

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
Division : 01-Montreal
Court : 500-11-062636-234
Estate : 41-2965317

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF **Brunswick Health Group Inc.** a legal person duly constituted having its registered office at 308-955 St-Jean Boulevard, Pointe-Claire, Québec, H9R 5K3

Debtor

- AND -

C.S. ADJAMI INC.

Licensed Insolvency Trustee (“Trustee”)

THIRD TRUSTEE’S REPORT

I, Carl Adjami, CPA, CIRP, LIT of C.S. Adjami Inc., in its capacity as Trustee to the Notice of Intention to make a Proposal (“Trustee”) filed by BHG Group (as defined below), an insolvent person, hereby submits to the Court a third report (“Third Report”) pursuant section 50.4(7) of the *Bankruptcy and Insolvency Act* (“BIA”).

DISCLAIMER AND TERMS OF REFERENCE

In preparing the Third Report, C.S. Adjami Inc., in its capacity as Trustee, has been provided with, and has relied upon, unaudited financial information and books and records (“Information”) prepared or provided by the management (“Management”) of the BHG Group, as well as discussions with Management. Except as otherwise described in this Third Report:

- The Trustee has not audited or verified any of the Information and has relied on Management representations both written and verbal;
- In respect of any cash flow, liquidity or other projections, the Trustee has reviewed the relevant Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with the Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants Canada Handbook (“CPA Handbook”), and accordingly, the Trustee expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information;
- Some of the information referred to in this Second Report consists of forecasts and projections. An examination review of the financial forecasts and projections as outlined in the CPA Handbook has not been performed;
- Future oriented financial information referred to in this Third Report was prepared based on the estimates and assumptions provided by Management. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

Please refer to the First Report and the Second Report (defined below) for additional background and contextual information that has not been repeated in this Third Report.

INTRODUCTION

1. On July 14, 2023, Brunswick Health Group Inc. (“BHG”) along with ten (10) of its related entities (the “Related Entities”) filed a Notice of Intention to make a Proposal (“NOI”) and C.S. Adjami Inc. was named as Trustee to the Notice of Intention (“Trustee”). Please refer to **Appendix A** for a list of all of the entities who have filed an NOI on July 14, 2023. BHG and the Related Entities are hereinafter referred to as the “BHG Group” or the “Debtor”).
2. On August 9, 2023, the Debtor filed a *Motion for an Order Consolidating the NOI Proceedings for Administrative Purposes and of an Extension of the Time Limit to File a Proposal* (“First Motion”) and on August 10, 2023, the Trustee filed its report pursuant to s. 50.4(7) of the BIA in support of the First Motion (“First Report”).
3. On August 11, 2023, the Honorable Christian Immer J.S.C., following the filing by the Debtor of the First Motion, issued an order (“First Order”), namely:
 - a. Consolidating for administrative purposes only, the NOI proceedings for each of BHG and the Related Entities in a single proceeding under the Court file number 500-11-062636-234; and
 - b. Extending the time limit to file a proposal until August 18, 2023.
4. On August 16, 2023, the Debtor filed a *Motion for an Order (i) extending the NOI proceedings, (ii) Approving an Administration Charge, an Interim Financing, and Interim Financing Charge and a Financial Advisor Charge, (iii) Appointing a Representative Counsel, (iv) Appointing an Interim Receiver and (v) Related Relief* (the “Second Motion”).
5. On August 16, 2023, the Trustee filed its report pursuant to s. 50.4(7) of the BIA in support of the Second Motion (“Second Report”). Please refer to **Appendix B** for a copy of the Second Report.
6. On August 17, 2023, the Honorable Christian Immer J.S.C., following the filing by the Debtor of the Second Motion, issued an order (“Second Order”), namely:
 - a. Extending the time limit to file a proposal to October 2, 2023;
 - b. Authorizing the payment of certain pre-filing amounts;
 - c. Approving the Interim Financing Facility and the related Interim Financing Charge;
 - d. Approving the appointment of the Trustee as interim receiver (in such capacity, the “Interim Receiver”);
 - e. Approving the appointment of the Representative Counsel and the related Representative Counsel Charge;
 - f. Approving the Administration Charge;
 - g. Approving the Financial Advisor Charge;
 - h. Approving the priorities and general provision for the Charges; and
 - i. Providing additional related relief to the Debtor.
7. On August 16, 2023, the Debtor filed a Statement of Projected Cash Flow (“Second-Updated Projections”) for the period from August 12 to October 13, 2023, including notes and assumptions, together with the Debtor’s Report on the Projections (section 50.4(2)(c) of the BIA) and the Trustee’s Report on the Projections (section 50.4 (2)(b) of the BIA). The Second-Updated Projections (and related reports) are included in the Second Report.
8. In order to monitor the affairs and finances of the BHG Group, the Trustee has been provided with access to the books, records and other important documents.
9. The Third Report is prepared in support of the BHG Group’s motion for an Order extending the NOI proceedings (the “Third Motion”).
10. The Third Motion is seeking an Order, inter alia extending the ongoing stay of proceedings and the time to file a proposal until and including October 27, 2023.

