the expiration or other termination of this Lease. The Tenant expressly releases the Landlord from any claims, damages, judgements, losses or awards caused by or arising from perils insured against or required to be insured against the Tenant under this Lease.

13. MISCELLANEOUS COVENANTS

- 13.1 The Landlord covenants with the Tenant for quiet enjoyment, but the Landlord may mortgage the entire premises, or any part thereof, and such mortgage shall not constitute a breach of this covenant.
- 13.2 The Tenant agrees that the Landlord shall have the right, within the six (6) months next preceding the termination of the said term to place upon the demised premises a notice of reasonable dimensions and reasonably placed so as not to interfere with the business of the Tenant, stating that the demised premises are for sale or let and the Tenant will not remove or obscure such notice or permit the same to be removed or obscured.
- 13.3 Nothing herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent, or of partnership, or of joint venture between the parties hereto, it being understood and agreed that neither the method of computation of rent nor any other provision contained herein, nor any acts of the parties herein, shall be deemed to create any relationship between the parties other than the relationship of landlord and tenant.
- 13.4 Whenever and to the extent that the Landlord shall be unable to fulfill or shall be delayed or restricted in the fulfillment of any obligation hereunder in respect of the supply or provision of any service or utility or the doing of any work or the making of any repairs by reason of being unable to obtain the material, goods, equipment, service utility or labour required to enable it to fulfill such obligation or by reason of any statute, law or order-in-council, or any regulation or order passed or made pursuant thereto or by reason of the order or direction of any government department or officer or other authority or by reason of not being able to obtain any permission or authority required thereby, or by reason or any other cause beyond its control whether of the foregoing character or not, the Landlord shall be relieved from the fulfillment of such obligation and the Tenant shall not be entitled to compensation for any inconvenience, nuisance or discomfort thereby occasioned. If the Landlord shall be unable to obtain the material as hereinbefore provided, but the Tenant can provide the required material without infringing on any of

the governmental regulations in force, the Landlord shall avail itself of such material in order to do any work or make any repairs as hereinbefore provided.

13.5 If the Tenant shall fail to perform any of the covenants or obligations of the Tenant under or in respect of this Lease the Landlord may from time to time in its discretion, perform or cause to be performed any of such covenants or obligations, or any part thereof and for such purpose may do such things as may be requisite, including without limiting the generality of the foregoing, enter upon the demised premises and do such things upon or in respect of the demised premises or any part thereof as the Landlord may consider requisite or necessary. All expenses incurred and expenditures made by or on behalf of the Landlord under this paragraph shall be paid by the Tenant within ten (10) days and if not so paid shall bear interest at a rate being equal to the greater of twenty-four (24%) per cent per annum or six (6%) per cent per annum in excess of the prime rate of interest charged from time to time by the Canadian Imperial Bank of Commerce, Main Branch, Edmonton, Alberta to its most preferred customers from the date the same were incurred or made. If the Tenant breaches the terms of this Lease in any respect whatsoever and the Landlord instructs its solicitors to enforce the Landlord's rights under this Lease and, specifically, in relation to the collection of rent and any and all costs and charges collectible as rent, the Tenant shall be obliged to pay all of the costs of the Landlord's solicitors on a solicitor and his client basis.

13.6 All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to another shall, unless otherwise specifically provided for herein, be given in writing and be delivered, transmitted by fax, or sent by prepaid registered mail (except in the event of an interruption in postal service) addressed to such other party or delivered or faxed to such other party as follows:

To the Landlord at: 3815 West 12th Avenue, Vancouver, BC V6R 2N9
Attention: Jeff Baker
Fax No.: (604) 221-8216

To the Tenant at: the demised premises

or at such other address as the other parties hereto may have been duly notified. Any notice, request, demand or other communication given by mail as aforesaid and posted anywhere in Canada, far northern points excepted, shall be deemed to have been received at 12:00 o'clock noon on the third business day following the posting thereof, except during times of disruption in normal postal service, in which case any such notice, request, demand or other communication shall be deemed to have been received upon actual receipt thereof or shall be deemed to have been received on the date of delivery if personally delivered or on the date of transmittal, if faxed.

13.7 If the control of the Tenant's business shall be changed at any time during the term hereof, whether by operation of law, assignment, transfer or otherwise, without the consent in writing of the Landlord, which consent shall not be unreasonably withheld, then the Landlord may, upon giving to the Tenant sixty (60) days prior written notice of its intention to do so, cancel and determine this Lease as at the expiration of the said sixty (60) day period.

13.8 The Tenant covenants and undertakes to abide by and comply with all bylaws, laws and regulations of every municipal or other authority which in any manner relates to or affects the business or profession carried on and conducted on the demised premises and to indemnify and save harmless the Landlord from all costs, charges or damages to which

the Landlord may be put or suffered by reason of the breach by the Tenant of any such bylaw, rule or regulation.

- 13.9 The specific remedies to which the Landlord may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies to which the Landlord may be lawfully entitled in case of any breach or threatened breach by the Tenant of any covenant, term or provision of this Lease. Notwithstanding anything in this Lease contained to the contrary the acceptance of rent, condoning, excusing, overlooking or waiver by the Landlord of any breach by the Tenant of any covenant or condition in these presents contained, whether such breach is similar to that for which re-entry is made pursuant to the terms of this Lease, or otherwise, shall not be construed as or constitute a waiver of any further or other breach of the same or any other covenant or condition, or any way operate as a waiver of any right of re-entry or affect the rights of the Landlord hereunder, and the consent or approval of the Landlord to or of any act by the Tenant requiring the Landlord's consent or approval shall not be construed as or constitute a consent or approval to any subsequent similar act by the Tenant.
- 13.10 All rights and liabilities herein given to, or imposed upon the respective parties hereto, shall extend to and bind the several respective heirs, executors, administrators, successors and assigns of the said parties, and if there shall be more than one Tenant, they shall be bound jointly and severally by the terms, covenants and agreements herein. No rights, however, shall enure to the benefit of any assignee, sub-lessee, licensee, or concessionaire of the Tenant unless the assignment, subletting, license or concession has been approved by the Landlord in writing as provided in paragraph 8.7 hereof.
- 13.11 This Lease and all rights of the Tenant is and are subordinate to any charge of any mortgage or mortgages, or the charge resulting from any other method of financing or refinancing, declaration of trust, debenture issue, or any other such method of financing, or refinancing, now or hereafter in force against the entire premises, or any part thereof, and to all advances made, or hereafter to be made, upon the security thereof. This section shall be self-operative and no further instrument of subordination shall be required unless requested by any encumbrancee in which case the Tenant shall, upon the request of the Landlord, forthwith execute and deliver a further written instrument in such form as the Landlord shall reasonably require. The Landlord may assign the rent hereunder to such encumbrancee and notice to that effect, signed by the Landlord, shall be sufficient authority for the Tenant to pay rent, or such portion thereof as is assigned, to the encumbrancee, and the receipt of the encumbrancee shall be a full and adequate discharge to the Tenant for such payment.
- 13.12 Should the Landlord convey or assign its interest in the entire premises or otherwise divest itself of its interest in the entire premises it shall be relieved of all obligations under this Lease after the date of delivery of any such conveyance, assignment or transfer, save and except:
- (1) for the obligation to account to the Tenant for any monies then due and payable to the Tenant by the Landlord pursuant to this Lease; and
 - (2) that all of the terms and conditions of this Lease shall remain in full force and effect and any obligations of the Landlord hereunder shall be assumed by the assignee or the purchaser.
- 13.13 The Tenant agrees that in the event of a conveyance, assignment or other divesting of an interest as in paragraph 13.12 described, the Tenant shall from time to time upon not less than five (5) days prior notice, execute and deliver to the Landlord, in addition to any

statement required pursuant to paragraph 4.2 hereof, a statement in writing, addressed to the person, firm or corporation acquiring the said interest stating that the Tenant shall pay all future rents to such person, firm or corporation or their nominee.

