



No. B-210223  
Estate No. 11-2733087  
Province of British Columbia  
Bankruptcy Division  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE PROPOSAL OF PURE FREEDOM YYOGA WELLNESS INC.  
and PURE FREEDOM YYOGA CENTERS BC INC.

**ORDER MADE AFTER APPLICATION**  
**(SANCTION ORDER)**

BEFORE )  
 ) THE HONOURABLE JUSTICE HORSMAN )  
 ) ) July 30, 2021  
 ) )  
 ) )

ON THE APPLICATION OF Alvarez & Marsal Canada Inc., in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) of Pure Freedom YYOGA Wellness Inc. and Pure Freedom YYOGA Centers BC Inc. (together, the “**Companies**”) appointed under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), coming on for hearing **by telephone** at Vancouver, British Columbia on this day, and on hearing Kibben Jackson, as agent for the Proposal Trustee, and with no one else appearing although duly served; AND UPON READING the material filed, including the Report of the Proposal Trustee on the Proposal dated June 24, 2021 (the “**Proposal Report**”) and the Fourth Report of the Proposal Trustee dated July 19, 2021 (the “**Fourth Report**”);

THIS COURT ORDERS AND DECLARES that:

1. Capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the amended proposal of the Companies dated July 19, 2021, a copy of which is attached hereto as Schedule “A” (the “**Proposal**”).

2. The Meeting was duly convened, held and conducted on July 13, 2021, in conformity with the BIA.
3. The Proposal has been approved by the Required Majority in accordance with the provisions of the BIA.
4. The Companies are entitled to file the Proposal on a substantively consolidated basis, and the Proposal is hereby sanctioned and approved pursuant to the BIA.
5. The terms of the Proposal and the transactions contemplated therein are fair and reasonable and are calculated to benefit the general body of the Companies' creditors.
6. The Companies and the Proposal Trustee, as applicable, are authorized and directed to take all steps and actions necessary or appropriate, as determined by the Companies and the Proposal Trustee in accordance with and subject to the terms of the Proposal, to implement and effect the Proposal in the manner and sequence set forth in the Proposal, and to execute and deliver all contracts, instruments, certificates and other agreements or documents to be created or delivered in connection with the Proposal, and such steps and actions are hereby approved.
7. The Implementation Date shall occur on the date that all Conditions Precedent set forth in Article 5.1 of the Proposal are satisfied and the Proposal is ordered effective as at that date and shall enure to the benefit of and be binding upon the Companies, the Affected Creditors, and all other Persons named or referred to in the Proposal.
8. Effective on the Implementation Date, all necessary approvals of and from the directors or officers of the Companies, as applicable (including all necessary resolutions, whether ordinary, special or otherwise, of the directors or officers of the Companies, as applicable) to take all actions set forth in the Proposal or this Order are hereby deemed to have been made, given, passed or obtained.
9. Effective on the dates set forth below, the arrangements, reorganizations and corporate transactions set forth at Article 6.3 of the Proposal are sanctioned and approved, and on

the such dates such transactions shall occur, and shall be deemed to occur, in the following order without any further act or formality required on the part of any Person:

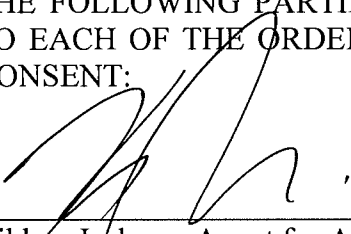
- (a) on the Approval Order Date (i.e. this day): the Existing Shareholder Agreement shall be terminated;
- (b) on the Implementation Date:
  - (i) irrespective of the Articles, or any document evidencing the rights attributable to any Common Voting Shares, Common Non-Voting Shares, or Preferred Shares of Wellness, all Common Non-Voting Shares and Preferred Shares shall be converted to Common Voting Shares at the ratio of 1:1;
  - (ii) all Common Voting Shares shall consolidate at a rate of 8,000,000:1, which will leave all Existing Equity Holders with less than one Common Voting Share (i.e. a Fractional Share);
  - (iii) Wellness shall issue to each Funder that number of New Common Voting Shares for which the Funder subscribed pursuant to their Conditional Subscription Agreement;
  - (iv) all Fractional Shares shall be redeemed and cancelled, and all Convertible Securities shall be cancelled, none of which shall be of any further force or effect, and the obligations of Wellness thereunder, or in any way related thereto, shall be satisfied and discharged, with no compensation or participation being provided or payable therefor, or in connection therewith, and all certificates formerly representing the Fractional Shares and Convertible Securities shall be deemed to be cancelled and shall be null and void; and
  - (v) each of Wellness and the Funders are deemed to be signatories to the New Shareholder Agreement and to have consented to be bound by the terms thereof.

10. The Proposal Trustee shall distribute the Affected Creditors Pot to the Affected Creditors in accordance with Article 3.2 of the Proposal.
11. The releases set forth in Article 2.7 of the Proposal are hereby confirmed and, subject to the Companies' fulfilment of their obligations under the Proposal, effective on the Implementation Date.
12. Effective on and from the implementation of the Proposal on the Implementation Date, the Proposal Trustee, along with its employees, advisors, legal counsel, representatives and agents, shall be fully and irrevocably released and discharged from any and all suits, claims and causes of action of whatever nature which any Person affected by the Proposal may be entitled to assert that are in any way connected with or related to the Proposal or these proceedings, provided that nothing herein shall release or discharge the Proposal Trustee, or any of its employees, advisors, legal counsel, representatives and agents, for gross negligence or wilful, criminal or fraudulent misconduct as determined by the Court or of a court of competent jurisdiction.

