

**THE KING'S BENCH  
WINNIPEG CENTRE**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c  
C-36, as amended

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGMENT OF  
MANITOBA CLINIC MEDICAL CORPORATION AND THE MANITOBA CLINIC  
HOLDING CO. LTD.

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**PRE-FILING REPORT OF THE PROPOSED MONITOR,  
ALVAREZ & MARSAL CANADA INC.  
DATED NOVEMBER 29, 2022  
DATE OF HEARING: WEDNESDAY, NOVEMBER 30, 2022 AT 9:00 A.M.  
KROFT, J.**

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## INTRODUCTION

1. Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**” and, once appointed, the “**Monitor**”) understands that Manitoba Clinic Medical Corporation (“**Medco**”) and The Manitoba Clinic Holding Co. Ltd. (“**Realco**”) (collectively, the “**Companies**” or the “**Applicants**”) are applying (the “**CCAA Applications**”) for certain relief under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”). (The proceedings that are proposed to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”).)
2. A&M further understands that there will be an application followed by a motion the next day wherein the Applicants seek an initial order (the “**Initial Order**”) and an amended and restated initial order (the “**ARIO**”):
  - a) commencing the CCAA Proceedings under the CCAA;
  - b) declaring that the Applicants are companies to which the CCAA applies;
  - c) establishing an initial stay of proceedings to December 9, 2022, and an extension to the stay of proceedings to February 10, 2023 (the “**Initial Stay Period**”);
  - d) appointing A&M as the Monitor in the CCAA Proceedings and enhancing the powers of the Monitor as outlined in the ARIO;
  - e) authorizing the Applicants to file a plan of arrangement;
  - f) authorizing the Applicants to carry on business in a manner consistent with the preservation of their business and property;
  - g) authorizing the Applicants to pay the reasonable expenses incurred by the Applicants in carrying out their business in the ordinary course,

including certain expenses incurred prior to the date of the Initial Order, upon the direction and/or approval by the Monitor;

- h) staying all proceedings, rights and remedies against or in respect of the Applicants, its directors and officers, and the Monitor during the Initial Stay Period;
- i) providing that, notwithstanding the stay of proceedings, Canadian Imperial Bank of Commerce ("**CIBC**") shall be an unaffected creditor and not be stayed from commencing or continuing a proceeding against the Applicants;
- j) approving the financing to be provided by the Interim Lender (as defined below), to the Applicants in a principal amount of up to \$4 million pursuant to the terms and conditions of the Term Sheet and Interim Financing (defined below);
- k) approving the charges over the assets and property of the Applicants in the following relative priorities and on the priority provided under the CCAA:
  - i. First – a charge in favour of the Monitor, its legal counsel and the Applicants’ counsel in respect of their fees and disbursements to a maximum amount of \$500,000;
  - ii. Second – a charge in favour of the Interim Lender;
  - iii. Third – a charge in favour of the directors and officers of the Applicants to a maximum amount of \$350,000; and
  - iv. Fourth – a charge in favour of certain key employees of the Applicants for amounts to be provided under a proposed key employee retention plan ("**KERP**") in the amount of \$100,000;(collectively, the "**Charges**"); and

- l) sealing the information pertaining the proposed key employee retention plan (as included in this Report); and
  - m) such further and other relief as may be sought by the Applicants and this Honourable Court may deem appropriate in the CCAA Proceedings.
- 3. If granted, the Initial Order and ARIO, along with the application materials and all other documents filed in the CCAA Proceedings, will be posted on the Proposed Monitor's website at [www.alvarezandmarsal.com/manitobaclinic](http://www.alvarezandmarsal.com/manitobaclinic).
- 4. Capitalized terms not defined in the Proposed Monitor's pre-filing report (this "**Report**") are as defined in the Initial Order, ARIO and McConnell Affidavit (defined below).

## **PURPOSE**

- 5. The purpose of this Report is for A&M, in its capacity as the Proposed Monitor of the Applicants, to provide the following information to this Honourable Court:
  - a) the qualifications of A&M to act as Monitor;
  - b) a brief background of the Companies;
  - c) the reasons for the Applicants' request to for an order to the enhanced powers of the Monitor as further outlined in the ARIO;
  - d) the Companies' consolidated cash flow projection for the 13-week period from November 30, 2022 to February 24, 2023;
  - e) an overview of the physician payments in Medco;
  - f) the reasons for the Companies' application seeking:
    - i. approval of the Interim Financing and Term Sheet;
    - ii. approval of the proposed Charges;

- iii. approval of the KERP;
  - iv. a Sealing Order for an order sealing Confidential Appendix "1" to this Report;
  - v. the length of the Initial Stay Period; and
  - vi. the Proposed Monitor's overall recommendations in respect of the foregoing.
6. This Report should be read in conjunction with the Affidavit of Keith McConnell sworn November 28, 2022, 2022 (the "**McConnell Affidavit**") and filed in support of the CCAA Applications.

#### **TERMS OF REFERENCE AND DISCLAIMER**

7. In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Companies and has held discussions with the Applicants' management and their respective counsel and directors (collectively, the "**Information**"). Except as otherwise described in this Report in respect of the Applicants' cash flow forecast:
- a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor 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 Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook (the "**CPA Handbook**") and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

- b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
- 8. Future oriented financial information referred to in this Report was prepared based on the Companies' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 9. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

## **A&M'S QUALIFICATIONS TO ACT AS MONITOR**

### ***Overview***

- 10. Alvarez & Marsal Canada ULC ("A&M ULC") was engaged to act as a consultant to CIBC on December 2, 2020 in relation to the Credit Agreements both dated August 11, 2017, between the Companies (Medco and Realco, as borrower) and CIBC. A&M ULC was retained to, among other things, review, report and make recommendations to CIBC on the business, assets, affairs and operations of the Companies and other matters as required. The Companies consented and agreed to the appointment of A&M ULC as consultant to CIBC.
- 11. A&M is an affiliate of A&M ULC and Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. As such, the Proposed Monitor is familiar with the business and operations of the Companies, its personnel, and the key issues and stakeholders in the CCAA Proceedings.
- 12. A&M is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") and is not subject to any of the restrictions

on who may be appointed as monitor set out in section 11.7(2) of the CCAA. Specifically, A&M is not, and has never been:

- a) a director, officer or employee of the Applicants;
  - b) related to the Applicants or to any director or officer of the Applicants;
  - c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the Applicants;
  - d) the trustee under a trust indenture issued by the Applicants or, to the best of its knowledge, any person related to the Applicants, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the Civil Code of Quebec that is granted by the Applicants or, to the best of its knowledge, any person related to the Applicants; or
  - e) to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to in paragraph 11(d), above.
13. Accordingly, A&M is of the view that the restrictions as to who may be appointed as a Monitor under section 11.7(2) of the CCAA do not preclude A&M from acting as Monitor for the Applicants.
14. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees, and who have previously acted in CCAA matters of a similar nature in Canada.
15. A&M has consented to act as the Monitor in these proceedings should this Honourable Court grant the Proposed Initial Order. A copy of A&M's consent to act as Monitor is attached hereto as Appendix "A" to this Report.



16. The Proposed Monitor has retained McDougall Gauley LLP (the “**Proposed Monitor’s Counsel**”) to act as its independent legal counsel in the CCAA Proceedings.