- 13.14 In addition to all other costs and charges required to be paid by the Tenant hereunder, the Tenant shall pay to the Landlord in respect of any cheque returned because of insufficient funds or for any late payment of rent the sum of Twenty (\$20.00) Dollars which shall be collectible by the Landlord as additional rent.
- 13.15 The Tenant shall have the right to register a caveat respecting this Lease but not disclosing the rent or other monetary provisions in the appropriate Land Titles Office but shall not be entitled to file or register this Lease. If the Tenant registers any instruments against title, the Tenant shall forthwith upon the request of the Landlord execute and deliver to the Landlord such partial discharges, consents and plans as may be requested by the Landlord from time to time.
- 13.16 Time shall be of the essence of this Agreement, save as herein otherwise specified.
- 13.17 This Lease may not be modified or amended except by an instrument in writing signed by the parties hereto, or by their heirs, executors, administrators, successors or assigns.
- 13.18 All sums required to be paid by the Tenant under this Lease and which are in addition to the minimum rent shall be deemed to be additional rent, and shall be collectible by the Landlord as rent.
- 13.19 If any term or provision of this Lease or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by the Law.
- 13.20 This Lease shall be construed in accordance with the laws of the Province of Alberta.
- 13.21 The captions in this Lease form no part of this Lease and shall be deemed to have been inserted for convenience only.
- 13.22 Unless the contrary intention appears the words "Landlord" and "Tenant" shall mean respectively "Landlord and its successors and/or assigns" and "Tenant its heirs, executors, administrators, successors and/or permitted assigns" and if there is more than one Tenant or the Tenant is a female or masculine person this Lease shall be read with all grammatical changes appropriate by reason thereof and all covenants and liabilities and obligations shall be joint and several.
- 13.23 Any Schedule of Additional Provisions which may be attached hereto shall be incorporated into and form a part of this Lease.
- 13.24 The Tenant hereby accepts this Lease of the above described premises to be held by it as tenant and subject to the restrictions, conditions and covenants above set forth.

JUL - 30 - 2012 16:22 FROM: FERBER RESORTS
30 - JUL - 2012 17:17 From: 7804292559

4357723844

TO: 17804292559

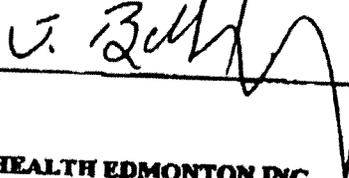
Page: 2/4

P. 2/4

IN WITNESS WHEREOF the Landlord and the Tenant have executed this Lease by their respective officers who warrant that they have authority to bind their respective entities as of the day and year first above written.

JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT VENTURE

Per:



WORLD HEALTH EDMONTON INC.

Per:

Per:

IN WITNESS WHEREOF the Landlord and the Tenant have executed this Lease by their respective officers who warrant that they have authority to bind their respective entities as of the day and year first above written.

JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT VENTURE

Per:

WORLD HEALTH EDMONTON INC.

Per:



Per:

SCHEDULE OF RULES AND REGULATIONS

attached to and forming a part of Lease Agreement made between
**JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT
VENTURE as Landlord and WORLD HEALTH EDMONTON INC. as
Tenant**

- 1) The Tenant shall not burn any trash or garbage in or about the demised premises or the entire premises.
- 2) The Tenant shall not keep or display any merchandise on or otherwise obstruct the sidewalks, walls or other areas adjacent to the demised premises.
- 3) The Tenant shall not overload any floor of the demised premises.
- 4) At the commencement and throughout the term of this Lease, the Tenant shall at the expense of the Tenant, maintain all necessary lighting and other fixtures.
- 5) The Tenant shall not grant any concessions, licenses or permission to any third parties to sell or take orders for merchandise or services in the demised premises without the prior written approval of the Landlord.
- 6) The Tenant agrees that all loading and unloading of merchandise, supplies, materials, garbage, refuse and other chattels shall be made only through or by means of such areas, doorways or corridors, if any, as the Landlord shall designate in writing from time to time. Garbage or refuse shall be removed only at such time or times as the Landlord may from time to time advise the Tenant in writing.
- 7) The Tenant shall not perform any acts or carry on any practice which may injure the common areas or be a nuisance to any other tenants or premises situated in the entire premises.
- 8) The Tenant shall at all times keep the demised premises in a clean and sanitary condition in accordance with the laws and directions, rules and regulations of any government or municipal agency having jurisdiction.
- 9) For the benefit and welfare of all or any lessee of premises in the entire premises, the Landlord shall have the right to issue further reasonable Rules and Regulations and such further Rules and Regulations shall thereupon be binding upon the Tenant.

SCHEDULE OF ADDITIONAL PROVISIONS

attached to and forming a part of Lease Agreement made between JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT VENTURE as Landlord and WORLD HEALTH EDMONTON INC. as Tenant

1. OPTION TO RENEW

- (a) Provided the Tenant duly, regularly and punctually makes all payments of rent and any other payments required to be made and paid under this Lease, and has not defaulted and is not in default under any of the terms of this Lease, and has performed and observed and performs and observes all and every of the covenants, obligations and conditions contained in this Lease on the part of the Tenant to be performed and observed, the Landlord, shall, at the expiration of the term hereby granted, upon the written request of the Tenant delivered to the Landlord not earlier than two hundred seventy (270) days nor later than one hundred eighty (180) days prior to the expiration of the initial term of this Lease, grant to the Tenant a renewal lease of the demised premises for a further term of Five (5) years at a minimum rent to be mutually agreed upon, or failing mutual agreement at a minimum rent to be determined in the manner hereinafter mentioned and such renewal lease shall (with any necessary revisions and deletions of non-applicable items as determined by the Landlord) contain, mutatis mutandis, all of the covenants, provisos, conditions and agreements as are contained in this Lease, excluding however this covenant for renewal and excluding any provisions for free rent, bonuses, signing inducements, leasehold improvements, leasehold improvement allowance and Landlord's work, if any. The minimum rent for the renewal term shall be the fair market rent for the demised premises (the "Fair Market Rent") at the beginning of the renewal term. As used herein, Fair Market Rent means the annual minimum rent which could reasonably be obtained by the Landlord for the demised premises from a willing tenant or willing tenants dealing at arms' length with the Landlord in the market prevailing for a term commencing on the commencement date of the renewal term (the "Renewal Commencement Date") having regard to:

- (1) all relevant circumstances including the size and location of the demised premises, the facilities afforded, the terms of the lease thereof (including its provisions for additional rent), and the condition of the demised premises,
- (2) rentals currently being obtained for space in the entire premises and for a comparable space in other buildings comparably located;
- (3) costs that a tenant would not incur, as a result of the Tenant remaining in the demised premises, including without limitation, moving costs, signing inducements, brokers fees, and legal fees;
- (4) costs that a landlord would not incur, as a result of the Tenant remaining in the demised premises, including without limitation, signing inducements, brokers fees, and legal fees;

but without regard to the extent and quality of improvements made to the demised premises by the Tenant (and disregarding any deficiencies in the condition and state of repair of the demised premises as a result of the Tenant's failure to comply with its obligations hereunder in respect of the maintenance and repair of the demised premises).