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13. The Companies, the Proposal Trustee, and any other interested party shall be at liberty to apply for such other directions or relief as may be necessary or desirable to give effect to this Order.

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

  
\_\_\_\_\_  
Kibben Jackson, Agent for Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of Pure Freedom YOGA Wellness Inc. and Pure Freedom YOGA Centers BC Inc.

BY THE COURT

\_\_\_\_\_  
REGISTRAR *IN BANKRUPTCY*

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**SCHEDULE “A”**

Amended Proposal, dated July 19, 2021

No. B-210223  
Estate No. 11-2733087  
Province of British Columbia  
Bankruptcy Division  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL  
FILED BY PURE FREEDOM YYOGA WELLNESS INC. and PURE FREEDOM YYOGA  
CENTERS BC INC.

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**AMENDED PROPOSAL TO CREDITORS**

**JULY 19, 2021**

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## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

In this Proposal, unless otherwise stated or the context otherwise requires:

**“Affected Claims”** means all Claims other than Unaffected Claims.

**“Affected Creditors”** means any Creditor having an Affected Claim, but only with respect to, and to the extent of, such Affected Claim, and shall include Landlord Claimants to the extent of each of their Landlord Claims.

**“Affected Creditors Class”** means the class consisting of the Affected Creditors established under and for the purposes of this Proposal, including voting in respect thereof.

**“Affected Creditors Pot”** means the sum of \$325,000, to be distributed by the Proposal Trustee to the Affected Creditors in accordance with the terms of this Proposal.

**“Approval Order”** means the Order that, among other things, approves and directs the implementation of this Proposal and all actions and transactions set out herein, including to provide for: (a) as at the Approval Order Date, the termination of the Existing Shareholder Agreement; (b) as at the Implementation Date: (i) the conversion of all of the Common Non-Voting and Preferred Shares to Common Voting Shares; (ii) the consolidation all Common Voting Shares then outstanding; (iii) the issuance of the New Common Voting Shares; (iv) the automatic redemption and cancellation of the Fractional Shares and Convertible Securities and all rights related to them without payment, consideration or any other right, effective as at the Implementation Date, all in accordance with the terms of this Proposal; and (v) each of Wellness and the Funders to be deemed to be signatories to the New Shareholders Agreement and to have consented to be bound by the terms thereof.

**“Approval Order Date”** means the date on which the Court grants the Approval Order.

**“Articles”** means the Articles of Wellness, adopted by special resolution made effective February 16, 2012.

**“BIA”** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

**“Board Resolution”** means a resolution of the board of directors of Wellness approving the transactions contemplated by this Proposal, including the Equity Financing.

**“Business Day”** means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Vancouver, British Columbia.

**“Centers”** means Pure Freedom YYOGA Centers BC Inc.

**“Claim”** means any right or claim of any Person against either or both of the Companies which constitutes a *“claim provable in bankruptcy”* as that term is defined under the BIA, whether or

not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to such Person, which indebtedness, liability or obligation was in existence at the Filing Date, as well as any interest that may accrue thereon, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of either of the Companies, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose of action, whether existing at present or commenced in the future, which claim is based in whole or in part on facts which existed prior to the Filing Date and, for clarity, includes Crown Claims.

**“Claims Bar Date”** has the meaning ascribed to it in Article 4.1 of this Proposal.

**“Companies”** means, together, Wellness and Centers.

**“Common Voting Shares”** means all common voting shares of Wellness, including the New Common Voting Shares.

**“Common Non-Voting Shares”** means all common non-voting shares of Wellness.

**“Conditional Subscription Agreement”** means the subscription agreement to be entered into between Wellness and each of the Funders as part of the Equity Financing pursuant to which each Funder will subscribe for New Common Voting Shares, and which is conditional upon the implementation of this Proposal.

**“Conditions Precedent”** means those conditions precedent to the implementation of this Proposal as defined and enumerated in Article 5.1 hereof.

**“Contract Teachers”** means Persons retained by the Companies as instructors to whom, by the nature of their retainer, the ESA does not apply.

**“Convenience Claim”** means: (a) any Proven Claim of an Affected Creditor in an amount that is less than or equal to \$1,000; and (b) any Proven Claim of an Affected Creditor that has delivered to the Proposal Trustee a Convenience Creditor Election in accordance with Section 4.6 hereof.

**“Convenience Creditor”** means an Affected Creditor having a Convenience Claim.

**“Convenience Creditor Election”** means an election form to be completed by an Affected Creditor with a Proven Claim in excess of \$1,000 that wishes to be treated as a Convenience Creditor for the purposes of distributions under this Proposal and delivered to the Proposal Trustee in accordance with Section 4.6 hereof.

**“Convertible Securities”** means any and all options and warrants issued by Wellness to acquire any Common Voting Shares, Common Non-Voting Shares, or Preferred Shares, and any other document, instrument or writing of Wellness commonly known as a security, issued and

outstanding on the Implementation Date, but does not include the Common Voting Shares, Common Non-Voting Shares, Preferred Shares, or New Common Voting Shares.

**“Court”** means the Supreme Court of British Columbia, in bankruptcy and insolvency.

**“Creditor”** means any Person having a Claim.

**“Crown”** means Her Majesty the Queen in right of Canada or a province.

**“Crown Claim”** means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are subject to a demand under:

- (a) subsection 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee’s premium, or employer’s premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
  - (i) has been withheld or deducted by a Person from a payment to another Person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
  - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection.

**“Director”** means anyone who was, or is deemed to have been, a director of either of the Companies at any time prior to the Implementation Date.

**“Disclaimed Lease”** means any lease agreement among either or both of the Companies and a Landlord that was disclaimed or resiliated by the Companies pursuant to subsection 65.2(1) of the BIA.