## **BACKGROUND**

### *Overview*

17. As further detailed in the McConnell Affidavit, Medco is a privately-held Canadian company, which has been operating since 1946. It operates a multi-specialty clinic offering diverse healthcare services that is the largest private clinic in the Province of Manitoba and plays a significant role in Manitoba’s healthcare system. The privately-held related company, Realco, holds title to the real property upon which the clinic is situated, certain equipment and certain financial investments.
18. Medco generates 90% of its revenue by billing the Department of Health (“**Manitoba Health**”) for services performed by physicians (the “**Physicians**”) who enter into service agreements (the “**Service Agreements**”) with Medco. The services consist of approximately 49,000 medical procedures per year including, inter alia, endoscopes, EKG’s, visual field tests, x-rays, stress tests, ophthalmology laser procedures, obstetrical ultrasounds, EMG’s and infusion of biologic medications. Currently Medco has 74 Physicians under Service Agreements.
19. Realco acts as a landlord pursuant to a number of commercial leases, including in respect of Medco, and is a unitholder in a company.
20. In 2010, the facility in which Medco was operating required significant repairs, the costs of which were higher than the estimated value of the building. As a result, plans were made to construct a state of the art, ten story, facility located at 790 Sherbrook Street, Winnipeg (the “**Facility**”) comprising 232,038 square feet in size and adding two floors to the existing parkade (the “**Parkade**”) of 99,596 square feet in size.

21. Initially, the expansion of the Parkade was to be done in partnership with the CancerCare Manitoba Foundation (“**CancerCare**”). The first phase of construction involved building the Facility for the Manitoba Clinic and expanding the Parkade. However, the second phase of construction, which was the construction of a new facility for CancerCare, did not proceed. As a result, Realco was left with the large Parkade, which had been designed to also accommodate the parking demand for CancerCare, and for which the costs of construction totaled approximately \$5.8 million.
22. The Facility became operational in December 2017. Realco leases 124,038 square feet of the Facility to Medco pursuant to a Memorandum of Lease dated October 18, 2016 (the “**Medco Lease**”). However, a significant portion of the space leased to Medco is currently unutilized.
23. As a result of various challenges faced by the Companies, detailed hereinafter, the Companies have suffered operating losses each year from 2018 to present. The cumulative loss to the end of 2020 was approximately \$6.7 million, plus a further loss of approximately \$1.6 million in 2021. As a result, the Companies have been unable to meet their obligations to their primary secured lender, CIBC.
24. The Companies have been attempting to restructure their operations since early 2021, with the assistance of its advisors and A&M ULC acting as CIBC’s financial advisors for the next two years. Such restructuring efforts have included, inter alia: (i) increasing tray fees charged by Physicians; (ii) attempting to recruit more Physicians; (iii) reducing support staff; (iv) hiring a listing agent to lease vacant space in the Facility; (v) undertaking two closed sales processes; (vi) selling surplus assets; (vii) increasing parking rates; (viii) adjusting the Physicians’ rate grid (the “**Rate Grid**”); and (ix) applying for and being awarded Manitoba Government Request for Service Agreement (RFSA) awards for endoscopic and holter monitoring.
25. Notwithstanding the Companies' efforts, with the support of the CIBC to date, the Companies have not been able to successfully restructure their debt and operations.

### ***Corporate Overview***

26. Manitoba Clinic Holding (Parent) Co. Ltd. “**ParentCo**”) is a corporation incorporated pursuant to the laws of Manitoba and is the shareholder of Realco. The shareholders of Medco are 26 of the Physicians and 7 retired/resigned doctors. ParentCo is the sole shareholder of Realco.
27. On a consolidated basis, as at December 31, 2021, total net book values of the assets and liabilities are approximately \$84.3 million and \$72.0 million, respectively (with current assets and current liabilities being approximately \$1.7 million and \$72.0 million, respectively).
28. The Companies' assets and liabilities are situated in the entities as indicated below:
  - a) Realco has the following assets and liabilities:
    - i. Assets – the Facility, accounts receivable from related parties, an investment in Dynacare Medical Laboratory LLP, and various medical equipment; and
    - ii. Liabilities – various CIBC loans, which are discussed further below.
  - b) Medco has the following assets and liabilities:
    - i. Assets – Accounts receivable, medical supplies inventory, medical equipment, computer software, EDR software and other furniture, fixtures and equipment and shares in Libre MD;
    - ii. Liabilities - various CIBC loans, which are discussed below.
29. The Proposed Monitor is advised that the inclusion of the above Applicants in the CCAA Proceeding is a fundamental aspect of the restructuring plan and the

Applicants are of the view that this filing structure will allow for the maximization of value in the within case.

***Material Secured Creditors***

30. The material secured debt obligations of the Applicants that are owed to CIBC are as follows::

- a) Demand Operating Credits presently having limits of \$3.0 million and \$6.25 million for Realco and Medco, respectively, and a combined credit limit maximum of \$9.25 million together the Operating Credit, the “**Operating Credit**”);
- b) A Demand Instalment Loan – Old MB Clinic Loan (the “**Dynacare Instalment Loan**”) in the amount of \$4.8 million;
- c) A Demand Non Revolving Construction Loan – New MB Clinic Construction Loan (the “**Construction Loan**”) in the amount of \$61 million;
- d) Demand Revolving Equipment Financing Loan (the “**Equipment Loan #1**”) with a credit limit of up to \$2 million;
- e) Demand Professional Fees Facility of approximately \$783,000;
- f) Demand Revolving Equipment Financing Loan (the “**Equipment Loan #2**”) with a credit limit of up to \$1 million;
- g) Demand Term Loan – Covid Related (the “**Covid Loan**”) in the amount of \$792,509; and
- h) Interest Rate Hedge (the “**Interest Hedge**”) on the terms set out in the Master Agreement.

31. Pursuant to the Credit Facilities, Medco and Realco have cross guaranteed each other's debts and the Companies have granted CIBC security over all their present and after acquired property.
32. There are no other material secured creditors of Realco and Medco.

#### **ENHANCED POWERS ORDER OF THE PROPOSED MONITOR**

33. The Proposed Monitor understands that the ARIO will enhance the powers of the Proposed Monitor. The Applicants and their counsel and financial advisors, with the support of the CIBC and its legal counsel and financial advisors, have been attempting to restructure the Companies' affairs for nearly 2 years and have been unsuccessful to date. The Applicants, the Boards of Directors of the Companies, CIBC, and the proposed Interim Lender all agree that the Companies now require more direct involvement of a seasoned, well-respected restructuring professional services firm to assist the Companies in driving and directing a corporate restructuring for both Medco and Realco.
34. Given A&M ULC's previous and extensive involvement in acting as CIBC's financial advisor and working closely with the Companies and their legal counsel and financial advisors, the Applicants have indicated that they believe that A&M, acting as the Proposed Monitor, is best suited to carry-out the restructuring initiatives of the Companies with the goal to restructure the affairs of Medco to become profitable and maximize overall realizations for all stakeholders.
35. The enhanced powers for the Proposed Monitor found in the ARIO, if granted, would authorize the Proposed Monitor to do a number of things in addition to its powers set forth in the Initial Order, if also granted, including but not limited to the following:
  - a) in the Monitor's absolute discretion, paying the True-Up Payments as detailed in this Report to the Physicians who have not given notice terminating their Service Agreements with Medco;