11. Please refer to the Third Motion in conjunction with this Third Report for additional background and other information regarding the BHG Group.
12. The activities of the BHG Group consist in the operation and management of several medical clinics, encompassing many fields of practice (family medicine, specialties, endoscopy etc.) (the “Medical Activities”), as well as managing its real estate asset located in the city of Pointe-Claire (the “PC Building”), which houses most of the clinics as well as several third-party tenants (the “Real-Estate Activities”). The financial year end of the entities of the BHG Group is October 31.
13. The BHG Group is controlled by a group of seven (7) shareholders, five (5) of which are physicians who practice in the BHG Group’s clinics and two (2) are non-physicians (the “Shareholder Group”).
14. The Debtor’s main secured creditors are the Toronto Dominion Bank (“TD”) and the Business Development Bank of Canada (“BDC”) and are collectively referred to as the “Primary Lenders”.
15. TD and BDC hold security interest on most of the assets of the BHG Group on a *pari passu* basis (except for some specific equipment that solely relates to a BDC loan). The collateral is comprised of the operating assets of the Medical Activities and the real estate, namely the PC Building.
16. In addition to the Primary Lenders, the BHG Group has the following secured creditors:
 - a. The Bank of Montreal (“BMO”) has provided an overdraft facility to Brunswick Minor Surgery and has registered security over all the moveable property of Brunswick Minor Surgery;
 - b. The Bank of Nova Scotia (“BNS”) has registered security over all the moveable property of 689 Canada pursuant to certain credit facilities granted to 6892116 Canada Inc (Brunswick Radiology) which is 49% owned by 689 Canada.
17. Prior to being named Trustee, C.S. Adjami Inc. acted as financial advisor for the BHG Group from April 2022 to July 13, 2023.

SCOPE OF THE THIRD REPORT

18. Please refer to the First Report and the Second Report of the Trustee for a more fulsome background description of the events which have led to the Debtor’s insolvency as well as its dealings with the Primary Lender.
19. This Third Report is intended to update and provide the Trustee’s views to this honorable Court in regard to:
 - a. The Sale and Investment Solicitation Process;
 - b. The Debtor’s dealings with the physicians and their court appointed representative counsel (the “Representative Counsel”);
 - c. The status of the interim financing authorized by the Court (the “Interim Financing”)
 - d. The activities of the Interim Receiver;
 - e. The Debtor’s liquidity profile; and
 - f. The request for an extension of the time limit to make a proposal.
20. The Debtor is seeking to complete the negotiation of the terms and conditions for the sale of the Medical Activities, subject to the approval of the Primary Lenders and ultimately the Court.
21. As elaborated below, the conclusion of the sale of the Medical Activities is the building block of the Debtor’s restructuring process.
22. The Primary Lenders and the Shareholder Group have been kept up to date on the status of the discussions and negotiations pertaining to the sale of the Medical Activities.

