

**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 ARRANGEMENT OF
MANITOBA CLINIC MEDICAL CORPORATION AND THE MANITOBA CLINIC
HOLDING CO. LTD.

**FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.
DATED JANUARY 20, 2023
DATE OF HEARING : WEDNESDAY, JANUARY 25, 2023 AT 9:00A.M.
KROFT, J.**

MONITOR
ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Orest Konowalchuk/Jill Strueby
Telephone: (403) 538-4736/ (403) 538-7529
Email : okonowalchuk@alvarezandmarsal.com/jstrueby@alvarezandmarsal.com

MONITOR'S COUNSEL
McDougall Gauley LLP
Barristers and Solicitors
Ian Sutherland/Craig Firth
500-616 Main Street
Saskatoon, SK S7H 0J6
Telephone : (306) 665-5417
Fax : (306) 652-1323
Email : isutherland@mcDougallgauley.com/cfrith@mcDougallgauley.com

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INTRODUCTION

1. On November 30, 2022, Manitoba Clinic Medical Corporation (“**Medco**”) and The Manitoba Clinic Holding Co. Ltd. (“**Realco**”) (collectively, the “**Applicants**”, the “**Companies**” or the “**Debtors**”) were granted an initial order (“**Initial Order**”) by the Court of King’s Bench of Manitoba (the “**Court**”) in relation to proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”). Amongst other things, the Initial Order provided for a stay of proceedings until December 9, 2022. Pursuant to the Initial Order, Alvarez and Marsal Canada Inc., (“**A&M**”) was appointed as monitor (the “**Monitor**”) in the CCAA Proceedings.
2. On December 1, 2022, the Applicants were granted an Amended and Restated Initial Order (“**ARIO**”) by the Court, which provided for, amongst other things, the following relief:
 - a) an extension of the stay of proceedings until February 24, 2023 (the “**Stay Period**”);
 - b) Interim Financing;
 - c) charges in favour of:
 - i) the Monitor, its legal counsel, and the Applicants' legal counsel;
 - ii) the Interim Lender;
 - iii) the Applicants' directors and officers; and
 - iv) certain key employees of the Applicants for amounts to be provided under a proposed key employee retention plan (“**KERP**”) charge;
 - d) enhanced powers of the Monitor; and
 - e) a sealing order respecting the quantum of the KERP amounts and the parties subject to the KERP.
3. The Applicants are now applying to this Honourable Court seeking an order to:
 - a) extend the stay of proceedings to April 28, 2023;

- b) approve the Monitor's Pre-Filing Report dated November 29, 2022 (the "**Pre-Filing Report**"), the First Report of the Monitor dated January 19, 2023 (this "**Report**"), and the Monitor's actions, activities and conduct described therein;
- c) approve the Monitor and its counsel's fees and disbursements up to December 31, 2022; and
- d) authorizing the Monitor, with the consent of Canadian Imperial Bank of Commerce ("**CIBC**"), the secured lender and Interim Financing lender, to convey, transfer, lease, or assign any part or parts of the Property out of the ordinary course of business (without further approval of the Court) in respect of any transaction not exceeding \$50,000 and provided that the aggregate consideration for all such transactions does not exceed \$350,000.

PURPOSE

- 4. The purpose of this first report of the Monitor (the "**First Report**" or "**this Report**") is to provide information to this Honourable Court in respect of the following:
 - a) the initial activities of the Monitor since the Pre-Filing Report;
 - b) an operational update on Medco and Realco;
 - c) the Cash Flow Forecast (defined and discussed below);
 - d) the proposed extension of the Stay Period; and
 - e) the proposed sale of the Redundant Assets (defined below).
- 5. Capitalized terms not otherwise defined in this Report are as defined in the Initial Order, the ARIO, the Pre-Filing Report and the McConnell Affidavit.

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this Report, A&M, in its capacity as the 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 Companies' management and their respective counsel and directors (collectively, the "**Information**"). Except as otherwise described in this Report in respect of the Companies' cash flow forecast:
 - a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 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 First 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.
7. Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Debtors. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this Report, or otherwise used to prepare this Report.
8. Future oriented financial information referred to in this Report was prepared based on the Debtors' 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.