- b) assisting the Applicants, as required, in their dissemination to the Interim Lender and its counsel on a weekly basis of financial and other information as agreed to between the Applicants and the Interim Lender which may be used in the CCAA Proceedings;
- c) advising the Applicants in the preparation of their cash flow statements and reporting required by the Interim Lender, which information shall be reviewed with the Monitor and delivered to the Interim Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the Interim Lender;
- d) pursuing all avenues of refinancing of the Applicants' Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing;
- e) potentially developing and executing a sales and investment solicitation process (the "**SISP**") in respect of the Applicants' Property including, the marketing of any and all Property and conducting, supervising, and directing the sale, conveyance, transfer, lease, assignment or disposal of any Property of the Applicants or any part or parts thereof, whether or not outside of the ordinary course of business, subject to the approval of this Court;
- f) exercising any shareholder, partnership, joint venture or other rights of the Applicants;
- g) negotiating Service Agreements with Physicians, with the assistance of the Applicants (as required);
- h) negotiating leases or subleases in respect of the real property ("**Leasing**");

- i) with the assistance of the Applicants, as required, permanently or temporarily ceasing, downsizing or shutting down any of the Applicants' business or operations;
- j) with the assistance of the Applicants, as required, relocating Physicians and employees within the real property;
- k) disclaiming, in accordance with the CCAA, any contracts of the Applicants;
- l) causing the Applicants to terminate the employment of such of their employees or temporarily lay off such of their employees as it deems appropriate;
- m) executing, assigning, issuing and endorsing any agreement, amendment, document, lease, instrument or writing in the name of the Monitor or in the name of, and on behalf of the Applicants as may be necessary or desirable in order to carry out the provisions of this Order, including in respect of a potential SISP, the Service Agreements, and Leasing;
- n) advising the Applicants in their development of the Plan and any amendments to the Plan;
- o) assisting the Applicants, as required, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan; and
- p) holding funds in trust or in escrow, as required.

36. The ARIO, if granted, provides that the Companies shall remain in possession and control of their Business and Property and that the Monitor shall not be deemed to have taken possession and control of the same and shall not constitute an employer or successor employer of any employees of the Company. The ARIO, if granted, contains other protections in favour of the Monitor and provides that the

Monitor shall not be liable for any act or omission on the part of the Monitor carrying out the provisions of the ARIO, save and except for any gross negligence or wilful misconduct on its part.

37. CIBC has requested and fully supports the expansion of the Monitor's power pursuant to the ARIO. Given the Companies' current financial and operational circumstances and lack of expertise in restructuring, the Proposed Monitor is prepared to accept the expanded role contemplated by the ARIO, should the Court determine that this order is in the best interest of the CCAA Proceedings and stakeholders.

### **CCAA CASH FLOW FORECAST**

38. For purposes of paragraph 10(2)(a) of the CCAA, the Companies' management ("**Management**") have prepared a weekly consolidated cash flow forecast (the "**Consolidated Cash Flow Forecast**") for the 13-week period from November 30, 2022 to February 24, 2023 (the "**Forecast Period**"), using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. A copy of the Consolidated Cash Flow Forecast, together with a summary of assumptions, along with Realco and Medco's Cash Flow Forecast, together with their summary of assumptions (for informational purposes) and the Management's representation letter are attached hereto as Appendix "**B**" and "**C**", respectively.
39. The Companies do not have any funds to continue to operate, unless this Honourable Court grants an order approving the Proposed Interim Facility (as discussed further below), which has been reflected in the Consolidated Cash Flow Forecast.



40. The Consolidated Cash Flow Forecast is summarized below:

| <b>Management Prepared 13 Week Cash Flow Forecast - Consolidated</b> |              |
|--|--------------|
| <b>For the period from November 30, 2022 to February 24, 2023</b>    |              |
| <i>unaudited, in CAD \$000's</i>                                     |              |
| <b>Medco</b>   |              |
| Cash Receipts  | 10,728       |
| Operating Disbursements  | 10,991       |
| <b>Medco Net Cash Flow from Operations</b>                           | <b>(263)</b> |
| <b>Realco</b>  |              |
| Cash Receipts  | 1,910        |
| Operating Disbursements  | 762          |
| <b>Realco Net Cash Flow from Operations</b>                          | <b>1,147</b> |
| <b>Net Cash Flow from Operations</b>                                 | <b>885</b>   |
| <b>Non-Operating Cash Disbursements</b>                              | <b>1,169</b> |
| <b>Net Cash Flow</b>   | <b>(284)</b> |
| <b>Opening Cash</b>  | -            |
| Net Cash Flow  | (284)        |
| DIP Advance (Repayment)  | 800          |
| <b>Ending Cash</b>   | <b>516</b>   |
| <b>Opening DIP Facility Availability</b>                             | <b>4,000</b> |
| DIP Borrowings   | 800          |
| DIP Repayments   | -            |
| <b>Closing DIP Facility Availability</b>                             | <b>3,200</b> |

41. A summary of the Consolidated Cash Flow Forecast and select assumptions include the following:

- a) total projected cash receipts of approximately \$12.6 million;
- b) total operating cash disbursement forecast of approximately \$11.8 million and non-operating cash disbursements of approximately \$1.2 million, resulting in a net borrowings of approximately \$800,000 during the Forecast Period; and
- c) the Applicants will experience negative cash flows requiring approximately \$800,000 of advances under the Interim Facility over the Forecast Period. It is anticipated that a further significant cash burn

will be incurred by the Applicants outside of the Forecast Period which will be outlined in future report of the Proposed Monitor.

42. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Proposed Monitor hereby reports as follows:

- a) the Consolidated Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the Consolidated Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
- b) the Proposed Monitor's review of the Consolidated Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Consolidated Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Consolidated Cash Flow Forecast;
- c) based on the Proposed Monitor's preliminary review of the Consolidated Cash Flow Forecast, nothing has come to its attention that causes A&M to believe that, in all material respects:
  - i. the hypothetical assumptions are not consistent with the purpose of the Consolidated Cash Flow Forecast;
  - ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Consolidated Cash Flow Forecast, given the hypothetical assumptions; or

- iii. the Consolidated Cash Flow Forecast does not reflect the probable and hypothetical assumptions; and
  - d) since the Consolidated Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, A&M does not express any assurance as to whether the Consolidated Cash Flow Forecast will be accurate. A&M does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by us in preparing this Report.
43. The Consolidated Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

#### **OVERVIEW OF PHYSICIAN PAYMENTS**

44. Medco generates 90% of its revenue by billing Manitoba Health for services performed by Physicians pursuant to their Service Agreements with Medco. The initial term of the Services Agreements is one year, after which they auto-renew annually subject to a 90-day notice provision for termination at any time by the Physician or Medco.
45. Each year, the Physicians are provided a monthly draw on their remuneration based on a percentage of their projected annual billings. At the end of the year, the overhead Rate Grid is applied against each Physician's actual annual billings to determine the overhead contribution for each Physician (the "**Overhead**"). Some Physicians incur additional charges, such as additional staff and space, that are added to their individual Overhead charge.
46. A final accounting is then conducted for Medco's year end financial results. If Medco has operating losses, Management will seek collection of the Overhead from all of the Physicians, an additional "tweak" charge (the "**Tweak**"). The Tweak is

contemplated under the Service Agreements which is to be charged to the Physicians to recover each Physician's share of any operating loss.