- (b) In the event the Landlord and the Tenant are unable to agree upon the minimum rent for the renewal term on or before forty-five (45) days prior to the expiration of the initial term of this Lease, the Landlord and the Tenant shall each appoint a valuator and the two (2) valuers so appointed shall forthwith appoint a third valuator (the "Third Valuator") and the decision of the majority of the valuers so appointed shall be final and binding on the Landlord and the Tenant; or in the event of no majority decision, then the decision of the Third Valuator shall be final and binding on the Landlord and the Tenant; the effective date for determining the minimum rent for the renewal term shall be the Renewal Commencement Date.
- (c) In the event that either the Landlord or the Tenant fail to appoint their valuator within thirty (30) days prior to the expiration of the initial term of this Lease, then the valuator appointed by the other party shall be the single valuator to determine the matter and his decision shall be final and binding on the Landlord and the Tenant.
- (d) In the event that the Landlord and the Tenant appoint their valuers in accordance with paragraph 1(b) above, and the valuers so appointed fail to appoint the Third Valuator within fifteen (15) days from the date of their joint appointment, the Third Valuator shall be appointed by application made by either party to a Court of competent jurisdiction of the Province of Alberta (called "the Court"), and the Third Valuator so appointed shall have the same powers to act and to make an award as if he had been appointed with the consent of both parties.
- (e) In the event both the Landlord and the Tenant fail to appoint their valuator within thirty (30) days prior to the expiration of the initial term of this Lease, then a single valuator (the "Single Valuator") shall be appointed by application made by either party to the Court and such Single Valuator so appointed shall have the same powers to act and to make an award as if he had been appointed with the consent of both parties, and his decision shall be final and binding on the Landlord and the Tenant.
- (f) The effective date of the appointment of a party's valuator in accordance with paragraph 1(b) above shall be deemed to be the date that notice of such appointment is served by the party appointing its valuator on the other party in accordance with the provisions of this Lease.
- (g) Each party shall, in the case of three valuers pay the expenses and fees of its valuator and in addition shall pay one-half of the fees and expenses of the Third Valuator; in the case of a Single Valuator, the Landlord and the Tenant shall each pay one-half of the fees and expenses of such valuator.
- (h) Until the date of the award is published and made known to the Landlord and the Tenant (the "Date of Determination") the Tenant shall pay the minimum rent for the renewal term based on the highest minimum rent payable during the initial term (the "Current Minimum Rent") on the Renewal Commencement Date term and continue to pay the Current Minimum Rent at the rates and in the manner provided for in this Lease and any adjustment required as a result of such payment and the Determination shall be paid to the party entitled thereto by the other party within five (5) days of the Date of Determination. In the event the minimum rent for the renewal term is greater than the Current Minimum Rent, as a result of the award, the Tenant shall pay to the Landlord interest on the difference from and including the Renewal Commencement Date to the date of payment.

2. INITIAL LEASEHOLD IMPROVEMENTS

On or before November 30, 2013 (being sixteen (16) months following the commencement date), the Tenant covenants to conduct and complete partitions, renovations and other leasehold improvements installed by the Tenant (the "Initial Leasehold Improvements") which by the terms of this Lease shall be the property of the Landlord immediately upon such installations on the following terms and conditions:

- (a) the Initial Leasehold Improvements shall be completed and installed and paid for by the Tenant;
- (b) the Tenant shall present bona fide invoices for the completed work:
 - (i) confirming that the Tenant has paid at least Fifteen (\$15.00) Dollars per square foot of the floor area of the demised premises for the Initial Leasehold Improvements, of which at least Five (\$5.00) Dollars per square foot has been spent upgrading the exterior façade of the demised premises;
 - (ii) listing each contractor and subcontractor who did work or provided materials in connection with the Initial Leasehold Improvements;
- (c) no work shall commence until the Tenant has signed this Lease, taken occupancy of the demised premises and complied with paragraphs 3(b), (c) and (d) of Schedule "D" of this Lease;
- (d) no work shall commence until all utility accounts relating to the demised premises have been transferred to the Tenant;
- (e) the Initial Leasehold Improvements must satisfy and comply with all provisions respecting Tenant's work set out in this Lease, including, without limitation, Schedule "D", clause 3.

3. EXCLUSIVITY

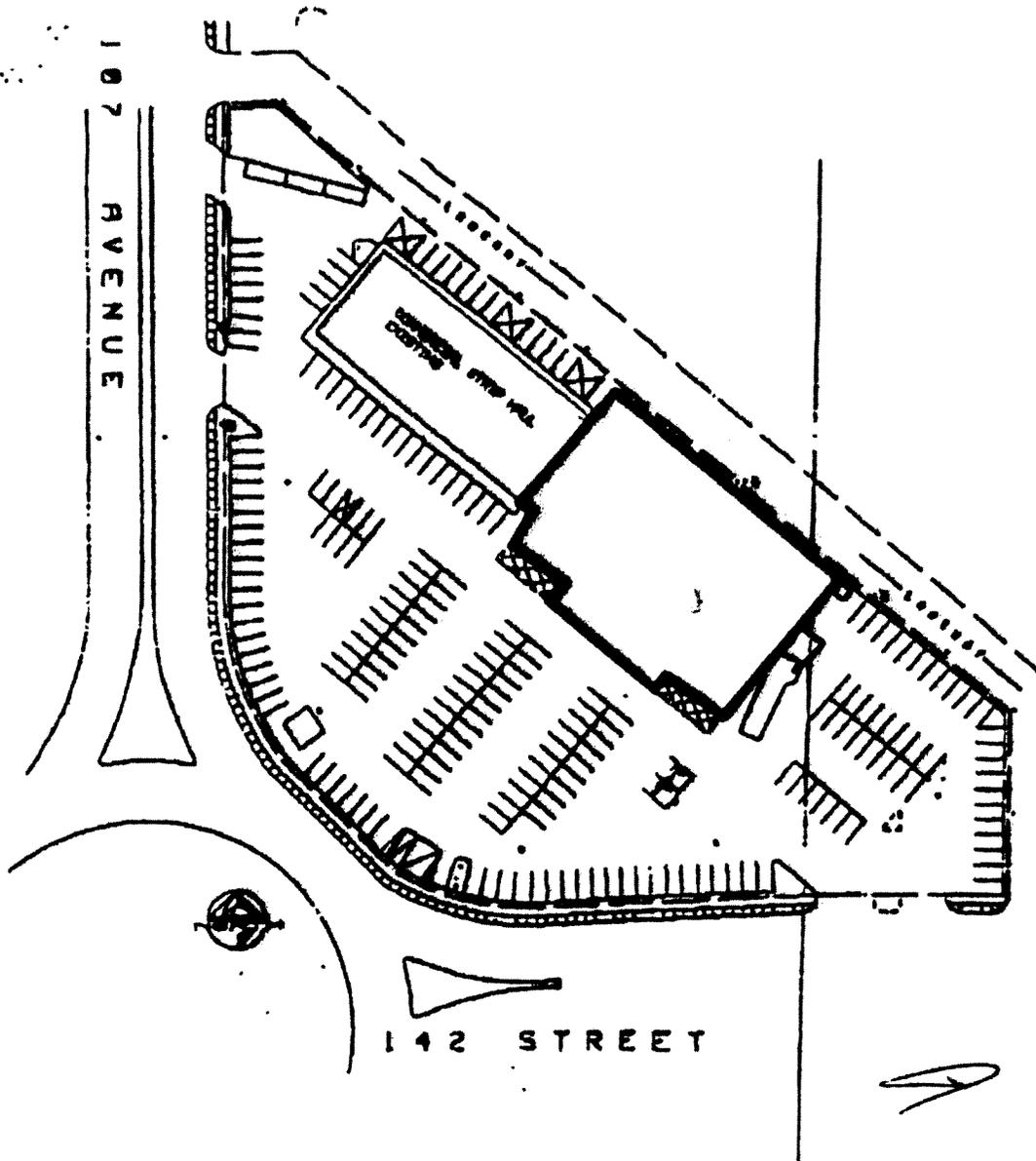
Provided the Tenant duly, regularly and punctually makes all payments of rent and any other payments required to be made and paid under this Lease, and has not defaulted and is not in default under any of the terms of this Lease, and has performed and observed and performs and observes all and every of the covenants, obligations and conditions contained in this Lease on the part of the Tenant to be performed and observed, the Landlord agrees that during the term or any renewal or extension thereof it will not lease space in the building to any other tenant whose primary business is a fitness centre.