BACKGROUND

10. As discussed in the Pre-Filing Report of the Monitor and detailed in the McConnell Affidavit, Medco is a privately-held Canadian company, which has been operating since 1946. It operates a multi-specialty medical 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 "**Clinic**"). The privately-held related company, Realco, holds title to the real property upon which the Clinic is situated, certain equipment and certain financial investments. Medco is responsible for the medical operations of the Clinic and houses all the Physicians that work under the Clinic umbrella.
11. 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 have consisted 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 56 Physicians under Service Agreements.
12. Realco acts as a landlord pursuant to a number of commercial leases, including in respect of Medco. Realco owns and operates the real estate and financial assets of the Clinic and is responsible for collecting rent from tenants. Realco's assets primarily consist of real estate located in Winnipeg, including a 10 storey, class A office building, with approximately 133,000 leasable square feet (the "**Building**"), a 6 storey 199,596 square foot parkade and a 5,408 square foot surface parking lot.

The office building was completed in 2017 and the parkade was constructed in 1997.

13. The Clinic (operated by Medco) is the largest tenant in the Building and currently leases approximately 124,000 sq.ft of the 133,000 sq.ft Building; however, a significant portion of the leased space is vacant and not utilized. The Clinic is responsible for paying for the full rent and overhead for all of its leased space, which is one of the key causes of the Clinic's liquidity challenges. The other key tenants in the Building are Shoppers Drug Mart, Imperial Vision, Winnipeg Hearing Aid Center, Dynacare and Orthopedic Medical Supply Sources.
14. Details with respect to the Companies' business operations, corporate organization, history and other financial information, including the Debtor's assets, liabilities and key secured creditors are discussed in the Pre-Filing Report and the McConnell Affidavit.
15. Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor's website at www.alvarezandmarsal.com/manitobaclinic (the "Monitor's Website").

INITIAL ACTIVITIES OF THE MONITOR

16. The Monitor's activities to date have included the following:
 - a) conducting ongoing discussions with Management regarding the Debtors' business and financial affairs;
 - b) communicating with, and attending to various inquiries from, trade creditors and other stakeholders;
 - c) assisting with arrangements with various suppliers regarding their ongoing services;
 - d) assisting Management with the roll-out of the Debtors' post-filing communication plans;
 - e) attending and being present at the Clinic on a weekly basis;

- f) attending multiple meetings with Management and the Physicians both individually and within practice groups;
- g) evaluating Medco's current overhead grid, cost structure and financial position, with the assistance of Management, as part of Medco's restructuring plan to bring Medco back to profitability;
- h) preparing and issuing notices required under the CCAA and the Initial Order, which involved:
 - i) setting-up the Monitor's Website and posting the Initial Order and other Filed Materials;
 - ii) coordinating the publication of the notices prescribed under the CCAA in The Winnipeg Free Press, which were published on December 6 and December 13, 2022;
 - iii) preparing a list of creditors with claims over \$1,000 and posting same to the Monitor's Website;
 - iv) coordinating and distributing the notice to known creditors on December 6, 2022;
 - v) filing the required statutory notices with the Office of the Superintendent of Bankruptcy as required under section 23(1)(f) of the CCAA; and
 - vi) establishing reporting protocols with the Debtors, including but not limited to, reviewing receipts and disbursements and the associated weekly cash flow reporting;
- i) assisting Management with the compilation of the weekly variance reporting as required by the Term Sheet for the Interim Facility;
- j) attending weekly and bi-weekly calls with the Interim Lender, Management, and their respective counsel;
- k) attending numerous progress and update meetings with Management and its counsel;

- l) assisting Management with reconciling the Companies' general ledger accounts on a weekly basis;
- m) assisting Management with tracking and forecasting weekly cash usage and needs;
- n) attending various in-person meetings and calls with representatives of the provincial government (the "**Government**") and leaders within the Manitoba Health community, as discussed further below; and
- o) attending town hall meeting at the Medco clinic with Physicians, staff and Management and providing status updates on the CCAA Proceedings, in general.