47. If, after the deduction of Overhead and the Tweak, any amounts remain owing to the Physicians, the balance is paid to the Physician through the "true up" payment (the "**True Up**").
48. In 2021, after the recovery of Overhead, Medco had a net loss of approximately \$1.6 million. The Proposed Monitor understands that there was a Tweak applied against the Physician's income in 2021, but it was insufficient to cover the full operating loss. During 2022, approximately \$4.6 million of the 2021 True Up payments have been remitted to the Physicians and it is currently being determined by Medco how much (if any) is potentially payable to the Physicians. Based on the terms of the Service Agreements, there is no further obligation outstanding to the Physicians in respect of a 2021 True Up. The Cash Flow Forecast contemplates a payment of approximately \$296,000 during the week ending December 9, 2022. This amount will be paid to the Physicians who have not given notice under their Services Agreements, as their continued commitment to Medco is critical to the ongoing success of the clinic.
49. The 2022 calculation of a Tweak and any potential True Up will not be finalized until the year-end results are completed. It is anticipated that a Tweak will be required for 2022, but the quantum is not known at this time. As shown in the Consolidated Cash Flow Forecast, it is currently anticipated that the 2022 Tweak will begin to be applied against the Physicians future True Up payments starting in January 2023.

## INTERIM FINANCING

50. In order to provide the required liquidity needed to fund the operations of the Applicants during the CCAA Proceedings, the Applicants are seeking the approval of interim financing in the form of a revolving priority interim financing facility (the “**Interim Facility**”). The proposed Amended and Restated Initial Order also provides for the creation of a court-ordered priority charge to secure advances made under the Interim Facility (the “**Interim Lender’s Charge**”) to match the maximum allowable borrowing amount under the Interim Facility plus interest and recoverable costs incurred as proposed in the ARIO.
51. The proposed Interim Facility is to be provided by CIBC (the “**Interim Lender**”), and is subject to Court approval of the term sheet between the Applicants and the Interim Lender dated November 30, 2022 (the “**Term Sheet**”).
52. A copy of the unsigned Term Sheet is attached as Exhibit “24” to the affidavit of McConnell Affidavit. . The material terms of the proposed Term Sheet provide:
- a) for a super-priority, debtor-in-possession interim, revolving credit facility of up to a maximum principal amount of \$4.0 million be available to the Applicants, subject to certain terms, conditions and adjustments;
  - b) the Monitor in the CCAA Proceedings shall be A&M and the Monitor shall be authorized to have direct discussions with the Interim Lender, who shall be entitled to receive information from the Monitor as may be requested;
  - c) advances shall be in a minimum aggregate amount that is no less than \$100,000 and in excess thereof in integral multiples of \$25,000 (the “**Interim Advances**”);
  - d) the Companies shall use each Interim Advances solely for the purposes described in a cash flow budget approved by the Interim Lender (the

“**Agreed Budget**”) and in accordance with Court orders granted in the CCAA Proceedings;

- e) the Interim Advances shall bear interest at a rate per annum equal to the Interim Lender’s prime rate plus 5.0%. Such interest shall be calculated daily on the daily closing principal balance owing under the Term Sheet in respect of the Interim Facility, and shall be payable monthly in arrears on each Interest Payment Date;
  - f) the Companies must submit a weekly budget to forecast variance analysis reporting along with an updated rolling forward to the Agreed Budget on a weekly basis;
  - g) the effectiveness of the Interim Facility is conditional upon, among other things, this Court making an order granting the Interim Lender’s Charge, to the satisfaction of the Interim Lender; and
  - h) the Companies shall provide the Interim Lender with certain security over all of their assets.
53. Advances under the Interim Facility will be administered using the Companies’ cash management system, as outlined in the McConnell Affidavit.
54. Without the Interim Facility, the Companies would not be able to continue with their restructuring activities and may be faced with an immediate liquidation of their assets. Based on the information available at this time, the Proposed Monitor estimates that this would likely result in significantly lower recoveries than those obtained through the restructuring process.
55. The Proposed Monitor has reviewed the terms of the Term Sheet and the terms of the Interim Facility appear to be commercially reasonable in the circumstances, including annual interest rate and the Interim Lender’s Charge. The Proposed Monitor is of the view that such aggregate fees are comparable to and within a reasonable range of interim financing loans in other recent Canadian CCAA filings.

56. The Proposed Monitor is further of the view that the Interim Facility is warranted, as without it, it would be difficult for the Companies to continue in the CCAA Proceedings. Further, in any probable realization strategy, a receiver, trustee or other administrator or manager would likely recommend to expend a similar amount of funds in order to preserve and market the Applicants and/or their assets.
57. Accordingly, given the benefits that the Interim Facility will provide and the purpose for which the Interim Facility will be utilized in the Consolidated Cash Flow Forecast discussed below, the Proposed Monitor does not believe the Interim Facility to be unduly prejudicial to other creditors of the Companies and the Proposed Monitor supports the application for approval of the Interim Facility.

#### **KEY EMPLOYEE RETENTION PLAN**

58. The Companies' Board of Directors has identified a group of key personnel (the "**Key Employees**") who are critical to the Companies' restructuring efforts, supporting the potential SISP and managing the day-to-day operations.
59. In order to retain and incentivize the Key Employees as full-time employees, the Applicants have developed the KERP. Under the provisions of the KERP, each of the Key Employees will receive a set amount, payable on achieving two milestones:
- a) Milestone #1: The Key Employees must remain with the Companies and assist the Proposed Monitor in the restructuring of Medco over the Forecast Period; and
  - b) Milestone #2: Should a successful path-forward for Medco be determined by the Proposed Monitor and Medco is restructured to a "going-concern" state, the Proposed Monitor is expected to initiate a SISP, which would be subject to Court approval. Should this occur, the Key Employees must remain with the Companies and assist the Proposed Monitor as required until the completion of the SISP and a successful plan or transaction has been closed.

60. The maximum aggregate amount of payments under the KERP is \$100,000 for three Key Employees, which represents a range 23-29% of the Key Employees base salary for each individual.
61. The KERP was developed by the Companies, in consultation with the Proposed Monitor, and is supported by CIBC. The Proposed Monitor is of the view that the KERP is reasonable and appropriate in the circumstances for the following reasons:
- a) it will provide stability to the business and provides continuity of leadership and knowledge during the pendency of the CCAA Proceedings by encouraging the Key Employees to remain with the Companies for a reasonable period of time;
  - b) the Key Employees are critical to efficient and cost-effective execution of a restructuring plan and their participation should enhance or maximize realizations for the benefit of stakeholders;
  - c) identifying replacement management with the requisite sector experience and knowledge of the underlying business is not practical in the short term;
  - d) certain Key Employees have indicated that they would consider alternative employment opportunities should there not be any material retention payment amounts made available;
  - e) the number of Key Employees is proportionately reasonable to the size and nature of the business and the milestones described above;
  - f) the Proposed Monitor considered the proposed KERP terms with those in other recent CCAA Proceedings and various Notice of Intention to Make a Proposal pursuant to subsection 50.4(1) of the BIA and is satisfied that the quantum of the KERP payments and the terms of the KERP are commercially reasonable and are not 'off-market' in the circumstances; and



g) the KERP has been approved by the Companies' Boards of Directors and is supported by CIBC, the senior-secured creditor and the proposed Interim Lender.

62. The Companies' Application provides for a KERP Charge in an amount not to exceed \$100,000 in favour of the Key Employees as security for all amounts becoming payable under the KERP. The KERP Charge is to rank in subordinate to the Charges. The details of the KERP have been provided to this Honourable Court by the Proposed Monitor, subject to a sealing request made by the Companies.

## **PRIORITY CHARGES**

### **Administration Charge**

63. The Companies are seeking a charge (the "**Administration Charge**") up to a maximum of \$500,000 over the Property in order to secure payment of the fees and disbursements of the Proposed Monitor, the Proposed Monitor's Counsel and legal counsel of the Applicants.