SCHEDULE "A"

attached to and forming a part of Lease Agreement made between
JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT
VENTURE as Landlord and WORLD HEALTH EDMONTON INC. as
Tenant

DEMISED PREMISES

See sketch attached by Landlord outlining the demised premises in
heavy black.



SCHEDULE "B"

attached to and forming a part of Lease Agreement made between JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT VENTURE as Landlord and WORLD HEALTH EDMONTON INC. as Tenant

RULES AND REGULATIONS RESPECTING COMMON AREAS

- 1) The Tenant and the employees, invitees and licensees of the Tenant (subject and except as in this Lease provided) shall have the right to use, as appurtenant to the demised premises, during the term of this Lease, in common with others entitled thereto from time to time the following:

the common entrances, truckways, platforms, lavatories, parking areas, driveways, walkways, flower beds, lawns, ramps and other common areas, if any, in the entire premises as may from time to time be designated by the Landlord for the use of or benefit of the Tenant or customers of the Tenant or for the purpose of ingress to or egress from the demised premises.
- 2) The term "common areas" when used in this Lease means the common areas mentioned in Clause 1 of this Schedule "B".
- 3) Notwithstanding anything in this Lease contained, the Landlord shall have the right to make such changes and improvements or alterations as the Landlord may from time to time decide in respect of the common areas or any part thereof, including (without limiting the generality of the foregoing) the walkways, parking areas, driveways and any other improvements thereto or erections thereon (except the demised premises) including the right to change the size or shape thereof, erect buildings thereon or sell or lease part or parts thereof.
- 4) The Landlord shall have the right to issue reasonable Rules and Regulations from time to time respecting the use of the said common areas.

SCHEDULE "C"

attached to and forming a part of Lease Agreement made between JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT VENTURE as Landlord and WORLD HEALTH EDMONTON INC. as Tenant

TENANT'S ESTOPPEL CERTIFICATE

THE UNDERSIGNED, the Tenant in the Lease between _____ and the undersigned, dated the _____ day of _____, 20____ certifies to

- 1) THAT the Tenant's obligation to pay the minimum rent pursuant to the Lease commenced on the _____ day of _____, 20_____.
- 2) THAT the Lease has not been altered or amended since the time of execution and is in full force and effect in accordance with its original terms.
- 3) THAT the demised premises, measured as provided in the Lease, actually comprise an area of _____ feet. The minimum rent reserved pursuant to the Lease, adjusted having reference to the aforesaid measurement is:
- 4) THAT the Tenant is in possession of the demised premises.
- 5) THAT the Lease is a net-net Lease and that the Tenant is paying (and has paid) effective to the _____ day of _____, 19____, minimum rent (as adjusted) and all charges, including, without limitation, the occupancy costs referred to in Section 6, pursuant to the said Lease, and commenced paying the same on the date that the Tenant's obligation to pay rent commenced, as aforesaid.
- 6) THAT the amount of prepaid rent or security deposit held by the Landlord is \$ _____ Dollars.
- 7) THAT the demised premises have been completed in accordance with any obligations of the Landlord and the demised premises are entirely satisfactory and suitable for the use thereof as contemplated by the Tenant.
- 8) THAT neither the Landlord nor the Tenant is in default in respect of the Lease.
- 9) THAT the Tenant has no claims, charges, defences, right to set-off, lien, abatement or counterclaim against the Landlord in respect of rent or otherwise.

DATED at the City of _____, in the Province of _____, this _____ day of _____, 20_____

SCHEDULE "D"

attached to and forming a part of Lease Agreement made between JEFFREY BAKER, ON BEHALF OF TESLIN INVESTMENTS JOINT VENTURE as Landlord and WORLD HEALTH EDMONTON INC. as Tenant

LANDLORD'S AND TENANT'S WORK

1. GENERAL CRITERIA

- (a) Tenant is responsible for the preparation of all design and working drawings and specifications relating to the completion of the premises.
- (b) Landlord reserves the right to withhold approval of any plans or specifications and/or the authorization of work to proceed until furnished with reasonable evidence or provision(s) made by the Tenant to pay the full cost of the work and/or to discharge any liens that may arise therefrom.

2. LANDLORD'S WORK

- (a) Landlord will supply the premises improved and finished as existing at present.
- (b) If additional Landlord's work is to be provided, it is described as follows:

NIL

3. TENANT'S WORK

- (a) Tenant shall be responsible for and bear the cost of all other work additional to Landlord's work required to complete the premises for occupancy, including the following:
 - the Initial Leasehold Improvements in accordance with the Schedule of Additional Provisions clause 2 hereof
- (b) Tenant shall comply with all codes and authorities in the completion of leasehold improvements.
- (c) Performance of the Tenant's Work - The Landlord shall submit an outlined plan of the entire premises to the Tenant and the Tenant shall within Twenty One (21) days thereafter prepare and submit to the Landlord or its architect, for approval, complete drawings and specifications for the finishing of the demised premises prepared by qualified designers and conforming to good engineering practice including ceiling finishes, if any, floor coverings, and any special equipment or installations, or water, sewage, electrical and such other items of Tenant's work as the Landlord may request. The Landlord shall notify the Tenant either of its approval thereof or of all the specific changes required by it, if any, and the Tenant shall then promptly prepare and submit to the Landlord or its architect within the Ten (10) days next following complete drawings or specifications so amended. No work for which drawings and specifications are required shall be commenced until such drawings and specifications have been approved in

writing by the Landlord. No item of Tenant's work shall be commenced until the Tenant has the Landlord's written permission to start and secured approval and permits from all authorities having jurisdiction and submitted proof of same to the Landlord.

- (d) Insurance - When occupancy is given by the Landlord to the Tenant, the Tenant shall deliver to the Landlord all certificates of insurance provided for in this Lease, and notwithstanding the generality of the foregoing, these are to include a Certificate of General Liability Insurance whereby the Landlord is fully protected from and against all claims which may arise from bodily injury, death or property damage suffered by the Tenant, its employees, agents, or contractors, and further the Tenant shall provide a Policy of Insurance (including Waiver of Subrogation in favour of the Landlord), whereby the Tenant's fixtures and inventories are protected from damage. If the Landlord's general contractor is still on the job when occupancy for fixturing is delivered to the Tenant, the Tenant shall also deliver to the General Contractor the policies of insurance (including a Waiver of Subrogation, in favour of the contractor) whereby the Tenant's fixtures and inventories are protected from damage.
- (e) Completion of Tenant's Work - The Tenant shall complete all Tenant's work in a good and workmanlike manner in new materials and to the Landlord's satisfaction and, to the extent covered by drawings and specifications approved by the Landlord, in conformity therewith. All Tenant's work shall be performed by competent workmen whose labour union affiliations are compatible with those of others employed by the Landlord and its contractors and is subject to the reasonable supervision of the Landlord.
- (f) No Entry On To Roof - The Tenant will not enter, nor will it suffer or permit those for whom it is in law responsible (including the Tenant's contractors and such contractor's agents) to enter onto any roof of the said building or make any opening in the roof without the prior written consent of the Landlord and written consent of the contractor (if same is still insuring the roof).
- (g) Damage During Tenant's Work - Any damage to the demised premises or the said building caused during the completion of the Tenant's work by the Tenant or those for whom it is in law responsible (including the Tenant's contractors and such contractors' agents) shall be repaired forthwith by or at the expense of the Tenant, in accordance with the terms of this Lease Agreement.
- (h) Tenant's Work Performed By Landlord - Any of the Tenant's work performed by the Landlord specifically for and at the request of the Tenant and any additions to the costs of the Landlord's work occasioned by the Tenant's requirements, shall be paid for by the Tenant to the Landlord as a "Back Charge". The amount so payable by the Tenant shall be the total cost to the Landlord, including architectural and engineering fees plus Landlord's reasonable overhead charge for supervision, which amount shall be payable upon substantial completion of such work, as additional rent, on demand.
- (i) Opinion of Architect - The opinion in writing of the Landlord's architect shall be binding on both the Landlord and the Tenant respecting all matters of dispute regarding the Landlord's work and the Tenant's work, including the state of completion and whether or not work is completed in good and workmanlike manner.