**“Equity Financing”** means an equity financing to be undertaken by Wellness in connection with, and contingent upon, the implementation of this Proposal, the proceeds of which are to be used to fund the Affected Creditors Pot and provide working capital for the Companies.

**“ESA”** means the *Employment Standards Act*, R.S.B.C. 1996, c. 113, as amended.

**“Existing Equity Holders”** means those Persons holding any Common Voting Shares, Common Non-Voting Shares, Preferred Shares, or Convertible Securities immediately prior to the implementation of this Proposal.

**“Existing Shareholders Agreement”** means the Shareholders Agreement dated for reference and effective December 8, 2011 among Wellness and the shareholders of Wellness that are parties thereto, as amended from time to time.

**“Filing Date”** means April 29, 2021, the date on which the Companies filed a Notice of Intention to File a Proposal with the Office of the Superintendent of Bankruptcy Canada.

**“Fractional Share”** means an equity interest in Wellness that is less than one Common Voting Share.

**“Funders”** means those Persons that enter into a Conditional Subscription Agreement.

**“Funding Date”** means the date on which the Funders pay the full amount of the Affected Creditors Pot to the Proposal Trustee, which shall be no later than 30 days after the Implementation Date.

**“Guests”** means those Persons holding passes, memberships or certificates entitling them to retail goods or services from or to be provided by the Companies as at the Filing Date.

**“Implementation Date”** means the date on which all Conditions Precedent have been satisfied.

**“Inspectors”** has the meaning ascribed to it in Article 4.9 of this Proposal.

**“Landlord”** means any lessor of premises leased by the Companies as at the Filing Date.

**“Landlord Claimant”** means any Landlord having a Disclaimed Lease.

**“Landlord Claim”** means the Claim of a Landlord Claimant, and shall for each such Landlord be an amount equal to the lesser of: (a) the aggregate of: (i) the rent provided for in the Disclaimed Lease for the first year of the Disclaimed Lease following the date on which the disclaimer or resiliation becomes effective; and (ii) 15% of the rent for the remainder of the term of the Disclaimed Lease after that year; and (b) three years’ rent under the Disclaimed Lease.

**“Meeting”** means the meeting of the Affected Creditors Class held in accordance with Section 51(1) of the BIA for the purpose of considering and, if thought fit, voting to approve this Proposal and agreeing to the compromises and arrangements constituted hereby, and includes any subsequent reconvened meeting should any meeting be adjourned.

**“New Common Voting Shares”** means the Common Voting Shares to be issued pursuant to the Conditional Subscription Agreements on the Implementation Date.

**“New Shareholders Agreement”** means the unanimous shareholders agreement among Wellness and the Funders.

**“Notice to Prove Claim”** means the notice made pursuant to Section 149 of the BIA to be sent by the Proposal Trustee to all known Persons having a Claim that have not yet filed a Proof of Claim with the Proposal Trustee, advising such Creditors that if their Claims are not proven within 30 days after the sending of such notice (i.e. the Claims Bar Date), the Proposal Trustee will proceed to declare a dividend or final dividend without regard to that Creditor’s Claim.

**“Officers”** means, collectively, all current and former officers of either of the Companies.

**“Order”** means an order of the Court made in the Proposal Proceedings.

**“Person”** means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate (including a limited liability company and an unlimited liability company), corporation, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status.

**“Post-Filing Claim”** means a Claim arising from the supply of goods or services to either or both of the Companies after the Filing Date or a claim for sales or excise taxes, source deductions or assessments and premiums arising in relation to such Claims. Post-Filing Claims do not include claims in respect of an obligation incurred prior to the Filing Date but which is payable after the Filing Date.

**“Post-Filing Creditor”** means a Creditor having a Post-Filing Claim.

**“Preferred Shares”** means all preferred shares of Wellness, including: (a) Series B Preferred Shares without par value; and (b) Series C Preferred Shares without par value.

**“Proof of Claim”** means the form of document prescribed by the BIA to be filed with the Proposal Trustee to prove the Claim of a Creditor.

**“Proposal”** means this proposal among the Companies and the Affected Creditors, as from time to time amended, modified or supplemented pursuant to an Order, or pursuant to an agreement among the Companies and the Affected Creditors as provided for herein, or at any Meeting.

**“Proposal Proceedings”** means the proceedings under the BIA commenced under Supreme Court of British Columbia Action Nos. B-210223 (Vancouver Registry) and B-210224 (Vancouver Registry), and subsequently consolidated under Action No. 210223 (Vancouver Registry) by Order of Mr. Justice Kent granted May 7, 2021.

**“Proposal Trustee”** means Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of the Companies.

**“Proposal Trustee’s Costs”** means all proper fees, expenses and legal costs of the Proposal Trustee arising in any way in relation to this Proposal.

**“Proven Claim”** means a Claim which, after delivery of a Proof of Claim to the Proposal Trustee, has been: (a) admitted by the Proposal Trustee in whole or in part; or (b) disallowed by the Proposal Trustee and such disallowance has subsequently been: (i) resolved by agreement among the claimant, the Companies and the Proposal Trustee; or (ii) set aside in whole or in part

by the Court. Proven Claims shall not include any amounts due to a Post-Filing Creditor in respect of a Post-Filing Claim and shall not include any interest for the period subsequent to the Filing Date.

**“Related Creditor”** means any Person who is a *“related person”* as defined under Section 4 of the BIA having a Proven Claim to the extent of their Proven Claim.

**“Released Parties”** means those persons to be released by the Affected Creditors, as defined and enumerated at Article 2.7(c) hereof.