OPERATIONAL AND RESTRUCTURING UPDATE

Operations

- 17. Since the Initial Order was granted, Management has been diligently operating in the ordinary course and continuing to provide uninterrupted, quality patient care, while restructuring its affairs. Management has taken great pains in its communications with the Physicians, staff, patients, media and other stakeholders to emphasize that it is business as usual despite the CCAA Proceedings.
- 18. It is critical for Medco's ongoing business that everyone understands that patients can continue to book appointments and procedures with their doctors in the usual manner and that Management continues to be responsible for the day-to-day operations of the clinic. To that end, the Monitor drafted a Frequently Asked Questions document specifically for patients of the clinic (the "**FAQ**"). The FAQ is posted on the Monitor's website and a copy is attached hereto as Appendix "A" for ease of reference.
- 19. Medco's future viability requires the continued work and commitment of the Physicians who provide the services from which Medco's revenue is derived. Early in the process, Management, in consultation with the Monitor, created a

communication similar to the FAQ for the Physicians in an effort to provide guidance and clarity on, amongst other things, the:

- a) CCAA Proceedings and impact of the Initial Order and ARIO (e.g., the stay and inability to pay creditors' pre-filing claims);
 - b) Monitor's role; and
 - c) need for Management, in consultation with the Monitor, to complete Medco's year-end financials before the final overhead and Tweak or True Ups, as the case may be, can be calculated.
20. Management and the Monitor have also spent considerable time meeting with the Physicians to understand their ongoing concerns and seek input on Medco's restructuring. Understandably, the Physicians had questions about the impact of the CCAA Proceedings on the payment of the 2022 True Ups. Management and the Monitor have received similar inquiries from departing physicians and their counsel.
21. As noted in paragraph 49 of the Pre-Filing Report, the 2022 calculation of any True Ups or Tweak, as the case may be, will be determined as part of Medco's year-end financials. This has yet to be completed, but the Physicians, including the departing physicians, have been advised that in accordance with Medco's past practice, Medco will provide a year-end package containing information on the 2022 year-end and reconciliation of all draw accounts in the coming weeks.

Restructuring

22. Management and the Monitor have been working to develop a new framework to:
- a) allow Medco to operate as a viable going concern;
 - b) provide clarity and certainty for the Physicians respecting their contribution to costs, overhead and overall remuneration; and
 - c) determine the right amount of space required to operate the Clinic, which is expected to significantly reduce Medco's ongoing rental obligation to

Realco, while allowing Realco to secure additional tenants for the remaining space in the building.

23. With respect to the Physicians specifically, Management, in consultation with the Monitor, is currently developing a strategy to:
 - a) retain Physicians by addressing their concerns respecting overhead costs and their overall compensation model, including outstanding True Up payments and corresponding Tweak Payments; and
 - b) address the effective use of a significant amount of high-end, quality, unused, hospital grade room space that is ready for use for day appointments and/or overnight patient care, including the ability to carry out various medical procedures.
24. Management, with the assistance of the Monitor, has made progress on a base case overhead model and additional *pro formas* contemplating different restructuring scenarios. This work is ongoing, and the Monitor estimates an additional three to four weeks is needed to complete the analysis. Further, once this analysis is completed, Management and the Monitor intend to consult with the Physicians to get their input and support to finalize this aspect of the go forward restructuring plan.

Additional Departures

25. Recently, Medco received notices from various Physicians wishing to move their medical practices elsewhere or seek early retirement. Currently, the Manitoba Clinic has 56 Physicians with ongoing Service Agreements and it is expected that the Physician count will drop to 36 by April 2023 as a result of the resignation notices. The Physicians at the Clinic specialize in a variety of areas of medical practice including, but not limited to, pediatrics, general practitioners, obstetrics, gynecology, cardiology and ophthalmology.
26. Management and the Monitor have had various communications with the current complement of Physicians who have expressed their collective desire to remain

and practice at the Manitoba Clinic on an ongoing basis. While the Monitor is optimistic as to the retention of these Physicians, there are no guarantees as to how long the remaining Physicians will stay unless the operational and restructuring concerns of the Clinic are addressed efficiently and definitively.