- (j) Declaration - On completion of the Tenant's work, the Tenant shall forthwith furnish to the Landlord a statutory declaration stating that there are no builders' liens outstanding against the demised premises on account of the Tenant's work and that all accounts for work, service and materials have been paid in full with respect to all of the Tenant's work, together with evidence in writing satisfactory to the Landlord that all assessments under the Workers Compensation Act have been paid.
- (k) Builders' Lien Act - The Tenant shall not suffer or permit any Builders' or other lien for work, labour, services or materials to be filed against or attached to the entire premises or any part thereof. The Tenant agrees that if any builders' lien is filed, as aforesaid as a result of his occupancy or possession, the Tenant shall do all within its power to have the lien removed at the earliest possible date. This includes, but shall not be limited to, payment of monies into court and/or any other remedy which would result in the lien being removed from the titles for the entire premises forthwith.
- (l) No work shall be commenced by the Tenant until all drawings and specifications have been approved in writing by the Landlord and until the Tenant has secured approval and permits from all authorities having jurisdiction and submitted proof of same to the Landlord. The Tenant shall complete all work in a good and workmanlike manner, and in strict accordance with the drawings and specification approved by the Landlord. The Tenant agrees to indemnify and save the Landlord harmless from any and all loss, damage or injury which may result from the Tenant's activities in the entire premises in completing the demised premises as aforesaid. The Tenant acknowledges and agrees that there may be inconvenience associated with completing either the Landlord's Work or the Tenant's Work.

This is **Exhibit "G"** 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

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Commissioner for Oaths in and for the
Province of Alberta

NATASHA DOELMAN
BARRISTER & SOLICITOR

CLOSING INDEX

ACQUISITION OF ASSETS AND PROPERTY OF WORLD HEALTH EDMONTON
INC. BY WORLD HEALTH NORTH LP

<u>Description</u>	
I. <u>INITIAL AGREEMENTS</u>	
1.	Letter of Intent dated November 29, 2017.
2.	Preliminary allocation of the Purchase Price among the Purchased Assets pursuant to Section 2.3 of the Asset Purchase Agreement.
II. <u>PRE-CLOSING RE-ORGANIZATION</u>	
<i>a. <u>Purchase of Fresh Fit Foods Inc. ("FFF") by the Seller.</u></i>	
3.	Agreement for the purchase and sale of assets (the "FFF Assets") between FFF and the Seller dated March 1, 2018.
4.	Bill of Sale between FFF and the Seller for the FFF Assets.
5.	Special resolution of shareholders of FFF authorizing sale of the FFF Assets to the Seller.
6.	Demand promissory note of \$60,000 between FFF and the Seller for the FFF Assets.
7.	GST Election for the acquisition of the business of FFF by the Seller.
<i>b. <u>Purchase of Tru Ride Inc. ("Tru") by the Seller.</u></i>	
8.	Agreement for the purchase and sale of assets (the "Tru Assets") between Tru and the Seller dated March 1, 2018.
9.	Bill of Sale between Tru and the Seller.
10.	Special resolution of shareholders of Tru authorizing sale of its assets to the Seller.
11.	Demand promissory note for \$60,000 between Tru and the Seller.
12.	GST Election for the acquisition of the business of Tru by the Seller.

III. <u>SIGNING OF ASSET PURCHASE AGREEMENT MARCH 29, 2018</u>	
<i>a. <u>Asset Purchase Agreement</u></i>	
13.	Asset Purchase Agreement.
14.	Schedules to the Asset Purchase Agreement
<i>b. <u>Lease Status, by March 31, 2018</u></i>	
15.	Notification of the status of all Leases which have been renegotiated by the Seller.
16.	Confirmation of satisfaction of negotiations by Buyer regarding the Leases.
IV. <u>INTERIM PERIOD COMMENCING MARCH 31, 2018</u>	
<i>a. <u>Consents and Assignments for four key locations</u></i>	
17.	Landlord Consent for the Clareview Lease.
18.	Assignment to the Clareview Lease
19.	Landlord Consent & Assignment for the following Leases: <ul style="list-style-type: none"> a) Mayfield Commons; b) City Centre; and c) St. Albert Trail.
<i>b. <u>Announcements</u></i>	
20.	Notice to employees of the WHE Business announcing agreement in principle.
21.	Mutual Press release announcing Buyer and Seller have reached agreement in principle.
V. <u>CLOSING ITEMS DELIVERED ON APRIL 30, 2018</u>	
<i>a. <u>Asset-Related Deliveries</u></i>	
22.	Bill of Sale and Assignment Agreement for all tangible Purchased Assets.
23.	Assignment and Assumption Agreements of all of the intangible Purchased Assets and assumption of applicable Assumed Liabilities.
24.	Intellectual Property and Trade Name Transfer Agreement for all "Club Fit", "World Health Edmonton", "Fresh Fit Foods," and "Tru Ride" marks and related intellectual property.

<u>Description</u>	
25.	Copies of Lease amending agreements or renewals in connection with the following Leases: <ul style="list-style-type: none"> a) Clareview (<i>lease amendment</i>); b) Gateway Blvd (<i>lease amendment</i>); and c) St. Albert Trail (<i>lease renewal</i>);
26.	No Interest Letter from CIBC.
27.	Partial Payout and Cost Agreement from CIBC.
28.	Notice of Termination of License Agreement.
<i>b. <u>Corporate Authority and Certificates</u></i>	
29.	Certificate of Status of the Seller.
30.	Trade Name Search of the Buyer.
31.	Certificate of Status for the general partner of the Buyer.
32.	Draft Articles of Amendment with the Alberta Corporate Registrar to change the corporate names of: <ul style="list-style-type: none"> a) Seller b) FFF; and c) Tru <p>each to a name that does not include the words "World Health", "World Health Edmonton", "Fresh Fit Foods" or "Tru Ride".</p>
33.	Certificates of Principals pursuant to Section 3 of the <i>Guarantees Acknowledgment Act</i> (Alberta).
34.	Officer's Certificate of the Seller: <ul style="list-style-type: none"> a) attaching certified resolutions from the board of directors and shareholders; and b) certifying representations and warranties pursuant to Section 6.1.1 of the Asset Purchase Agreement.
35.	Officer's Certificate of the Buyer: <ul style="list-style-type: none"> a) attaching certified resolutions from the board of directors; and b) certifying representations and warranties pursuant to Section 6.2.1 of the Asset Purchase Agreement.