64. To date, the Applicants, Proposed Monitor and the Proposed Monitor's Counsel and counsel for the Applicants have incurred professional fees in preparation for the CCAA Proceedings, which include preparing the Initial Order, ARIO, this Report and communicating with certain key employees and stakeholders (including the board of directors) about potential strategies for restructuring the Applicants and reporting to the lenders on same. In addition, the Proposed Monitor has prepared the statutory notices, mailings and communications required by the CCAA should this Honourable Court grant both the Proposed Initial Order and ARIO.

65. These proceedings require the prompt and vigorous involvement of professional advisors to guide and/or complete a successful restructuring; accordingly, it is the Proposed Monitor's respectful view that the Administration Charge is reasonable and appropriate to ensure the continued support of the respective professionals in the Companies' efforts to restructure its affairs.

66. The Proposed Monitor also believes that it is appropriate for the proposed beneficiaries of the Administration Charge, being non-stakeholders to the CCAA Proceedings, to be afforded the benefit of the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.
67. It is the respectful view of the Proposed Monitor that the quantum of the proposed Administration Charge is reasonable and appropriate in the circumstances, having regard to the scale and complexity of the CCAA Proceedings, the services to be provided by the beneficiaries of the Administration Charge and the size of the similar charges approved in similar proceedings.

### **Interim Financing Charge**

68. The Companies are seeking a charge (the "**Interim Financing Charge**") against the Property to secure obligations incurred on the Interim Financing Facility.
69. The Interim Financing Charge is necessary in order to ensure that the Interim Lender has security for the Interim Financing Facility. The proposed quantum of the advance under Interim Financing Facility has been determined based upon the projected cash flow needs set out in the Companies' Consolidated Cash Flow Forecast.
70. It is the Proposed Monitor's respectful view that the Interim Financing Charge is reasonable and appropriate to ensure the working capital necessary to complete these proceedings.

### **Directors' Charge**

71. The Companies are seeking a charge (the "**Directors Charge**") against the Property to a maximum amount of \$350,000 as security for the Companies' obligation to indemnify such directors and officers (as defined in the draft ARIO and hereinafter the "**Directors**") for obligations and liabilities which they may incur in such capacities after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the Directors' gross negligence or wilful misconduct.

72. The Directors' Charge is intended to secure amounts that may be incurred post-obtaining the Initial Order and address potential claims that may be brought against Directors that are not covered under existing insurance or to the extent coverage is insufficient to cover such claims.
73. The Companies require the services of their Directors to assist the Proposed Monitor in developing a viable Plan. The Companies' Directors have the technical knowledge, experience, and relationships necessary to maximize the value of the Companies and to assist the Proposed Monitor taking the steps required to restructure the Companies.
74. It is the Proposed Monitor's view that the continued support and services of the Directors of the Applicants to the Proposed Monitor during the CCAA Proceedings would be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings. The Proposed Monitor has reviewed the underlying assumptions upon which the Applicants have based the estimate of the potential liability in respect of the directors' statutory obligations, and is of the view that the Directors' Charge is reasonable in relation to the quantum of the estimated potential liability and appropriate in the circumstances.

### **Ranking of Priority Claims**

75. The Initial Order provides that the priority of the Charges shall be as follows:
- a) First: Administration Charge, up to the maximum amount of \$500,000;
  - b) Second: Interim Lender's Charge;
  - c) Third: Directors' Charge, up to the maximum amount of \$350,000; and
  - d) Fourth: KERP Charge, up to the maximum of \$100,000.
76. Each of the Charges shall constitute a charge on the Property and subject always to section 136 of the BIA and the Charges (if granted) shall rank in priority to all other

security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise in favour of any Person.

## **PROPOSED STAY OF PROCEEDINGS**

77. The Applicants are seeking an Initial Stay Period until and including February 24, 2023, or such later date as this Court may order. The requested Initial Stay Period provides that no proceeding (a “**Proceeding**”) or enforcement process (an “**Enforcement**”) in any court or tribunal shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Applicants’ business or its property, except with the written consent of the Applicants and the Monitor, or with leave of this Court and any Proceeding or Enforcement currently underway against or in respect of the Applicants or affecting the Applicants’ business or their property is stayed and suspended pending further Order of the Court (save and except CIBC as an unaffected creditor).
78. The Initial Stay Period would allow the Applicants the initial time required to restructure in a manner that preserves value for all stakeholders.

## **CONCLUSIONS AND RECOMMENDATIONS**

79. Based on the current information that has been made available to the Proposed Monitor by the Companies, the Proposed Monitor respectfully recommends that this Honourable Court approve the Initial Order and ARIO in the forms filed with the Applicants' application materials.

All of which is respectfully submitted to this Court this 29<sup>th</sup> day of November, 2022.

**ALVAREZ & MARSAL CANADA INC.,**  
**in its capacity as Proposed Monitor of**  
**Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd.**



Orest Konowalchuk, CPA, CA, CIRP, LIT  
Senior Vice-President

## **APPENDIX A**

### **Consent to Act**

**THE KING'S BENCH  
WINNIPEG CENTRE**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
MANITOBA CLINIC MEDICAL CORPORATION AND THE MANITOBA CLINIC  
HOLDING CO. LTD.

(the "**Applicants**")

APPLICATION UNDER: THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C., c. C-36, AS AMENDED

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**CONSENT OF ALVAREZ & MARSAL CANADA INC.**

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**TAYLOR McCAFFREY LLP**

Barristers & Solicitors  
2200 – 201 Main Street  
Winnipeg, Manitoba  
R3B 3L3

David R.M. Jackson/Ph. 204-988-0275  
Douglas E. Finkbeiner, K.C./Ph. 204-988-0414  
Charles Roy/Ph. 204-988-0472  
Fax No. 204-957-0945  
File No. 1102-154

**THE KING'S BENCH  
WINNIPEG CENTRE**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
MANITOBA CLINIC MEDICAL CORPORATION AND THE MANITOBA CLINIC  
HOLDING CO. LTD.

(the "**Applicants**")

APPLICATION UNDER: THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C., c. C-36, AS AMENDED

**CONSENT**

Alvarez & Marsal Canada Inc. consents to its appointment as Monitor of Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd., the named Applicants of an intended application under the *Companies Creditors Arrangements Act* R.S.C. 1985 c.C36 as amended., which consent is contingent upon the Applicants obtaining orders in the forms attached to the Applicants' Notice of Application returnable Wednesday, November 30, 2022 and Notice of Motion returnable Thursday, December 1, 2022 .

Dated this 25<sup>th</sup> day of November, 2022.