23. Should the aforementioned negotiations conclude favorably, the Trustee understands that the Debtor intends to file, in due course, a motion to obtain Court approval of the sale transaction in accordance with s. 65.13 of the BIA.

UPDATE ON SALE AND INVESTMENT SOLICITATION PROCESS

24. As noted in the Second Report, and on the recommendation of PricewaterhouseCoopers Corporate Finance Inc. (“PWC-CF”), the restructuring strategy supported by the Primary Lenders and the Trustee has been to consummate the transaction for the Medical Activities to secure a reliable operator and, subsequently, to attempt to monetize the PC Building.
25. In accordance with the restructuring strategy, since the granting of the Second Order, the Debtor’s focus has been to attempt to consummate a transaction for the Medical Activities as per the terms and conditions to the letter of intent which was accepted by the Shareholder Group on July 26, 2023 (the “LOI”).
26. Up to the beginning of September 2023, Management, with the support of PWC-CF and the Trustee has been dealing and corresponding with representatives of the potential purchaser (and their financial advisor, Deloitte) to provide the information required in the context of the due diligence.
27. In accordance with the terms of the LOI, the potential purchaser indicated by email on September 6, 2023 (the “September 6 Email”), that it intended to move forward with the contemplated transaction, which automatically resulted in an extension of the exclusivity period for an additional 25 days, up to and including October 1, 2023.
28. The September 6 Email indicated a reduction in purchase price in consideration of the potential purchaser’s findings during the due diligence exercise, as well as certain additional conditions, including:
- a. That the transaction includes the acquisition, for a nominal amount, of Brunswick Lab & Tests (“BLT”), an entity owned by one member of the Shareholder Group;
 - b. That amounts owed by BLT to its suppliers be repaid in full;
 - c. That the transaction be subject to a reverse vesting order (“RVO”). and
29. In the September 6 Email, the potential purchaser further expressed concern as to the potential risk of departure by some of the physicians affiliated with the Debtor.
30. Following the receipt of the September 6 Email, the Debtor’s attorneys and the potential purchaser’s attorneys have begun to negotiating the terms of a binding term sheet (the “BTS”) which outlines in greater detail the parameters of the contemplated transaction to be reflected within the legal agreements between the parties, namely a share purchase agreement (“SPA”). The Primary Lenders and the Shareholder Group have been kept abreast of these negotiations and have been providing their comments and input.
31. The Trustee notes that the Debtor (supported by their attorneys) and the potential purchaser are currently finalizing discussions and negotiating in good faith with the view of reaching an agreement on the terms and conditions of the BTS.
32. The Trustee understands that the BTS, which will form the basis of the terms to be reflected in the SPA, should be signed imminently.

SALE OF 8981515 CANADA INC.

33. The Debtor is continuing discussions with an interested party in regards to a potential transaction for the shares, or the assets of 8981515 Canada Inc. (DBA The Children’s Clinic).

DEALINGS WITH PHYSICIANS AND THE REPRESENTATIVE COUNSEL

34. The Debtor, with the support of the Trustee, has been holding regular discussions with its affiliated physicians to keep them abreast of the NOI proceedings and to inform them of their rights and obligations under the BIA.

35. The Trustee has also, from time to time, communicated with the Representative Counsel to address any issues raised by the physicians and to provide an update on the NOI proceedings and specifically the sale and investment solicitation process.
36. The Debtor has been paying the physicians, directly or indirectly (through the Interim Receiver's account), in the normal course for all amounts due after the date of filing.

STATUS OF THE INTERIM FINANCING

37. Shortly after the date of the Second Order, the Debtor concluded an agreement with the Primary Lenders for an interim financing facility (the "Interim Financing Facility"), under the terms and conditions which had been approved by the Court.
38. To date, the following advances have been made under the Interim Financing Facility:
 - a. An amount of \$300,000 to fund the Debtor's operating expenses; and
 - b. An amount of \$175,000 to fund the first installment (25%) of the payments due to the physicians for billing cycle 28 (the "Cycle 28 Payments").
39. The Debtor anticipates disbursing (and obtaining the corresponding funding under the Interim Financing Facility) for the second installment of the Cycle 28 Payments upon signature of the BTS.