Meeting with Government Officials

27. Prior to the CCAA, the Monitor was advised by the Clinic's Chief Executive Officer ("CEO") that, back in the summer of 2022, the Clinic was in discussions with the Manitoba 'Backlog Task Force' leadership, which was established by the Manitoba Health, and the Bannatyne Campus planning group to highlight the Building's features, infrastructure and available opportunities. The Clinic informed these parties that services available for immediate use at the Building included, but were not limited to, the opportunity to:
 - a) build out a further four treatment rooms;
 - b) increase day treatments in Endoscopy, EKG and X-Ray; and
 - c) use the X-Ray rooms located in the basement of the Building.
28. Although these discussions continued between the parties, there was no formal offer received from these parties to explore the opportunities further.
29. On December 2, 2022, the Monitor and CEO wrote to the Deputy Minister of Health ("DM") and the Premier's Office advising of the CCAA Proceedings and that the Monitor and CEO would appreciate a meeting to further discuss the opportunities available to Manitoba Health and the various agencies in Manitoba. Specifically, the Monitor and the CEO advised that, given the current financial state of the Clinic, the Clinic was hoping to seek any form of support that would allow the Clinic, Manitoba Health and the various health agencies to enter into a mutually beneficial arrangement to address their respective challenges (i.e. the Clinic's vacancy issues and Manitoba Health's shortage of medical space).
30. These options included, but were not limited to, entering into long term lease(s) for vacant turn-key exam space, office space and X-Ray space in the Building, or alternatively, the Clinic would be open to considering a sale of the Building.

31. On December 13, 2022, a meeting was held by the Monitor, the CEO and 20 senior executives (including the DM) at the Clinic to discuss the opportunities available at the Clinic. These parties included representatives from: CancerCare Manitoba, Shared Health Manitoba, Winnipeg Regional Health Authority, University of Manitoba, Health Sciences Centre Foundation and the Children's Hospital Foundation. The CEO advised those in attendance that the Clinic had approximately 3.5 floors of hospital grade, turn-key medical space available (or ~70,000 sq.ft). The Monitor and CEO encouraged the various health agencies that time was of the essence. If they believed the Clinic could assist with their agency on space shortage or services, they should provide a proposal to the Clinic for consideration.
32. On December 15, 2022, the CEO conducted various tours with certain of the health agencies and hosted meetings on what may be possible. The CEO and Monitor also conducted a site tour for the DM and Minister of Health.
33. The Monitor and CEO continue to communicate with the various health agencies, including the DM. Although these discussions have been positive to date, there has yet to be a proposal. The Monitor and CEO continue to strongly encourage the various agencies to act quickly, should they wish to provide a proposal to the Clinic while the Clinic is restructuring initiatives.
34. The Monitor is advised that various health agencies are working to determine their needs and that proposals are being considered based on the individual agencies requirements.
35. The Monitor will provide a further update to the Court on any further material development on this matter.

ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST

36. The Debtors' actual cash receipts and disbursements as compared to the Cash Flow Forecast presented in the Pre-Filing Report of the Proposed Monitor during the

period of November 30, 2022 to January 13, 2023 (the “Reporting Period”) is summarized below:

Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd.			
Consolidated Cash Flow Variance Analysis			
For the Period from November 30, 2022 to January 13, 2023			
<i>in CAD \$000's</i>			
	Forecast	Actual	Variance
Medco			
Cash Receipts	5,831	5,778	(53)
Operating Disbursements	6,574	5,844	730
Medco Net Cash Flow from Operations	(744)	(66)	678
Realco			
Cash Receipts	1,172	667	(505)
Operating Disbursements	481	210	271
Realco Net Cash Flow from Operations	690	456	(234)
Net Cash Flow from Operations	(53)	390	443
Non-Operating Cash Disbursements	726	476	250
Net Cash Flow	(779)	(86)	693
Opening Cash	-	-	-
Net Cash Flow	(779)	(86)	693
DIP Advance (Repayment)	800	350	(450)
Ending Cash	21	264	243
Opening DIP Facility Availability	4,000	3,973	(27)
DIP Borrowings	800	350	450
DIP Repayments	-	-	-
Closing DIP Facility Availability	3,200	3,623	423

37. Over the Reporting Period, the Debtors experienced a positive cash flow variance of approximately \$693,000, primarily as a result of temporary timing differences as well as some permanent variances which are described below:
- a) a negative timing variance with respect to the collection of Medco receipts, due to lower than forecast collections of professional fees, sundry, injectables and tray fees and EKG fees during the Reporting Period;
 - b) a positive timing variance relating to Medco operating disbursements due primarily to a delay in the payment of January 2023 rent, which was subsequently paid on January 15, 2022, and employee payroll;