**ALVAREZ & MARSAL CANADA INC.**



Per: \_\_\_\_\_  
Orest Konowalchuk, CPA, CA, CIRP, LIT  
Senior Vice President

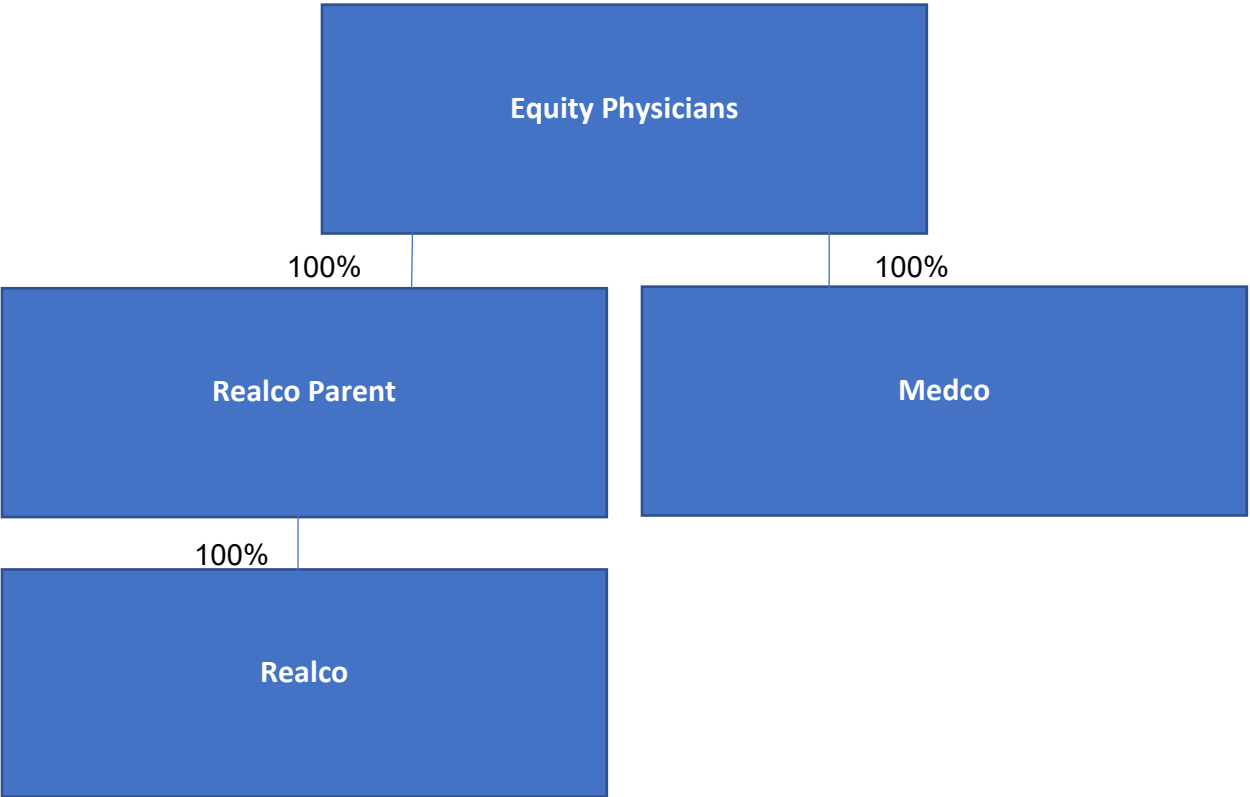
## **APPENDIX B**

### **Organization Chart**



**APPENDIX B**

**Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co.  
Organization Chart**



## **APPENDIX C**

### **Cash Flow Forecast and Assumptions**

Manitoba Clinic Medical Corporation ("Medco") and The Manitoba Clinic Holding Co. Ltd. ("Realco")  
Management Prepared 13 Week Cash Flow Forecast - Consolidated  
For the period from November 30, 2022 to February 24, 2023  
unaudited, in CAD \$000's

|   | Week 1<br>2-Dec-22 | Week 2<br>9-Dec-22 | Week 3<br>16-Dec-22 | Week 4<br>23-Dec-22 | Week 5<br>30-Dec-22 | Week 6<br>6-Jan-23 | Week 7<br>13-Jan-23 | Week 8<br>20-Jan-23 | Week 9<br>27-Jan-23 | Week 10<br>3-Feb-23 | Week 11<br>10-Feb-23 | Week 12<br>17-Feb-23 | Week 13<br>24-Feb-23 | Total<br>Week 1 to<br>Week 13 |
|---|--------------------|--------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|-------------------------------|
|   |                    |                    |                     |                     |                     |                    |                     |                     |                     |                     |                      |                      |                      |                               |
| <b>Medco</b>                                  |                    |                    |                     |                     |                     |                    |                     |                     |                     |                     |                      |                      |                      |                               |
| Cash Receipts                                 | 1,958              | -                  | 1,914               | -                   | 1,914               | -                  | 45                  | 1,576               | 45                  | 1,576               | 33                   | 1,635                | 33                   | 10,728                        |
| Operating Disbursements                       | 2,015              | 299                | 450                 | 1,241               | 1,725               | 448                | 397                 | 50                  | 1,106               | 1,904               | -                    | 389                  | 988                  | 10,991                        |
| Medco Net Cash Flow from Operations           | (57)               | (299)              | 1,464               | (1,241)             | 189                 | (448)              | (352)               | 1,526               | (1,061)             | (328)               | 33                   | 1,246                | (934)                | (263)                         |
| <b>Realco</b>                                 |                    |                    |                     |                     |                     |                    |                     |                     |                     |                     |                      |                      |                      |                               |
| Cash Receipts                                 | 453                | -                  | 105                 | 90                  | 0                   | 455                | 68                  | 115                 | -                   | 455                 | -                    | 168                  | -                    | 1,910                         |
| Operating Disbursements                       | 142                | -                  | 102                 | 25                  | 65                  | 44                 | 103                 | 25                  | -                   | 65                  | 79                   | 112                  | -                    | 762                           |
| Realco Net Cash Flow from Operations          | 311                | -                  | 3                   | 65                  | (65)                | 411                | (35)                | 90                  | -                   | 390                 | (79)                 | 56                   | -                    | 1,147                         |
| <b>Net Cash Flow from Operations</b>          | <b>254</b>         | <b>(299)</b>       | <b>1,467</b>        | <b>(1,176)</b>      | <b>125</b>          | <b>(37)</b>        | <b>(387)</b>        | <b>1,616</b>        | <b>(1,061)</b>      | <b>62</b>           | <b>(46)</b>          | <b>1,302</b>         | <b>(934)</b>         | <b>885</b>                    |
| <b>Non-Operating Cash Disbursements</b>       |                    |                    |                     |                     |                     |                    |                     |                     |                     |                     |                      |                      |                      |                               |
| Monitor's Fees                                | -                  | -                  | 150                 | -                   | -                   | 150                | -                   | -                   | -                   | -                   | 180                  | -                    | -                    | 480                           |
| Monitor's Expenses                            | -                  | -                  | 10                  | -                   | -                   | 10                 | -                   | -                   | -                   | -                   | 10                   | -                    | -                    | 30                            |
| Monitor's Counsel's Fees                      | -                  | -                  | 75                  | -                   | -                   | 75                 | -                   | -                   | -                   | -                   | 90                   | -                    | -                    | 240                           |
| Company's Counsel's Fees                      | 30                 | -                  | 50                  | -                   | -                   | 75                 | -                   | -                   | -                   | -                   | 75                   | -                    | -                    | 230                           |
| MLT Legal Fees                                | -                  | -                  | -                   | -                   | -                   | 75                 | -                   | -                   | -                   | -                   | 30                   | -                    | -                    | 105                           |
| Key Employee Retention                        | -                  | -                  | -                   | -                   | -                   | -                  | -                   | -                   | -                   | -                   | -                    | -                    | 50                   | 50                            |
| Interim Financing Interest                    | 25                 | -                  | -                   | -                   | -                   | 1                  | -                   | -                   | -                   | -                   | 8                    | -                    | -                    | 34                            |
| <b>Total Non-Operating Cash Disbursements</b> | <b>55</b>          | <b>-</b>           | <b>285</b>          | <b>-</b>            | <b>-</b>            | <b>386</b>         | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>393</b>           | <b>-</b>             | <b>50</b>            | <b>1,169</b>                  |
| <b>Net Cash Flow</b>                          | <b>199</b>         | <b>(299)</b>       | <b>1,182</b>        | <b>(1,176)</b>      | <b>125</b>          | <b>(423)</b>       | <b>(387)</b>        | <b>1,616</b>        | <b>(1,061)</b>      | <b>62</b>           | <b>(438)</b>         | <b>1,302</b>         | <b>(984)</b>         | <b>(284)</b>                  |
| <b>Opening Cash</b>                           | -                  | 199                | 25                  | 1,207               | 31                  | 156                | 8                   | 21                  | 1,636               | 575                 | 637                  | 199                  | 1,501                | -                             |
| <b>Net Cash Flow</b>                          | 199                | (299)              | 1,182               | (1,176)             | 125                 | (423)              | (387)               | 1,616               | (1,061)             | 62                  | (438)                | 1,302                | (984)                | (284)                         |
| <b>DIP Advance (Repayment)</b>                | -                  | 125                | -                   | -                   | -                   | 275                | 400                 | -                   | -                   | -                   | -                    | -                    | -                    | 800                           |
| <b>Ending Cash</b>                            | 199                | 25                 | 1,207               | 31                  | 156                 | 8                  | 21                  | 1,636               | 575                 | 637                 | 199                  | 1,501                | 516                  | 516                           |
| <b>Opening DIP Facility Availability</b>      | 4,000              | 4,000              | 3,875               | 3,875               | 3,875               | 3,875              | 3,600               | 3,200               | 3,200               | 3,200               | 3,200                | 3,200                | 3,200                | 4,000                         |
| <b>DIP Borrowings</b>                         | -                  | 125                | -                   | -                   | -                   | 275                | 400                 | -                   | -                   | -                   | -                    | -                    | -                    | 800                           |
| <b>DIP Repayments</b>                         | -                  | -                  | -                   | -                   | -                   | -                  | -                   | -                   | -                   | -                   | -                    | -                    | -                    | -                             |
| <b>Closing DIP Facility Availability</b>      | 4,000              | 3,875              | 3,875               | 3,875               | 3,875               | 3,600              | 3,200               | 3,200               | 3,200               | 3,200               | 3,200                | 3,200                | 3,200                | 3,200                         |