**“Required Majority”** means a majority in number and two-thirds in value of the Voting Creditors who vote on this Proposal in accordance with the voting procedures established hereby and under the BIA.

**“Secured Claim”** means a Claim that is secured by a Security Interest.

**“Secured Creditor”** means a Person having a Secured Claim.

**“Security Interest”** means a mortgage, hypothec, prior claim, pledge, charge, lien or other security interest on or against the assets and property of the Company or any part thereof as security for a debt due or accruing due from the Company, or any negotiable instrument held as collateral security and on which the Company is only indirectly or secondarily liable.

**“Unaffected Claim”** means a Claim of an Unaffected Creditor.

**“Unaffected Creditors”** means: (a) the Post-Filing Creditors; (b) Contract Teachers; (c) Guests; (d) Secured Creditors; (e) employees of the Companies in respect of: (i) all wages, salaries, commission or compensation for services rendered; and (ii) accrued but unpaid vacation pay; and (f) the Crown (to the extent of any Crown Claims).

**“Terry McBride”** means Terry McBride, a director and officer of the Companies.

**“Voting Creditors”** means all Affected Creditors in attendance at the Meeting in person or by proxy and who are entitled to vote at the Meeting. For clarity, this includes Convenience Creditors, and excludes: (a) Unaffected Creditors (to the extent of their Unaffected Claims); and (b) any Affected Creditor that delivers a Convenience Creditor Election to the Proposal Trustee pursuant to Article 4.6 of this Proposal.

**“Wellness”** means Pure Freedom YYOGA Wellness Inc.

## **1.2 Interpretation**

For the purposes of this Proposal:

- (a) the division of this Proposal into Articles and Sections and the insertion of headings are for convenience only and do not form part of this Proposal and will not be used to interpret, define or limit the scope, extent or intent of this Proposal;

- (b) the words “hereunder”, “hereof”, and similar expressions, refer to this Proposal and not to any particular Article, Section or Schedule and references to Articles, Sections and Schedules are to Articles and Sections of, and Schedules to this Proposal;
- (c) words importing the singular include the plural and vice versa and words importing any gender include all genders;
- (d) the words “includes” and “including”, and similar terms of inclusion shall not, unless expressly modified by the words only or solely, be construed as terms of limitation, but rather shall mean “includes without limitation”, or “including without limitation”, as applicable, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (e) a reference to any statute is to that statute as now enacted or as the statute may from time to time be amended, re-enacted or replaced, and includes any regulation made thereunder;
- (f) a reference to any agreement, indenture or other document is to that document as amended, supplemented, restated or replaced from time to time; and
- (g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Vancouver, British Columbia, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day.

### **1.3 Currency**

All references to amounts of money mean lawful currency of Canada unless otherwise expressly indicated. For purposes relating to voting on this Proposal and calculating distributions thereunder, any Claims submitted and denominated in a currency other than Canadian dollars shall be converted to Canadian dollars as at the Filing Date based on the applicable daily average exchange rate published by the Bank of Canada on the Filing Date.

### **1.4 Interest**

Interest shall not accrue or be paid on any Affected Claims after the Filing Date, and no Affected Claims shall be entitled to interest accruing on or after the Filing Date.

### **1.5 Date for Any Action**

In the event that any date on which any action is required to be taken under this Proposal is not a Business Day, that action shall be required to be taken on the following date that is a Business Day.



## **ARTICLE 2**

### **PURPOSE AND EFFECT OF PROPOSAL**

#### **2.1 Purpose of this Proposal**

Due to the COVID-19 pandemic, including the related restrictions imposed by the Provincial health authorities, the Companies have been unable to operate in the ordinary course, or at all, and therefore have been unable to generate sufficient revenue to meet their obligations as they come due.

This Proposal is being filed for both Companies. The purpose of this Proposal is to: (a) enable the Companies to secure additional financing in order to effect a compromise and settlement of all Affected Claims and carry on business for the foreseeable future; and (b) effect a recapitalization of Wellness.

The alternative to this Proposal is the bankruptcy of the Companies and the immediate liquidation of their assets. In that scenario, it is anticipated that the Companies' creditors will recover between 3% and 6% of the amounts owing to them. As such, and as further detailed below, the Affected Creditors will derive a greater benefit from the implementation of this Proposal than would result from the bankruptcy of the Companies.

#### **2.2 Overview of Proposal**

On the Funding Date, which is to be within 30 days of the Implementation Date, the Companies will pay the full amount of the Affected Creditors Pot to the Proposal Trustee for distribution to the Affected Creditors in accordance with this Proposal. It is expected that as a result of such distributions, recoveries by Affected Creditors will be approximately 7% of their Proven Claims. The funds for Affected Creditors Pot are to come from the Funders by way of the Equity Financing.

The Equity Financing will raise a minimum of \$650,000 and a maximum of \$1,500,000, and is conditional upon the approval and implementation of this Proposal. The Equity Financing is being led by Terry McBride, who has agreed to fund at least \$650,000, and all Existing Equity Holders will be offered the opportunity to participate in the Equity Financing by signing the Conditional Subscription Agreement and delivering it to Wellness such that it is received by the Approval Order Date. Acceptance of any Conditional Subscription Agreement executed by an Existing Equity Holder is subject to the sole discretion of Wellness.

In exchange for their investment in Wellness, each Funder will receive New Common Voting Shares. Upon completion of the Companies' restructuring in accordance with this Proposal and the Approval Order, the Funders will own all of the Common Voting Shares.

The capital restructuring of Wellness as contemplated by this Proposal will ensure the reinvigoration and continuation of the Companies' business while providing a significantly greater benefit to the Affected Creditors than would result from a bankruptcy or liquidation.