<i>c. <u>Employment and Confidentiality Matters</u></i>	
36.	Delivery of Employment Offers to each Employee listed in the Employee List.
37.	Indemnity by Buyer in favour of Seller re: D. Sinkovics and Y. Camus for cost and liabilities related to severance and termination.
38.	Confidentiality, non-competition and non-solicit agreement in favour of the Buyer from each of: <ul style="list-style-type: none"> a) Seller; b) Blake; and c) David.
<i>d. <u>Payment of Purchase Price</u></i>	
39.	Direction to Pay and Receipt by the Seller to the Buyer to pay the Purchase Price (\$9,000,000) to CIBC.
<i>e. <u>Notices and Authorizations</u></i>	
40.	Notice of Assignment Effective Date for the following Leases: <ul style="list-style-type: none"> a) Mayfield Commons; b) City Centre; and c) St. Albert Trail.
41.	Draft Section 167(1) joint election under the <i>Excise Tax Act</i> pursuant to Section 2.11 of the Asset Purchase Agreement.
<i>f. <u>Acknowledgments and Undertakings</u></i>	
42.	Undertaking of Buyer not to remove equipment from Jasper Ave club premises.
43.	Confirmation and Acknowledgment regarding Security Deposits
44.	Solicitor's undertaking of MR to discharge PPR Registrations against Seller immediately following Closing.
<u>VI. POST-CLOSING DELIVERIES</u>	
<i>a. <u>Final Flow of Funds</u></i>	
45.	Confirmation of inter-bank transfer from Buyer to CIBC: <ul style="list-style-type: none"> a) Transmission of funds from CIBC, Buyer's Side b) Receipt of funds from CIBC, Seller's side.

Description	
46.	Final Cash Balance Report as per Section 2.5(1)(A) of the Asset Purchase Agreement.
<i>b. <u>Consents and Assignments</u></i>	
47.	Landlord Consents for the following Leases: <ul style="list-style-type: none"> a) Gateway Blvd; and b) Glenora.
48.	Assignments to the following Leases: <ul style="list-style-type: none"> a) Gateway Blvd; and b) Glenora;
49.	Copies of Lease amending agreements or rent agreements in connection with the following Leases: <ul style="list-style-type: none"> a) Glenora (<i>lease amendment</i>); and b) Mayfield Commons (<i>rent deferral</i>).
50.	Continue to pursue Landlord Consent Agreements for the Kensington Lease.
51.	Consent/ Assignment for each of: <ul style="list-style-type: none"> a) Digitex copiers lease and b) Go Auto vehicle leases.
52.	Notices and Amendment/Extension Agreements for each of the following subleases: <ul style="list-style-type: none"> a) Gateway (Planet Beach); b) St. Albert (Planet Beach); c) St. Albert (Booster Juice); d) Mayfield (Booster Juice); e) City Centre (City Centre Wellness); and f) City Centre (Moo's Juice).
53.	Consents, approvals, or notifications for all contracts requiring assignment.
<i>c. <u>Employment-Related</u></i>	
54.	Confirmation of Employment with each of: <ul style="list-style-type: none"> a) David Sinkovics; and b) Yvonne Camus.

Description	
55.	Non-Solicitation and Non-Competition Agreements with each of: a) David Sinkovics; and b) Yvonne Camus.
56.	Consulting Agreement with Blake
57.	Contract for Services to each Contractor listed.
58.	Employment Offers to each Non-Active Employee listed in the Employee List.
d. <u>Tax and Other Filings</u>	
59.	Press release pursuant to Section 8.3(1) of the Asset Purchase Agreement.
60.	Filed Articles of Amendment with the Alberta Corporate Registrar to change corporate names of Seller, FFF and Tru.
61.	Filed Section 167(1) joint election under the <i>Excise Tax Act</i> .
62.	Section 20(24) joint election under the <i>Income Tax Act</i> .
63.	Section 22 joint election under the <i>Income Tax Act</i> .
e. <u>Final Cash Balance and allocation of Purchase Price</u>	
64.	Delivery by Seller of written notice to Buyer of the cash on hand on the Effective Date pursuant to Section 2.5(1)
65.	Written confirmation of Final Cash Balance on expiry of the Closing Period pursuant to Section 2.5(1) of the Asset Purchase Agreement.
66.	Final allocation of Purchase Price among the Purchased Assets pursuant to Section 2.3 of the Asset Purchase Agreement.
f. <u>Asset Releases and Deliveries</u>	
67.	All transferred licenses or new licenses required for the operation of the Business.
68.	PPR Verification Statements and Searches confirming discharge of GSA for Mezz Loans.
69.	PPR Notice of Release of Seizure and Discharge of Report of Seizure related to Jasper Ave Lease.
70.	Delivery of actual possession of the Purchased Assets not currently on site.

This is **Exhibit "H"** 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

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Commissioner for Oaths in and for the
Province of Alberta

NATASHA DOELMAN
BARRISTER & SOLICITOR

LEASE ASSIGNMENT AMENDMENT AND EXTENSION AGREEMENT

THIS AGREEMENT MADE the 9th day of November, 2019 with effect as of January 1, 2020,

AMONG:

TESLIN INVESTMENTS LTD.
(hereinafter called the "**Landlord**")

- and

165640 ALBERTA LTD. (formerly known as WORLD HEALTH EDMONTON INC.)
(hereinafter called the "**Original Tenant**")

- and

INTERNATIONAL FITNESS HOLDINGS INC.
(hereinafter called the "**Tenant**")

WHEREAS:

- A. By a Lease dated August 1, 2012 (the "**Original Lease**"), between Jeffrey Baker, on behalf of Teslin Investments Joint Venture (the "**Original Landlord**"), the Original Landlord leased to the Original Tenant (then known as World Health Edmonton Inc.) the demised premises, municipally described as 10720 – 142 Street, Edmonton, Alberta containing Nineteen Thousand Two Hundred Thirty Two (19,232) square feet more or less, for a term commencing on August 1, 2012 and expiring on October 31, 2026, and on the terms more particularly set out in the Original Lease.
- B. The Landlord is the successor to the Original Landlord;
- C. The parties have agreed that effective January 1, 2020 (the "**Effective Date**"), the Original Tenant will assign, its interest, as tenant, under the Original Lease to the Tenant; to amend the Original Lease; and to extend the term all on the terms and conditions set out below.
- D. The Original Lease, and this Lease Assignment, Amendment and Extension Agreement are hereafter collectively referred to as the "**Lease**".

NOW THEREFORE in consideration of the premises and the mutual covenants, agreements and conditions herein contained, the parties agree as follows:

GENERAL:

- 1. The recitals are incorporated into and form a part hereof.
- 2. All words and expressions used in this Lease Assignment, Amendment and Extension Agreement, unless there is something in the subject matter or context inconsistent therewith, shall have the same meaning ascribed to them in the Original Lease.