UNAUDITED CASH FLOW FORECAST TO BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & PROPOSED MONITOR'S REPORT ON THE CASH FLOW FORECAST

Manitoba Medical Clinic Corporation

Alvarez & Marsal Canada Inc., in its capacity as Proposed Monitor of  
Manitoba Clinic Medical Corporation, and not in its personal or corporate capacity

  
Keith McConnell  
Chief Executive Officer

  
Orest Konowalchuk, LIT  
Senior Vice President

**Manitoba Clinic Medical Corporation ("Medco")**  
**Management Prepared 13 Week Cash Flow Forecast**  
**For the period from November 30, 2022 to February 24, 2023**  
**unaudited, in CAD \$000's**

|   | Forecast Period |              |              |                |              |              |              |              |                |              |           |              |              | Total             |
|---|-----------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|----------------|--------------|-----------|--------------|--------------|-------------------|
|   | Week 1          | Week 2       | Week 3       | Week 4         | Week 5       | Week 6       | Week 7       | Week 8       | Week 9         | Week 10      | Week 11   | Week 12      | Week 13      | Total             |
| <b>Notes</b>                              | 2-Dec-22        | 9-Dec-22     | 16-Dec-22    | 23-Dec-22      | 30-Dec-22    | 6-Jan-23     | 13-Jan-23    | 20-Jan-23    | 27-Jan-23      | 3-Feb-23     | 10-Feb-23 | 17-Feb-23    | 24-Feb-23    | Week 1 to Week 13 |
| <b>Cash Receipts</b>                      |                 |              |              |                |              |              |              |              |                |              |           |              |              |                   |
| Professional Fees                         | 1,947           | -            | 1,847        | -              | 1,847        | -            | -            | 1,566        | -              | 1,566        | -         | 1,624        | -            | 10,397            |
| Sundry, Injectables and Tray Fees         | -               | -            | 57           | -              | 57           | -            | 45           | -            | 45             | -            | 33        | -            | 33           | 270               |
| Research/Clinical Trial Revenue           | -               | -            | -            | -              | -            | -            | -            | -            | -              | -            | -         | -            | -            | -                 |
| EKG Revenue                               | 11              | -            | 10           | -              | 10           | -            | -            | 10           | -              | 10           | -         | 10           | -            | 62                |
| <b>Total Cash Receipts</b>                | <b>1,958</b>    | <b>-</b>     | <b>1,914</b> | <b>-</b>       | <b>1,914</b> | <b>-</b>     | <b>45</b>    | <b>1,576</b> | <b>45</b>      | <b>1,576</b> | <b>33</b> | <b>1,635</b> | <b>33</b>    | <b>10,728</b>     |
| <b>Operating Cash Disbursements</b>       |                 |              |              |                |              |              |              |              |                |              |           |              |              |                   |
| Physician Draw                            | 1,150           | -            | -            | 1,161          | 1,141        | -            | -            | -            | 1,106          | 1,106        | -         | -            | -            | 6,482             |
| True-Up Payments                          | -               | 296          | -            | -              | -            | 284          | -            | -            | -              | 136          | -         | -            | -            | 716               |
| Tweak Revenue Offset                      | -               | -            | -            | -              | -            | (284)        | -            | -            | -              | (136)        | -         | -            | -            | (420)             |
| Payroll and All Benefits                  | 283             | -            | 320          | -              | 283          | -            | 285          | -            | -              | 285          | -         | 257          | -            | 1,712             |
| Medical Supplies                          | 51              | -            | 51           | -              | 51           | -            | 51           | -            | -              | 51           | -         | 46           | -            | 300               |
| Office Supplies                           | 35              | -            | 75           | 25             | -            | -            | 25           | 25           | -              | 25           | -         | 25           | -            | 235               |
| Repairs and Maintenance                   | 33              | -            | -            | 30             | -            | -            | 30           | -            | -              | -            | -         | 30           | -            | 123               |
| Non-Salary Research Clinic Trial          | -               | 3            | -            | -              | 250          | -            | 3            | -            | -              | -            | -         | 3            | 150          | 409               |
| Rent                                      | 389             | -            | -            | -              | -            | 389          | -            | -            | -              | 389          | -         | -            | -            | 1,168             |
| Audit and Legal Fees                      | 10              | -            | -            | -              | -            | 11           | -            | -            | -              | -            | -         | -            | -            | 11                |
| Insurance                                 | 11              | -            | -            | -              | -            | 48           | -            | -            | -              | 48           | -         | -            | -            | 144               |
| GST                                       | -               | -            | 4            | -              | -            | -            | 4            | -            | -              | -            | -         | 4            | -            | 11                |
| Contingency                               | 25              | -            | -            | 25             | -            | -            | -            | 25           | -              | -            | -         | 25           | -            | 100               |
| <b>Total Operating Cash Disbursements</b> | <b>2,015</b>    | <b>299</b>   | <b>450</b>   | <b>1,241</b>   | <b>1,725</b> | <b>448</b>   | <b>397</b>   | <b>50</b>    | <b>1,106</b>   | <b>1,904</b> | <b>-</b>  | <b>389</b>   | <b>968</b>   | <b>10,991</b>     |
| <b>Net Cash Flow from Operations</b>      | <b>(57)</b>     | <b>(299)</b> | <b>1,464</b> | <b>(1,241)</b> | <b>189</b>   | <b>(448)</b> | <b>(352)</b> | <b>1,526</b> | <b>(1,061)</b> | <b>(328)</b> | <b>33</b> | <b>1,246</b> | <b>(934)</b> | <b>(263)</b>      |