#### **2.3 Proposal Trustee Under this Proposal**

Subject to the provisions of the BIA, the Proposal Trustee shall act as the administrator for certain purposes connected with this Proposal, including administration of the Proof of Claims process and the Meeting, as well as the distribution of the Affected Creditors Pot, all in accordance with this Proposal.

#### **2.4 Persons Affected by this Proposal**

This Proposal provides for, among other things, the compromise, discharge, and release of all Affected Claims against the Companies and against the Directors and Officers, as well as the elimination of all equity interests other than those of the Funders. Accordingly, on the Implementation Date, this Proposal will become effective and shall be binding on the Companies, the Affected Creditors, the Existing Equity Holders, the Directors and Officers, and all other Persons named or referred to in, or subject to, this Proposal.

#### **2.5 Unaffected Claims**

This Proposal does not affect Unaffected Claims. Unaffected Creditors will not be entitled to vote on or receive any distributions under this Proposal in respect of their Unaffected Claims. Nothing in this Proposal shall affect any of the Companies' rights and defences, both legal and equitable, with respect to any Unaffected Claim, including all rights with respect to legal and equitable defences or entitlements to set-offs and recoupments against such Claims.

#### **2.6 Equity Claims**

Persons having equity claims or equity interests (as those terms are defined in the BIA, and including, for clarity, the Existing Equity Holders) shall not be entitled to receive a distribution under this Proposal or otherwise receive anything in respect of their shares or interest.

#### **2.7 Release of Companies, Directors and Officers and Proposal Trustee by Affected Creditors**

On the Implementation Date, and subject to the Companies meeting their obligations to the Affected Creditors under this Proposal, each Affected Creditor hereby, and without the need for any further action, releases:

- (a) the Companies from all Affected Claims that arose before the Filing Date and that relate to the obligations of the Companies, or either of them, prior to the Filing Date, regardless of the date of crystallization of such Affected Claims;
- (b) the Directors and Officers from all Claims that arose before the Filing Date and that relate to the obligations of either of the Companies prior to the Filing Date, regardless of the date of crystallization of such Claims, where the Directors and Officers are, by law, liable in such capacity, provided however that nothing herein shall release any of the Directors or Officers from claims that may not be compromised under a proposal as set out in subsection 50(14) of the BIA; and
- (c) No Affected Creditor shall have any right, remedy or claim against the Proposal Trustee or the Companies, and each of their respective past and present directors

and officers, employees, financial advisors, legal counsel, representatives and agents, (each a “**Released Party**”, and collectively, the “**Released Parties**”) for anything arising in connection with this Proposal or these Proposal Proceedings. The Released Parties shall be fully and irrevocably released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Affected Creditor may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any omission, transaction, agreement, guarantee, surety, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Implementation Date that are in any way relating to, arising out of or in connection with the Affected Claims, as applicable, all to the full extent permitted by applicable law, provided that nothing herein shall release or discharge a Released Party for gross negligence, criminal, fraudulent or other wilful misconduct, if any such party is found liable or guilty, as the case may be, for such misconduct by the express terms of a judgment rendered on a final determination on the merits.

### **ARTICLE 3 TREATMENT OF CREDITORS**

#### **3.1           Classes of Creditors**

For the purposes of considering and voting on this Proposal, there shall be one class of creditors, being the Affected Creditors Class.

#### **3.2           Affected Creditors**

As soon as practicable after the Funding Date, the Proposal Trustee, on behalf of the Companies, shall make payments from the Affected Creditors Pot to the Affected Creditors, in full and final satisfaction of each Affected Creditor’s Proven Claim, as set forth below:

- (a) Firstly, to the Convenience Creditors the lesser of: (i) \$1,000 and (ii) the value of such Convenience Creditor’s Proven Claim; and
- (b) Secondly, the Affected Creditors that are not Convenience Creditors will be paid an amount in cash equal to such Affected Creditor’s *pro rata* share of the remainder of the Affected Creditors Pot after the payment to the Convenience Creditors as set forth above.

#### **3.3           Unaffected Claims**

Unaffected Claims are not included under or in any way affected by this Proposal. Unaffected Claims that are not Post-Filing Claims will be paid in accordance with existing agreements

between the Unaffected Creditors and the Companies or in accordance with alternative arrangements to be negotiated concurrently with the filing and implementation of this Proposal.

Unaffected Claims that are Post-Filing Claims will be unaffected by this Proposal and will be paid by the Companies in the ordinary course of business.

### **3.4 Crown Claims and Priority Claims**

Crown Claims that are Proven Claims shall be paid in their entirety, without interest, within six months after the Approval Order Date.

Under this Proposal employees of the Companies, including employees who are terminated or resign prior to the Approval Order Date, will be paid all wages, salaries, commissions or compensation for services rendered before or after the Filing Date up to the Approval Order Date. Amounts payable to employees in respect of accrued but unpaid vacation pay owing as at the Approval Order Date will be paid in their entirety no later than 60 days after the Approval Order Date.

For clarity, all Claims of employees of the Companies for severance or termination pay, including compensation payable pursuant to Part 8 of the ESA, are Affected Claims under this Proposal to the extent of such Claims.

### **3.5 Proposal Trustee's Costs**

The Proposal Trustee's Costs in respect of this Proposal shall be paid by the Companies in the ordinary course of business and in accordance with the agreements between the Companies and the Proposal Trustee.

### **3.6 No Other Entitlements**

Following the implementation of this Proposal in accordance herewith, no Creditor shall be entitled to any payment on or with respect to their Claims other than as provided pursuant to this Proposal.

## **ARTICLE 4 MEETING OF CREDITORS**

### **4.1 Proving Claims**

The procedure for dealing with the allowance, disallowance, and resolution of Proof of Claims will be as set out in Section 135 of the BIA.