- c) a positive permanent variance relating to lower than forecast physician draws, medical supplies, office supplies, repairs and maintenance and certain Tweak payments;
 - d) a negative timing variance with respect to the collection of Realco receipts, which is principally the result of a delay in the collection in January 2023 rent and lab revenue;
 - e) a positive timing variance relating to certain Realco disbursements such as utilities, business taxes and radiologist fees during the Forecast Period;
 - f) a positive permanent variance relating to certain repairs and maintenance costs, GST remittances, security, cleaning, supplies and contingency costs; and
 - g) a positive timing variance relating to the payment of the Monitor, the Monitor's counsel and Debtor's counsel's invoices.
38. The opening Interim Financing Facility availability was reduced by approximately \$27,000 due to various expenses that were debited from the Debtor's previous line of credit account prior to the line of credit account being frozen. The \$4,000,000 Interim Financing Facility was reduced to \$3,973,000 to reflect the expenses that were debited.
39. The Debtors have been required to utilize a portion of the Interim Financing Facility during the Reporting Period. As at January 13, 2023, the current amount utilized under the Interim Financing Facility is \$350,000 which leaves approximately \$3,623,000 available to be utilized for future use as required in the Forecast Period.

UPDATED CASH FLOW FORECAST

40. For purposes of paragraph 10(2)(a) of the CCAA, the Companies have prepared an updated weekly cash flow forecast (the "**Second Cash Flow Forecast**") for the 15-week period from January 14, 2023 to April 28, 2023, using the probable and hypothetical assumptions set out in the notes to the Second Cash Flow Forecast. A

copy of the Second Cash Flow Forecast and summary of the underlying assumptions is attached hereto as Appendix “B”.

41. The Second Cash Flow Forecast assumes that all ongoing costs of the Companies continue throughout the Forecast Period.
42. The Second Cash Flow Forecast is summarized below:

Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd. Management Prepared 15 Week Cash Flow Forecast For the period from January 14, 2023 to April 28, 2023 unaudited, in CAD \$000's	
Medco	
Cash Receipts	10,087
Operating Disbursements	10,667
Medco Net Cash Flow from Operations	(580)
Realco	
Cash Receipts	2,506
Operating Disbursements	865
Realco Net Cash Flow from Operations	1,642
Net Cash Flow from Operations	1,061
Total Non-Operating Cash Disbursements	1,302
Net Cash Flow	(240)
Opening Cash	264
Net Cash Flow	(240)
DIP Advance (Repayment)	450
Ending Cash	474
Opening DIP Facility Availability	3,623
DIP Borrowings	450
DIP Repayments	-
Closing DIP Facility Availability	3,173

43. A summary of the Second Cash Flow Forecast and select assumptions includes the following:
- a) total projected cash receipts of approximately \$12.6 million;
 - b) total forecast operating cash disbursements of approximately \$11.5 million relating to physician draws, rent, payroll and employee benefits and medical supplies; and

- c) non-operating cash disbursements of approximately \$1.3 million primarily relating to the forecast payment of fees and disbursements of the Monitor, the Monitor's Counsel, Companies' counsel, and counsel to the primary secured creditor and Interim Financing lender.
44. Accordingly, it appears that the Debtors will experience net negative cash flow over the Forecast Period of approximately \$240,000 and will require additional borrowings of \$450,000 from the Interim Financing facility.
45. The Second Cash Flow Forecast is based on assumptions by Management regarding future events. Management advised that actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Second Cash Flow Forecast will be accurate. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the Report, or relied upon by the Monitor in the course of the preparation of this Report.

SALE OF REDUNDANT ASSETS

46. The ARIO provides that Court approval is required for any sale of the Debtors' Property. The Monitor understands that the Company is seeking an order from this Honourable Court that will allow the Monitor, with the consent of CIBC, to sell any part or parts of the Property out of the ordinary course of business, without further approval of the Court, in respect of any transaction not exceeding \$50,000 and provided that the aggregate consideration for all such transactions does not exceed \$350,000.
47. If granted, the proposed order would allow the Monitor to sell not just the Redundant Assets, but also any other equipment that may be identified as no longer being necessary for the continued operation of the Clinic. The goal in seeking this relief is to avoid the costs of future court applications to approve the sale of Property items, the value of which is on the lower end of the spectrum.