ASSIGNMENT:

3. The Original Tenant hereby assigns to the Tenant the Original Tenant's interest in the demised premises aforementioned, the Lease, the unexpired residue of the term, and all benefits and rights derived therefrom, subject to the payment of the rent and observance and performance of the covenants, provisos and conditions on the part of the Tenant contained therein.
4. The Original Tenant covenants with the Tenant that the Lease is a valid and subsisting Lease, that the covenants, provisos and conditions thereof on the part of the Tenant have been duly observed and performed up to the date hereof, that the Original Tenant is entitled to assign the Lease and that subject to the payment of the rent and the observance and performance of the covenants, provisos and conditions of the Lease the Tenant shall enjoy the demised premises for the residue of the term and any renewal or extension thereof without interruption by the Original Tenant or any person claiming through him or it. The Original Tenant shall at all times hereafter at the request and the cost of the Tenant execute such further assurances in respect of this Assignment as the Tenant may reasonably require.
5. The Tenant covenants with the Original Tenant that the Tenant will throughout the residue of the term and any renewal or extension thereof pay the rent reserved at the times and in the manner provided in the Lease commencing with and including that payment of minimum rent falling due on January 1, 2020 and observe and perform the covenants, provisos and conditions on the part of the tenant therein set forth and will indemnify and save harmless the Original Tenant from all actions, suits, costs, losses, damages and expenses in respect of such covenants, conditions and agreements all as they arise from and after January 1, 2020.
6. In consideration of the Landlord's consent hereinafter given, the parties hereto covenant and agree that:
 - (a) the Landlord's consent hereinafter given shall not affect or release the Original Tenant from its liabilities and responsibilities under the terms of the Lease herein assigned and the Original Tenant covenants and agrees that they shall remain responsible for all such liabilities and responsibilities notwithstanding the said assignment;
 - (b) the said consent is given without prejudice to the Landlord's rights under the Lease aforementioned and shall not be deemed to authorize any further or other assignment or sub letting or parting with or sharing of possession of all or any part of the demised premises;
 - (c) the Tenant hereby covenants and agrees with the Landlord to observe, comply with and perform all terms, conditions and covenants in the Lease as if it were the tenant specified therein and to pay all sums of any kind whatsoever and perform all obligations of any kind whatsoever as and when the same are due to be paid or performed by the tenant pursuant to the terms of the said Lease during all of the term of the said Lease and any renewal thereof;
 - (d) the Original Tenant and Tenant acknowledge and agree with each other and with the Landlord that the Landlord has joined in the Assignment section of this document for the sole purpose of granting the consent herein given and by joining in in the Assignment section of this document the Landlord does not thereby acknowledge or approve of any of

the terms of in the Assignment section of this document as between the Original Tenant and Tenant but merely consents as hereinafter set forth.

- (c) the Original Tenant and Tenant acknowledge and agree that the Landlord is not in default in respect of the Lease and that the Original Tenant and Tenant have no claims, charges, defences, rights to set-off, lien, abatement or counterclaim against the Landlord, under the Lease, in respect of rent or otherwise;

AMENDMENT RE USE/PURPOSE:

7. The first paragraph of section 8.1 of the Original Lease is hereby deleted and replaced to read as follows:

“8.1 The Tenant covenants that the demised premises shall be used and occupied for the purpose of conducting the business of a fitness club and selling or leasing to subtenants to sell related products and services, including but not limited to the following:

- food and beverage service
- athletic clothing and support equipment
- day spa services
- chiropractic services
- massage therapy
- personal training
- nutritional supplements
- tanning services, subject to the rights of any other tenants at the said lands

and for no other purpose whatsoever. The Tenant shall operate under the name “World Health Club” or such other name as may be used by the Tenant from time to time at other World Health locations owned or operated by the Tenant.

The Tenant shall have the option to change the foregoing format (use and purpose) to a women’s only fitness club operating as “Spa Lady” or such other name as may be used by the Tenant from time to time at other World Health or Spa Lady locations owned or operated by the Tenant.”

EXTENSION TERM:

8. The term is hereby extended (the “**Extension Term**”) by the period commencing on November 1, 2026 (the “**Extension Term Commencement Date**”) and ending on December 31, 2029.

MINIMUM RENT:

9. Sections 5.1(3) and 5.1(4) of the Original Lease are hereby deleted and replaced with sections 5.1(3), 5.1(4), 5.1(5) as follows:

- “5.1(3) For the period November 1, 2017 to December 31, 2019, minimum rent of Two Hundred Seventy Eight Thousand Eight Hundred Sixty Four (\$278,864.00) Dollars per annum based upon a rate of Fourteen Dollars and Fifty Cents (\$14.50) per square foot of the floor area of the demised premises per annum and payable by equal monthly installments of Twenty Three Thousand Two Hundred Thirty Eight Dollars and Sixty Seven Cents (\$23,238.67) per month.
- 5.1(4) For the period January 1, 2020 to December 31, 2024, minimum rent of Two Hundred Thirty Thousand Seven Hundred Eighty Four (\$230,784.00) Dollars per annum based upon a rate of Twelve Dollars (\$12.00) per square foot of the floor area of the demised premises per annum and payable by equal monthly installments of Nineteen Thousand Two Hundred Thirty Two Dollars (\$19,232.00) per month.
- 5.1(5) For the period January 1, 2024 to December 31, 2029, minimum rent of Two Hundred Fifty Thousand Sixteen (\$250,016.00) Dollars per annum based upon a rate of Thirteen Dollars (\$13.00) per square foot of the floor area of the demised premises per annum and payable by equal monthly installments of Twenty Thousand Eight Hundred Thirty Four Dollars (\$20,834.67) and Sixty Seven Cents per month.”
10. The Tenant acknowledges that the demised premises are accepted “as is, where is”.
11. The Tenant shall be responsible for and bear the cost of all work (collectively “**Tenant’s Work**”) including, without limitation, design, coordinate and completion of construction of all leasehold improvements in the demised premises (and any special requirements beyond those currently existing in the demised premises). All Tenant’s Work must be conducted in accordance with the terms of the Lease, including without limitation, Schedule “D”, clause 3 of the Original Lease.

OPTION(S) TO RENEW

12. Schedule of Additional Provisions, clause 1 of the Original Lease is hereby deleted and replaced to read as follows:

“First Renewal Term:

- (a) Provided the Tenant duly, regularly and punctually makes all payments of rent and any other payments required to be made and paid under this Lease, and has not defaulted and is not in default under any of the terms of this Lease, and has performed and observed and performs and observes all and every of the covenants, obligations and conditions contained in this Lease on the part of the Tenant to be performed and observed, the Landlord, shall, at the expiration of the Extension Term hereby granted, upon the written request of the Tenant delivered to the Landlord not earlier than two hundred seventy (270) days nor later than one hundred eighty (180) days prior to the expiration of the Extension Term, grant to the Tenant a renewal lease of the demised premises for a further term of five (5) years (the “**First Renewal Term**”) at a minimum rent to be mutually agreed upon, or failing mutual agreement at a minimum rent to be determined in the manner hereinafter mentioned and such renewal lease shall (with any necessary revisions and deletions of non-applicable items as determined by the Landlord) contain, mutatis mutandis, all of the covenants, provisos, conditions and agreements as are contained in this Lease, excluding any provisions for free rent, bonuses, signing inducements, leasehold improvements, leasehold improvement allowance and Landlord’s work, if any. The minimum rent for the First Renewal Term shall be the fair market rent for the

demised premises (the "**Fair Market Rent**") at the beginning of the First Renewal Term. As used herein, Fair Market Rent means the annual minimum rent which could reasonably be obtained by the Landlord for the demised premises from a willing tenant or willing tenants for renewing head lease tenants dealing at arms' length with the Landlord in the market prevailing for a term commencing on the commencement date of the First Renewal Term (the "**First Renewal Term Commencement Date**");

- (i) having regard to:
 - (1) all relevant circumstances including the size and location of the demised premises, the facilities afforded, the terms of the lease thereof (including its provisions for additional rent), and the condition of the demised premises;
 - (2) rentals currently being obtained for space for 5 year terms in the entire premises and for a comparable space in other buildings comparably located;
 - (3) tenant inducements, if any, in the form of cash or free rent, if granted to renewing head lease tenants;

In the event the Landlord and the Tenant are unable to agree upon the minimum rent for the First Renewal Term based on the Fair Market Rent on or before sixty (60) days prior to the expiration of the Extension Term of the Lease, the Landlord and the Tenant shall each appoint a valuator and the two (2) valuers so appointed shall forthwith appoint a third valuator (the "**Third Valuator**") and the decision of the majority of the valuers so appointed shall be final and binding on the Landlord and the Tenant; or in the event of no majority decision, then the decision of the Third Valuator shall be final and binding on the Landlord and the Tenant; the effective date for determining the minimum rent for the First Renewal Term shall be the First Renewal Term Commencement Date.