To be eligible to receive a distribution in accordance with Article 3, Creditors must have filed a Proof of Claim such that it is actually received by the Proposal Trustee in accordance with the BIA and by no later than the date that is 30 days from the date on which the Proposal Trustee delivers the Notice to Prove Claim (the "**Claims Bar Date**").

**Affected Creditors that fail to file their Proof of Claim with the Proposal Trustee before the Claims Bar Date will not be eligible for participation in the proposed distribution under this Proposal and their Claims will be forever barred as against the Company.**

#### **4.2 Meeting**

Unless otherwise ordered by the Court, the Meeting shall be held at 10:00 a.m. on July 13, 2021, in accordance with the BIA.

#### **4.3 Conduct of Meeting**

Unless otherwise ordered by the Court, the Meeting shall be chaired by a representative of the Office of the Superintendent in Bankruptcy, or the nominee thereof. The Meeting shall be conducted in accordance with Part III, Division I of the BIA.

The only Persons entitled to attend the Meeting are the Affected Creditors, including the holders of proxies, and their legal counsel, if any, and the Directors and Officers, auditors, advisors and legal counsel of the Companies, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of the Meeting. Any other person may be admitted only on invitation of the chair of the Meeting.

#### **4.4 Voting at the Meeting**

Each Voting Creditor will be entitled to vote the full amount of its Proven Claim at the Meeting. Each Voting Creditor shall have one vote for the purposes of determining a majority in number, and each Voting Creditor shall be entitled to one vote for every \$1.00 of its Proven Claim for the purposes of determining a majority in value.

Related Creditors are entitled to vote at the Meeting. However, pursuant to subsection 54(3) of the BIA, votes cast in favour of the Proposal by Related Creditors will not be counted towards the calculation of the Required Majority.

#### **4.5 Parties Not Entitled to Vote**

Unaffected Creditors, to the extent of their Unaffected Claims, shall not be entitled to vote at the Meeting. Further, any Affected Creditor that delivers a Convenience Creditor Election to the Proposal Trustee pursuant to Article 4.6 of this Proposal is irrevocably deemed to have voted the full amount of their Proven Claim in favour of this Proposal as a member of the Affected Creditors Class, and, therefore, is also not entitled to vote at the Meeting.

For clarity, Existing Equity Holders are not entitled to vote at the Meeting.

#### **4.6 Convenience Creditor Election**

An Affected Creditor with a Proven Claim in excess of \$1,000 that wishes to be treated as a Convenience Creditor under this Proposal must deliver a duly completed and execute Convenience Creditor Election to the Proposal Trustee prior to 5:00 p.m. (Vancouver time) on July 12, 2021, and upon doing so such Affected Creditor: (a) is irrevocably deemed to have

voted the full amount of its Proven Claim in favour of this Proposal as a member of the Affected Creditors Class; and (b) shall be treated as a Convenience Creditor for the purposes of distributions made under this Proposal.

#### **4.7 Adjournment of the Meeting**

The Meeting may be adjourned in accordance with Section 52 of the BIA. If the Meeting is adjourned, no further Proof of Claims nor proxies shall be filed with or accepted by the Proposal Trustee or the Companies for the purpose of voting at any reconvening of the Meeting.

#### **4.8 Proxies and Voting Letters**

Affected Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim package and will be binding upon all Affected Creditors.

#### **4.9 Inspectors**

At the Meeting, the Voting Creditors may appoint one or more, but not more than five, inspectors (the “**Inspectors**”). The Inspectors shall have only the following entitlements and powers:

- (a) the power to extend the date by which anything is to happen under this Proposal, including the Funding Date;
- (b) the power to waive any default in the performance of any provision of this Proposal;
- (c) the power to approve interim and final statements of receipts and disbursements of the Proposal Trustee, including the power to approve proposed dividends and reasonable fees and disbursements of the Proposal Trustee;
- (d) the power to advise the Proposal Trustee in respect of such other matters as may be referred to the Inspectors by the Proposal Trustee; and
- (e) the power to advise the Proposal Trustee concerning any dispute that may arise as to the validity of a Proof of Claim filed by a Creditor.

The Proposal Trustee and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by reason of any wrongful act, default or neglect by any of them.

## **ARTICLE 5**

### **CONDITIONS PRECEDENT**

#### **5.1 Conditions Precedent to the Implementation of this Proposal**

The implementation of this Proposal by the Companies on the Implementation Date is subject to the satisfaction of the following conditions precedent (collectively, the “**Conditions Precedent**”):

- (a) the Board Resolution shall have been passed;
- (b) all definitive legal documentation contemplated in this Proposal and the Approval Order, including the Conditional Subscription Agreements, shall have been finalized, executed, and held in escrow for release on the Implementation Date;
- (c) this Proposal shall have been approved by the Affected Creditors Class by the Required Majority in accordance with the provisions of the BIA;
- (d) the Approval Order sanctioning this Proposal shall have been made and shall not have been stayed, revised, modified, reversed or amended, and shall, among other things:
  - (i) declare that: (1) this Proposal has been approved by the Required Majority of the Affected Creditors Class in conformity with the BIA; and (2) this Proposal and the transactions contemplated hereby, are fair and reasonable, and in the best interest of the Companies, the Affected Creditors and the other stakeholders;
  - (ii) order that this Proposal is sanctioned and approved pursuant to the BIA; and
  - (iii) authorize and direct the Companies and the Proposal Trustee to execute and deliver the agreements, documents, and instruments contemplated by this Proposal in order to effect all actions contemplated by this Proposal; and
- (e) all other actions, documents and agreements necessary to implement this Proposal as required herein shall have been effected and executed.