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

48. The Company seeks approval from this Honourable Court of the professional fees and disbursements of the Monitor and the Monitor's Counsel for the period of November 19 to December 31, 2022 (the "**Interim Taxation Period**").
49. The total fees and expenses of the Monitor during the Interim Taxation Period are \$347,022.89 (exclusive of GST), which comprise of \$327,198.50 in fees and \$19,824.34 in expenses (the "**Monitor's Fees and Costs**"). A summary of the Monitor's fees and expenses by invoice is attached as Appendix "C" to this Report.
50. The total fees and expenses of the Monitor's Counsel, McDougall Gauley LLP, during the Interim Taxation Period total \$66,624.40 (exclusive of GST (the "**Monitor's Counsel's Fees and Costs**"). A summary of the Monitor's Counsel's Fees and Costs by invoice is attached as Appendix "D" to this Report.
51. The Monitor and its counsel's invoices outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. Copies of the invoices will be brought to the Debtors' motion before this Honourable Court set for January 25, 2023, and made available to the Court.
52. In the Monitor's respectful view, its fees and those of the Monitor's counsel are fair and reasonable under the circumstances, and the Monitor therefore respectfully requests the Court's approval of these accounts for the Interim Taxation Period.

EXTENSION OF THE STAY OF PROCEEDINGS

53. Pursuant to the ARIIO, the Stay Period will expire on February 24, 2023. The Debtors are seeking an extension to the Stay Period to April 28, 2023 (the "**Stay Extension**").
54. The Monitor supports the Stay Extension for the following reasons:
 - a) it will afford the Debtors and the Monitor sufficient time to:

- i) consult with a leasing agent and advance the leasing of space at the Clinic;
 - ii) complete the 2022 year end accounting and provide the Physicians with financial information;
 - iii) finalize a restructuring plan for Medco and Realco;
 - iv) evaluate the merits and timing of a potential sale and investment solicitation process;
 - v) continue critical discussions with representatives of the Government of Manitoba and other agencies respecting Realco; and
 - vi) avoid the costs of a further application in February, which would otherwise be necessary to extend the Stay Period.
- b) the Debtors are forecasted to have sufficient liquidity to continue to operate in the ordinary course of business during the requested extension of the Stay Period;
 - c) the Monitor is unaware of any creditor of the Debtors who will be materially prejudiced by the proposed extension of the Stay Period; and
 - d) in the Monitor's opinion, the Debtors have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

CONCLUSIONS AND RECOMMENDATIONS

55. Based on the current information that has been made available to the Monitor by the Companies, the Monitor respectfully recommends that this Honourable Court approve:

- a) the extension of the Stay Period until April 28, 2023;
- b) the Pre-Filing Report, this Report, and the Monitor's actions, activities and conduct described therein;
- c) the professional fees and costs of the Monitor and its counsel during the Interim Taxation Period; and

- d) the Monitor, with the consent of CIBC, selling any part or parts of the Property out of the ordinary course without further Court approval.

All of which is respectfully submitted to this Honourable Court this 20th day of January, 2023.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Monitor of
the Companies and not in its personal or
corporate capacity**



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



Jill Strueby, CPA, CA, CIRP, LIT
Vice President

APPENDIX A
Frequently Asked Questions

**MANITOBA CLINIC MEDICAL CLINIC AND THE MANITOBA CLINIC HOLDING CO.
LTD. (collectively, the “Manitoba Clinic” or the “Companies”)**

FREQUENTLY ASKED QUESTIONS – PATIENTS

1. What are CCAA Proceedings?

Manitoba Clinic Medical Corporation and its affiliated company, The Manitoba Clinic Holding Co. Ltd. (jointly "Manitoba Clinic"), announced today that they have obtained an order from the King's Bench of Manitoba that provides court protection from their creditors pursuant to the *Companies' Creditors Arrangement Act* (“CCAA”) (the “Initial Order”), to allow the Manitoba Clinic to restructure its business, operational and financial affairs.

Under the Initial Order, management of the Manitoba Clinic will continue to be responsible for the day-to-day operations of the business, under the general oversight of the court-appointed monitor, Alvarez & Marsal Canada Inc. The Initial Order also provides for, among other things, a stay of proceedings in favour of the Manitoba Clinic and its property.

The goal of initiating this process is to not only come to a compromise with the Manitoba Clinic's creditors, but to also enhance all elements of patient care and the overall business in a sustainable way.

2. What do the CCAA Proceedings mean for the Manitoba Clinic's operations, and what impact will the CCAA Proceedings have on my future appointments?