- (b) In the event that either the Landlord or the Tenant fail to appoint their valuator within thirty (30) days prior to the expiration of the First Renewal Term of the Lease, then the valuator appointed by the other party shall be the single valuator to determine the matter and his decision shall be final and binding on the Landlord and the Tenant.
- (c) In the event that the Landlord and the Tenant appoint their valuers in accordance with subparagraph (b) above, and the valuers so appointed fail to appoint the Third Valuator within fifteen (15) days from the date of their joint appointment, the Third Valuator shall be appointed by application made by either party to a Court of competent jurisdiction of the Province of Alberta (called "**the Court**"), and the Third Valuator so appointed shall have the same powers to act and to make an award as if he had been appointed with the consent of both parties.
- (d) In the event both the Landlord and the Tenant fail to appoint their valuator within thirty (30) days prior to the expiration of the Extension Term, then a single valuator (the "**Single Valuator**") shall be appointed by application made by either party to the Court and such Single Valuator so appointed shall have the same powers to act and to make an award as if he had been appointed with the consent of both parties, and his decision shall be final and binding on the Landlord and the Tenant.

- (e) The effective date of the appointment of a party's valuator in accordance with subparagraph (b) above shall be deemed to be the date that notice of such appointment is served by the party appointing its valuator on the other party in accordance with the provisions of the Lease.
- (f) Each party shall, in the case of three valuers pay the expenses and fees of its valuator and in addition shall pay one-half of the fees and expenses of the Third Valuator; in the case of a Single Valuator, the Landlord and the Tenant shall each pay one-half of the fees and expenses of such valuator.
- (g) Until the date of the award is published and made known to the Landlord and the Tenant (the "**First Renewal Term Date of Determination**") the Tenant shall pay the minimum rent for the First Renewal Term based on One Hundred Fifty (150%) percent of the highest minimum rent payable during the First Extension Term (the "**First Renewal Term Interim Minimum Rent**") on the First Renewal Term Commencement Date and continue to pay the First Renewal Term Interim Minimum Rent at the rates and in the manner provided for in the Lease and any adjustment required as a result of such payment and the Determination shall be paid to the party entitled thereto by the other party within five (5) days of the First Renewal Term Date of Determination;

Second Renewal Term:

- (h) Provided the Tenant duly, regularly and punctually makes all payments of rent and any other payments required to be made and paid under this Lease, and has not defaulted and is not in default under any of the terms of this Lease, and has performed and observed and performs and observes all and every of the covenants, obligations and conditions contained in this Lease on the part of the Tenant to be performed and observed, the Landlord, shall, at the expiration of the First Renewal Term, upon the written request of the Tenant delivered to the Landlord not earlier than two hundred seventy (270) days nor later than one hundred eighty (180) days prior to the expiration of the Extension Term, grant to the Tenant a renewal lease of the demised premises for a further term of number of five (5) years (the "**Second Renewal Term**") at a minimum rent to be mutually agreed upon, or failing mutual agreement at a minimum rent to be determined in the manner hereinafter mentioned and such renewal lease shall (with any necessary revisions and deletions of non-applicable items as determined by the Landlord) contain, mutatis mutandis, all of the covenants, provisos, conditions and agreements as are contained in this Lease, excluding any provisions for free rent, bonuses, signing inducements, leasehold improvements, leasehold improvement allowance and Landlord's work, if any. The minimum rent for the Second Renewal Term shall be the fair market rent for the demised premises (the "**Fair Market Rent**") at the beginning of the Second Renewal Term. As used herein, Fair Market Rent means the annual minimum rent which could reasonably be obtained by the Landlord for the demised premises from a willing tenant or willing tenants for renewing head lease tenants dealing at arms' length with the Landlord in the market prevailing for a term commencing on the commencement date of the Second Renewal Term (the "**Second Renewal Term Commencement Date**");
 - (i) having regard to:
 - (1) all relevant circumstances including the size and location of the demised premises, the facilities afforded, the terms of the lease thereof (including

its provisions for additional rent), and the condition of the demised premises;

- (2) rentals currently being obtained for space for 5 year terms in the entire premises and for a comparable space in other buildings comparably located;
- (3) tenant inducements, if any, in the form of cash or free rent, if granted to renewing head lease tenants;

In the event the Landlord and the Tenant are unable to agree upon the minimum rent for the Second Renewal Term based on the Fair Market Rent on or before sixty (60) days prior to the expiration of the First Renewal Term, the Landlord and the Tenant shall each appoint a valuator and the two (2) valutors so appointed shall forthwith appoint a third valuator (the "**Third Valuator**") and the decision of the majority of the valutors so appointed shall be final and binding on the Landlord and the Tenant; or in the event of no majority decision, then the decision of the Third Valuator shall be final and binding on the Landlord and the Tenant; the effective date for determining the minimum rent for the Second Renewal Term shall be the Second Renewal Term Commencement Date.

- (i) In the event that either the Landlord or the Tenant fail to appoint their valuator within thirty (30) days prior to the expiration of the First Renewal Term, then the valuator appointed by the other party shall be the single valuator to determine the matter and his decision shall be final and binding on the Landlord and the Tenant.
- (j) In the event that the Landlord and the Tenant appoint their valutors in accordance with subparagraph (i) above, and the valutors so appointed fail to appoint the Third Valuator within fifteen (15) days from the date of their joint appointment, the Third Valuator shall be appointed by application made by either party to a Court of competent jurisdiction of the Province of Alberta (called "**the Court**"), and the Third Valuator so appointed shall have the same powers to act and to make an award as if he had been appointed with the consent of both parties.
- (k) In the event both the Landlord and the Tenant fail to appoint their valuator within thirty (30) days prior to the expiration of the First Renewal Term, then a single valuator (the "**Single Valuator**") shall be appointed by application made by either party to the Court and such Single Valuator so appointed shall have the same powers to act and to make an award as if he had been appointed with the consent of both parties, and his decision shall be final and binding on the Landlord and the Tenant, subject always to the Proviso.
- (l) The effective date of the appointment of a party's valuator in accordance with subparagraph (i) above shall be deemed to be the date that notice of such appointment is served by the party appointing its valuator on the other party in accordance with the provisions of the Lease.
- (m) Each party shall, in the case of three valutors pay the expenses and fees of its valuator and in addition shall pay one-half of the fees and expenses of the Third Valuator; in the case of a Single Valuator, the Landlord and the Tenant shall each pay one-half of the fees and expenses of such valuator.

- (n) Until the date of the award is published and made known to the Landlord and the Tenant (the "**Second Renewal Term Date of Determination**") the Tenant shall pay the minimum rent for the Second Renewal Term based on One Hundred Fifty (150%) percent of the highest minimum rent payable during the First Extension Term (the "**Second Renewal Term Interim Minimum Rent**") on the Second Renewal Term Commencement Date and continue to pay the Second Renewal Term Interim Minimum Rent at the rates and in the manner provided for in the Lease and any adjustment required as a result of such payment and the Determination shall be paid to the party entitled thereto by the other party within five (5) days of the Second Renewal Term Date of Determination."

RATIFICATION

13. Except where hereby amended, the parties hereto confirm and ratify all provisions of the Original Lease.

COUNTERPART

14. This Agreement may be executed by the parties in counterparts and may be delivered via facsimile or in PDF via email and all such counterparts shall together constitute one and the same fully executed agreement and be deemed to be an original.

[signature page follows]