The non-fulfillment or non-satisfaction of any of the Conditions Precedent set forth in Articles 5(a) and (d) shall constitute a default under this Proposal for the purposes of Section 62.1 of the BIA and otherwise under this Proposal.

## **ARTICLE 6**

### **TREATMENT OF EXISTING EQUITY HOLDERS AND REORGANIZATION**

#### **6.1 Corporate Actions**

Other than the Board Resolution and the termination of the Existing Shareholder Agreement (which will occur and be effective as of the Approval Order Date), the adoption, execution, delivery, implementation and consummation of all matters contemplated under this Proposal involving corporate or other actions of the Companies will occur and be effective as of the Implementation Date, and will be authorized and approved under the Proposal and by the Court, where appropriate, as part of the Approval Order, in all respects and for all purposes without any requirement of further action by any of the Directors or Officers. All necessary approvals to take actions, if required, shall be deemed to have been obtained from the boards of directors of the Companies.

#### **6.2 Proposal Transactions**

On or prior to the Implementation Date, all Conditions Precedent must be satisfied or waived in accordance with the Proposal and the Approval Order, and all actions, documents, and agreements necessary to implement the transactions contemplated under this Proposal must be in place and be final and irrevocable prior to the Implementation Date and shall then be held in escrow and shall be released without any further act or formality and no other act of formality shall be required.

On the Implementation Date, the reorganization of Wellness's share capital as described in Article 6.3 of this Proposal will be deemed to have occurred.

Notwithstanding anything to the contrary herein, after the Implementation Date, the Companies shall take such steps as may be necessary to record, document and give effect to the transactions contemplated hereunder, including the reorganization of Wellness's share capital.

#### **6.3 Reorganization of Wellness's Share Capital**

Subject to the satisfaction of the conditions set out in Article 5.1 of this Proposal, the following steps, events, or transactions are to be immediately effected as at the dates set forth below, and shall be deemed to have occurred in the following order without any further act or formality required on the part of any Person:

- (a) as at the Approval Order Date: the Existing Shareholder Agreement shall be terminated;
- (b) as at the Implementation Date:
  - (i) irrespective of the Articles, or any document evidencing the rights attributable to any Common Voting Shares, Common Non-Voting Shares, or Preferred Shares of Wellness, all Common Non-Voting Shares and Preferred Shares shall be converted to Common Voting Shares at the ratio of 1:1;



- (ii) all Common Voting Shares shall consolidate at a rate of 8,000,000:1, which will leave all Existing Equity Holders with less than one Common Voting Share (i.e. a Fractional Share);
- (iii) Wellness shall issue to each Funder that number of New Common Voting Shares for which the Funder subscribed pursuant to their Conditional Subscription Agreement;
- (iv) all Fractional Shares shall be redeemed and cancelled, and all Convertible Securities shall be cancelled, none of which shall be of any further force or effect, and the obligations of Wellness thereunder, or in any way related thereto, shall be satisfied and discharged, with no compensation or participation being provided or payable therefor, or in connection therewith, and all certificates formerly representing the Fractional Shares and Convertible Securities shall be deemed to be cancelled and shall be null and void; and
- (v) each of Wellness and the Funders are deemed to be signatories to the New Shareholders Agreement and to have consented to be bound by the terms thereof.

## **ARTICLE 7 AMENDMENTS AND MODIFICATIONS**

### **7.1 Amendment of Proposal before of at Meeting**

The Companies reserve the right, with the consent of the Proposal Trustee, to amend, modify, supplement or restate this Proposal at any time prior to the Meeting, or at the Meeting, in which case the amended, modified, supplemented or restated proposal will be put before the Affected Creditors Class for approval at the Meeting.

### **7.2 Modification of Proposal after Meeting**

After the Meeting, this Proposal may be modified from time to time:

- (a) by the Companies, if the amendment is considered by the Proposal Trustee and the Inspectors (if any) to be non-substantive in nature, and, with the approval of the Proposal Trustee and the majority of the Inspectors (if any); and
- (b) by the Court on application of the Companies or the Proposal Trustee and upon notice to those determined by the applicant to be directly affected by the proposed modification.

## **ARTICLE 8 APPLICATION FOR COURT APPROVAL**

### **8.1 Application for Court Approval**

Upon the conclusion of the Meeting, if this Proposal has been approved by the Affected Creditors Class by the Required Majority, the Proposal Trustee shall apply to the Court for the Approval Order. Subject only to the Approval Order being granted and the satisfaction of those conditions precedent enumerated in Article 5.1, this Proposal will be implemented by the Companies and will be binding upon all the Affected Creditors and all other Persons affected by this Proposal in accordance with its terms.

## **ARTICLE 9 NOTICE, UNDELIVERABLE DISTRIBUTIONS AND THE LEVY**

### **9.1 Notices and Payments to Affected Creditors**

Any notices, correspondence and distributions to Affected Creditors under or in relation to this Proposal shall be delivered to the address provided by each Affected Creditor unless the Companies and the Proposal Trustee are notified by an Affected Creditor in writing of an alternative address for delivery.

### **9.2 Undeliverable Distributions**

If any distribution, delivery or correspondence to an Affected Creditor under this Proposal is returned to the sender as undeliverable, no further distributions, deliveries or correspondence shall be made to that Affected Creditor unless and until the sender is notified by such Affected Creditor, in writing, of their current address, at which time any missed deliveries, distributions (without interest) and correspondence shall be delivered to such Affected Creditor. Undeliverable distributions shall be retained by the sender until they are claimed or until six months after the date of such distribution, after which they shall revert to the Companies, free of any restrictions or claims thereon.