THERE IS NO CHANGE TO YOUR CURRENT AND FUTURE APPOINTMENTS. PATIENTS SHOULD ATTEND ALL PREVIOUSLY SCHEDULED CLINIC APPOINTMENTS AND PROCEDURES. There will be no changes to the day-to-day operations of the Manitoba Clinic during the restructuring process. Patients should continue to book appointments and procedures with their clinic doctors in the usual manner.

3. Does this mean Manitoba Clinic is bankrupt / closing?

No. Manitoba Clinic is not bankrupt nor is the Manitoba Clinic shutting its doors. It is business as usual.

Management of the Manitoba Clinic will continue to be responsible for the day-to-day operations of the business, under the general oversight of the court-appointed monitor, Alvarez & Marsal Canada Inc.

4. Who is the Monitor?

Alvarez & Marsal Canada Inc. is a corporate restructuring and insolvency professional services firm and licensed insolvency trustee, who was appointed by the court as its “court officer”. The Monitor's role in the CCAA process is to monitor the business and financial affairs of the Companies and aid in the development and execution (if accepted) of a plan of arrangement (the “**Plan**”) to be presented to the Companies' affected creditors.

In addition, the Monitor has also been given certain “enhanced powers” from the Court, which will, amongst other things, allow the Monitor to take carriage of the restructuring of the Manitoba Clinic’s operations and its financial affairs, with the assistance of senior management and the board of directors.

5. How long will the CCAA Proceedings take?

The CCAA is in its initial stages. The length of the entire process varies; however, the Companies, along with the Monitor, are committed to keeping all of the Manitoba Clinic’s stakeholders up-to-date on the CCAA Proceedings by keeping the Monitor’s website current at: www.alvarezandmarsal.com/manitobaclinic .

6. What do I do if I have other questions and where can I find information on the CCAA Proceedings?

The Monitor makes all publicly available documents and information available online on its website at www.alvarezandmarsal.com/manitobaclinic.


For questions relating to the CCAA Proceedings, you can contact the Monitor’s representatives by phone at 403-538-7527 or by email at soosterbaan@alvarezandmarsal.com.

APPENDIX B
Second Cash Flow Forecast and Assumptions


Manitoba Clinic Medical Corporation ("Medco") and The Manitoba Clinic Holding Co. Ltd. ("Realco")
Management Prepared 15 Week Cash Flow Forecast - Consolidated
For the period from January 14, 2023 to April 28, 2023
unaudited, in CAD \$000's

	Notes	Forecast Period														Total Week 8 to Week 22	
		Week 8 20-Jan-23	Week 9 27-Jan-23	Week 10 3-Feb-23	Week 11 10-Feb-23	Week 12 17-Feb-23	Week 13 24-Feb-23	Week 14 3-Mar-23	Week 15 10-Mar-23	Week 16 17-Mar-23	Week 17 24-Mar-23	Week 18 31-Mar-23	Week 19 7-Apr-23	Week 20 14-Apr-23	Week 21 21-Apr-23		Week 22 28-Apr-23
Medco																	
Cash Receipts	1	1,485	-	1,857	-	1,600	-	1,600	-	1,266	-	1,266	-	-	1,211	-	10,087
Operating Disbursements	2-15	773	1,122	1,898	-	381	1,079	1,681	-	346	-	1,005	1,186	304	30	863	10,867
Medco Net Cash Flow from Operations		712	(1,122)	(241)	-	1,220	(1,079)	(80)	-	920	-	261	(1,186)	(304)	1,181	(863)	(580)
Realco																	
Cash Receipts	1	594	54	455	-	172	-	455	-	79	90	25	430	-	152	-	2,506
Operating Disbursements	2-15	137	-	58	56	105	-	58	56	116	-	42	72	122	-	42	865
Realco Net Cash Flow from Operations		458	54	396	(56)	67	-	396	(56)	(38)	90	(17)	358	(122)	152	(42)	1,642
Net Cash Flow from Operations		1,170	(1,068)	155	(56)	1,286	(1,079)	316	(56)	882	90	244	(827)	(426)	1,334	(906)	1,061
Non-Operating Cash Disbursements																	
Monitor's Fees	16	130	-	-	180	-	-	-	125	-	-	-	-	125	-	-	560
Monitor's Expenses	16	10	-	-	10	-	-	-	10	-	-	-	-	10	-	-	40
Monitor's Counsel's Fees	16	-	-	-	90	-	-	-	63	-	-	-	-	50	-	-	203
Company's Counsel's Fees	16	35	-	-	75	-	-	-	75	-	-	-	-	75	-	-	260
MLT Legal Fees	16	75	-	-	30	-	-	-	30	-	-	-	-	30	-	-	165
Key Employee Retention	17	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	50
Interim Financing Interest	18	-	-	-	7	-	-	-	8	-	-	-	-	9	-	-	24
Total Non-Operating Cash Disbursements		250	-	-	392	-	50	-	310	-	-	-	-	299	-	-	1,302
Net Cash Flow		920	(1,068)	155	(448)	1,286	(1,129)	316	(366)	882	90	244	(827)	(725)	1,334	(906)	(240)
Opening Cash	19	264	1,184	117	272	24	1,310	181	498	132	1,014	1,104	1,348	521	46	1,379	264
Net Cash Flow		920	(1,068)	155	(448)	1,286	(1,129)	316	(366)	882	90	244	(827)	(725)	1,334	(906)	(240)
DIP Advance (Repayment)		-	-	-	200	-	-	-	-	-	-	-	-	250	-	-	450
Ending Cash		1,184	117	272	24	1,310	181	498	132	1,014	1,104	1,348	521	46	1,379	474	474
Opening DIP Facility Availability		3,623	3,623	3,623	3,623	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,173	3,173	3,623
DIP Borrowings		-	-	-	200	-	-	-	-	-	-	-	-	250	-	-	450
DIP Repayments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing DIP Facility Availability		3,623	3,623	3,623	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,173	3,173	3,173	3,173