UPDATE ON THE ACTIVITIES OF THE INTERIM RECEIVER

40. The Debtor has been collaborating with the Interim Receiver in fulfilling its mandate, namely by remitting, on a timely basis, the amount due to those physicians having selected Option 1 of the billing options and who have completed the required documentation (the "Aggregate Physician Transfer").
41. The Interim Receiver has been remitting the amounts due to each physician having selected Option 1 for each cycle since the date of the Second Order and returning the balance, representing the administrative fees charged to the physicians, to the Debtor.

CASH FLOW AND LIQUIDITY PROFILE

42. The Trustee has compared the actual cash flows to the Second Updated Projections for the period from July 15 to September 22, 2023 (the "Period to September 22"), the results of which are summarized in **Appendix C**. BHG Group has been paying its suppliers on a timely basis or making arrangements for payments for goods and services supplied after the date of filing of the NOI.
43. The Trustee notes that the actual cash flows for the Period to September 22, 2023 have been favorable as compared to the Updated Projection, as a result of:
 - A short delay in the transfer to the Interim Receiver account for cycle 38;
 - Timing differences in the payment of operating expenses, partly compensated by:
 - Delayed collections from certain physicians having selected billing Option 2 and other account debtors; and
 - Delayed recovery by the Debtor of capital payments made in error to one of the Primary Lenders;

Third Updated Projections

44. Management has prepared revised cash flow projections for the period September 23, 2023 to November 17, 2023 (the "Third Updated Projections").
45. The Third Updated Projections, including the Debtor's report on the Projections (section 50.4(2)(c) of the BIA) and the Trustee's report on the Projections (section 50.2 (2)(b) of the BIA) are included as **Appendix D**.

EXTENSION OF PERIOD TO MAKE A PROPOSAL

46. The Debtor is seeking an Order for an extension of the time limit to make a proposal to allow it to:
 - a. Complete the signature of the BTS;
 - b. On the basis of the BTS, negotiate the terms of, and draft the SPA with respect to the sale of the Medical Activities;
 - c. Prepare a motion to court for the approval of the sale transaction for the Medical Activities;
 - d. Continue discussions with respect to a potential transaction involving the shares, or the assets of 8981515 Canada Inc.;
 - e. Re-engage with the potential buyers of the PC Building;
 - f. Generally, advance the restructuring process; and
 - g. Working toward formulating a proposal to its creditors, as the case may be.

47. The Trustee notes that:
 - a. BHG Group has and continues to act in good faith and with due diligence;
 - b. BHG Group has been paying for, or has entered into arrangements to pay for, good and services received and/or consumed since the filing of the NOI;
 - c. The granting of the extension sought by the Motion is required for the BHG Group to file a viable proposal.

48. Nothing has come to the attention of the Trustee which would indicate that a creditor would be materially prejudiced if the extension sought is granted.

49. In the event the extension is not granted, the Debtor would be automatically assigned into bankruptcy, which in all likelihood, would negatively impact the perspectives of completing the contemplated transaction for the Medical Activities, which in turn would impair the perspectives of monetizing the PC Building as a going concern. An assignment in bankruptcy of the Debtor would have a catastrophic impact on the Debtor and its stakeholders, including the Physicians and the patients who visit the clinics.

50. The Trustee supports the granting of an extension to the period for the Debtor to make a proposal to and including October 27, 2023 on the terms and conditions stipulated in the Order

51. The Primary Lenders support the Debtor's Third Motion.

CONCLUSIONS

52. The Trustee supports the Third Motion, for the granting of an Order to extend the time limit to file a proposal up to and including October 27, 2023.

Dated in Montreal this 2nd day of October 2023.

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

Carl Adjami, CPA, CIRP, LIT

C.S. ADJAMI INC.

In its capacity as Trustee to the Notice of Intention filed by Groupe Santé Brunswick Inc.