### **9.3 Withholding Taxes and Superintendent's Levy**

All distributions to the Affected Creditors under this Proposal shall be made net of the levy imposed by the Superintendent of Bankruptcy under the BIA.

Notwithstanding any other provision of this Proposal, each Affected Creditor that receives a distribution pursuant to this Proposal shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes or tax obligations imposed by any governmental entity (including income, withholding and other tax obligations on account of such distribution).

## **ARTICLE 10 GENERAL**

### **10.1 BIA Sections 95 to 99, and Section 101**

It is a term of this Proposal that Sections 95 to 99, and Section 101, inclusive, of the BIA shall not apply with respect to this Proposal and the Companies.

## **10.2 Capacity of Proposal Trustee**

Alvarez & Marsal Canada Inc. is acting in its capacity as Proposal Trustee and not in its personal capacity, and shall not incur any liabilities or obligations in connection with this Proposal or in respect of the business or obligations of the Companies, whether existing as at the Filing Date or incurred subsequent thereto and no Person shall have any Claim against Alvarez & Marsal Canada Inc. in respect thereof. The foregoing is in addition to, and not substitution for, and in no way affects any protections afforded Alvarez & Marsal Canada Inc. under the BIA or elsewhere.

## **10.3 Certificate of Completion**

Upon the Proposal Trustee making the last distributions to the Affected Creditors as contemplated by this Proposal, the terms of this Proposal shall be deemed to be fully performed and the Proposal Trustee shall provide to the Official Receiver a certificate pursuant to Section 65.3 of the BIA and the Proposal Trustee shall thereupon be entitled to be discharged.

## **10.4 No Default**

Each Affected Creditor will be deemed to have waived any default by the Companies in any provision, expressed or implied or in any agreement existing between the Affected Creditor and either or both of the Companies that occurred on or prior to the Implementation Date. Each Affected Creditor will be deemed to have agreed that, to the extent there is any conflict between the provisions of any such agreement and the provisions of this Proposal, the provisions of this Proposal take precedence and the provisions of any such agreement are amended accordingly.

## **10.5 Conflicts Between this Proposal and Other Agreements**

From and after the Implementation Date, any conflict between: (a) this Proposal; and (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, purchase order, mortgage, security agreement, indenture, trust indenture, loan or other agreement, commitment letter, lease or other arrangement or undertaking, written or oral (including any and all amendments or supplements thereto) existing with, between or among one or more of the Affected Creditors and either or both of the Companies as at the Implementation Date, will be deemed to be governed by the provisions of this Proposal and the Approval Order, which shall take precedence and priority. For greater certainty, all Affected Creditors shall be deemed to consent to all transactions contemplated in this Proposal.

## **10.6 Severability**

If, subsequent to the Implementation Date, any term or provision of this Proposal is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Proposal Trustee, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Proposal shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

## **10.7 Further Assurances**

Each of the Persons named or referred to in, or subject to, this Proposal will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions contemplated herein.

## **10.8 Governing Law**

This Proposal will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

## **10.9 Notice to Companies or Proposal Trustee**

All notices, Proofs of Claim, and other correspondence relating to this Proposal and to be delivered to the Companies or the Proposal Trustee shall be in writing and shall be delivered either personally, by email, by regular mail, by registered mail or by certified mail, return receipt requested, at the following address:

(a) To the Companies

Pure Freedom YYOGA Wellness Inc./ Pure Freedom YYOGA Centers  
BC Inc.  
Suite 303, 1620 West 8<sup>th</sup> Avenue  
Vancouver, British Columbia V6J 1V4  
Attention: Terry McBride  
Email: [terrymcbride@yyoga.ca](mailto:terrymcbride@yyoga.ca)

With a copy to:

Fasken Martineau DuMoulin LLP  
Suite 2900, 550 Burrard Street  
Vancouver, British Columbia V6C 0A3  
Attention: Kibben Jackson/ Glen Nesbitt/ Suzanne Volkow  
Email: [kjackson@fasken.com](mailto:kjackson@fasken.com); [gnesbitt@fasken.com](mailto:gnesbitt@fasken.com); [svolkow@fasken.com](mailto:svolkow@fasken.com)

(b) To the Proposal Trustee

Alvarez & Marsal Canada Inc., in its capacity as Proposal Trustee of Pure Freedom YYOGA Wellness Inc. and Pure Freedom YYOGA Centers Inc.  
#1680 – 400 Burrard Street  
Vancouver, British Columbia V6C 3A6  
Attention: Anthony Tillman  
Email: [atillman@alvarezandmarsal.com](mailto:atillman@alvarezandmarsal.com)

## **10.10 Successors and Assigns**


This Proposal is binding upon the Companies, the Affected Creditors and their respective heirs, executors, administrators, successors and assigns.

**10.11 Date and Reference**

This Proposal may be referred to as being the Proposal of the Companies dated for reference the 19<sup>th</sup> day of July, 2021.

DATED at the City of Vancouver, in the Province of British Columbia, this 19<sup>th</sup> day of July, 2021.

**Pure Freedom YYOGA Wellness Inc. and  
Pure Freedom YYOGA Centers BC Inc.**

Per:  **TERRY MCBRIDE**  
Authorized Signatory

No. B-210223  
Estate No. 11-2733087  
Province of British Columbia  
Bankruptcy Division  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH  
COLUMBIA**

IN THE MATTER OF THE PROPOSAL OF PURE  
FREEDOM YYOGA WELLNESS INC. and PURE  
FREEDOM YYOGA CENTERS BC INC.

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**ORDER MADE AFTER APPLICATION  
(SANCTION ORDER)**

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