UNAUDITED CASH FLOW FORECAST TO BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & PROPOSED MONITOR'S REPORT ON THE CASH FLOW FORECAST

Manitoba Medical Clinic Corporation

Alvarez & Marsal Canada Inc., in its capacity as Proposed Monitor of  
Manitoba Clinic Medical Corporation, and not in its personal or corporate capacity

Keith McConnell  
Chief Executive Officer

Orest Konowalchuk, LIT  
Senior Vice President

*unaudited, in CAD \$000's*

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**Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd. (the "Company")**  
**Notes to Management Prepared 13 Week Cash Flow Forecast**  
**For the period from November 30, 2022 to February 24, 2023**

Disclaimer

*In preparing this cash flow forecast (the "Forecast"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of Canadian dollars.*

**Note 1 Receipts**

Receipts include professional fees received for services provided by the Physicians, sundry and tray fees, EKG and X-ray revenue, parking receipts, lab revenue and other lease income. The projections are based on management's estimates, taking into consideration recent months receipts and expectations with respect to ongoing operations.

**Note 2 Physician Draws**

Physicians are provided with draws during the year, set at a percentage of their projected annual billings. Draws are completed on the last Friday of the month and the first Friday of the following month.

**Note 3 True-Up Payments**

At the end of each fiscal year, a final accounting is conducted where management calculates a "true up" payment by finalizing the calculation of the overhead recovery component of each physician's billing calculation and then remits the remaining outstanding balance owed to the physician after deducting the draws paid throughout the year, the overhead cost allocation and any "tweak" charge. The True Up payments are then paid on a monthly basis throughout the next calendar year once amounts are finalized.

**Note 4 Tweak Revenue Offset**

The Tweak Revenue Offset is intended to charge all of the physicians an additional overhead surcharge when the application of the Rate Grid is insufficient to cover Medco's operating expenses. This offset is anticipated to be required to cover 2022 operating losses.

**Note 5 Payroll and All Benefits**

Salaries, wages, remittances and all employee benefits for salaried and hourly employees.

**Note 6 Medical Supplies**

Medical supplies consists primarily of the supplies required for the Company's procedures.

**Note 7 Office Supplies and Repairs and Maintenance**

Management has set a provision for ordinary course repairs and maintenance related to the Company's real estate assets. Included in this amount are the contracted costs for garbage removal, cleaning supplies, and costs of contracted cleaners at the building.

**Note 8 Non-Salary Research Clinical Trial**

Non-salary research is estimated as a percentage of research/clinical trial revenue. Amount has not yet been finalized.



**Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd. (the "Company")**  
**Notes to Management Prepared 13 Week Cash Flow Forecast**  
**For the period from November 30, 2022 to February 24, 2023**

Disclaimer

*In preparing this cash flow forecast (the "Forecast"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of Canadian dollars.*

- Note 9 Rent**  
Monthly rent payments of approximately \$389,000 from Medco to Realco.
- Note 10 Audit and Legal Fees**  
Forecast audit and legal fees includes the payments post-filing obligations in accordance with the Initial Order.
- Note 11 Insurance**  
Management's forecast for Insurance is based on the monthly financing costs for the insurance premium.
- Note 12 Utilites**  
Forecast utility costs includes managements best estimate based on historical costs and seasonality.
- Note 13 Business taxes**  
Realco incurs monthly business tax payable to City of Winnipeg estimated at \$17,000 per month.
- Note 14 Contingency**  
A contingency of \$25,000 per month has been included for both the Medco and Realco to account for possible unforeseen expenditures.
- Note 15 GST**  
GST payments are for the remittance to CRA for GST amounts collected net of any ITC's paid.
- Note 16 Professional Fees and Expenses**  
Disbursements include forecast payments to Company's counsel, CIBC's counsel, the Monitor and the Monitor's legal counsel as well as, the Monitor's expenses including travel costs, advertising and mailout expenses.
- Note 17 Key Employee Retention Plan ("KERP")**  
Includes retention payments to three key employees who are critical for the day to day operations of the Company. The KERP involves the payment of \$50,000 forecast for Week 13 and a second retention payment of \$50,000 upon the closing of a transaction.
- Note 18 Interim Financing Interest**  
Forecast includes accrued interest payments owing to CIBC for the Interim Financing Facility at Prime +5%.
- Note 19 Opening Cash**  
Assuming the CCAA Initial Order is granted the current lines of credit with CIBC will be frozen and the Company will have zero cash available.

Manitoba Medical Clinic Corporation



Keith McConnell  
Chief Executive Officer

Alvarez & Marsal Canada Inc., in its capacity as Proposed  
Monitor of Manitoba Clinic Medical Corporation,  
and not in its personal or corporate capacity



Orest Konowalchuk, LIT  
Senior Vice President

## **APPENDIX D**

### **Management Representation Letter on the Cash Flow Forecast**



# MANITOBA CLINIC

790 SHERBROOK STREET  
WINNIPEG, MANITOBA  
CANADA R3A 1M3

TELEPHONE 204-774-6541  
FAX 204-775-6378

November 29, 2022

Alvarez & Marsal Canada Inc.  
Bow Valley Square 4  
Suite 1110, 250 6 Ave SW  
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk

**Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA") for  
The Manitoba Clinic Medical Corporation ("Medco") and The Manitoba Clinic  
Holding Co. Ltd. ("Realco")  
(collectively, the "Companies")**

In connection with the application of the Companies for the commencement of proceedings under the CCAA in respect of the Companies, the management of the Companies ("**Management**") prepared the attached cash flow forecasts for Medco and Realco and the assumptions on which these individual cash flow statements are based (the "**Medco and Realco CF Forecast Statements**"). The Medco and Realco CF Statements and corresponding assumptions on which the consolidated cash flow statements is based have been consolidated (the "**Consolidated CF Forecast Statement**"), which are also attached.

The Companies confirms that:

1. the Consolidated CF Forecast Statement and the underlying assumptions are the responsibility of Companies;
2. all material information relevant to the Consolidated CF Forecast Statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
  - a. that the individual assumptions underlying the Consolidated CF Forecast Statement are appropriate in the circumstances;
  - b. that the assumptions underlying the Consolidated CF Forecast Statement, taken as a whole, are appropriate in the circumstances; and
  - c. that all relevant assumptions have been properly presented in the Consolidated CF Forecast Statement or in the notes accompanying the Consolidated CF Forecast Statement.

4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of your monitoring the on-going activities of the Companies, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that breach of these duties and obligations could make the Companies' Management liable to fines and imprisonment in certain circumstances.
6. The Consolidated CF Forecast Statement, along with the Medco and Realco CF Forecast Statements and corresponding assumptions have been reviewed and approved by the Companies' board of directors or Management has been duly authorized by the Companies' board of directors to prepare and approve the cash flow assumptions.

Yours truly,



Keith McConnell  
Chief Executive Officer  
Manitoba Clinic

Cc. Dr. G. Mathew Chair , Board of Directors , Manitoba Clinic