Manitoba Medical Clinic Corporation and The Manitoba Clinic Holding Co. Ltd.


Keith McConnell
Chief Executive Officer

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


Orest Konowalchuk, LIT
Senior Vice President


Manitoba Clinic Medical Corporation ("Medco")
Management Prepared 15 Week Cash Flow Forecast
For the period from January 14, 2023 to April 28, 2023
unaudited, in CAD \$000's

	Notes	Forecast Period															Total
		Week 8 20-Jan-23	Week 9 27-Jan-23	Week 10 3-Feb-23	Week 11 10-Feb-23	Week 12 17-Feb-23	Week 13 24-Feb-23	Week 14 3-Mar-23	Week 15 10-Mar-23	Week 16 17-Mar-23	Week 17 24-Mar-23	Week 18 31-Mar-23	Week 19 7-Apr-23	Week 20 14-Apr-23	Week 21 21-Apr-23	Week 22 28-Apr-23	Total Week 8 to Week 22
Cash Receipts																	
Professional Fees		1,436	-	1,608	-	1,554	-	1,554	-	1,225	-	1,225	-	-	1,177	-	9,780
Sundry, Injectables and Tray Fees		39	-	39	-	36	-	36	-	31	-	31	-	-	24	-	236
Research/Clinical Trial Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EKG Revenue		10	-	10	-	10	-	10	-	10	-	10	-	-	10	-	71
Sublease Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts	1	1,485	-	1,657	-	1,600	-	1,600	-	1,266	-	1,266	-	-	1,211	-	10,087
Operating Cash Disbursements																	
Physician Draw	2	-	1,122	1,122	-	-	929	929	-	-	-	733	733	-	-	620	6,186
True-Up Payments	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tweak Revenue Offset	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll and All Benefits	5	246	-	271	-	255	-	251	-	227	-	215	16	223	-	196	1,900
Medical Supplies	6	46	-	46	-	42	-	42	-	37	-	37	-	29	-	29	307
Office Supplies	7	23	-	23	-	22	-	22	-	21	-	21	-	18	-	18	167
Repairs and Maintenance	7	30	-	-	-	30	-	-	-	30	-	-	-	-	30	-	120
Non-Salary Research Clinic Trial	8	3	-	-	-	3	150	-	-	3	-	-	-	3	-	-	162
Rent	9	389	-	389	-	-	-	389	-	-	-	-	389	-	-	-	1,556
Audit and Legal Fees	10	11	-	-	-	-	-	-	-	-	-	-	2	-	-	-	13
Insurance	11	-	-	48	-	-	-	48	-	-	-	-	48	-	-	-	144
GST	14	-	-	-	-	4	-	-	-	4	-	-	-	4	-	-	11
Contingency	15	25	-	-	-	25	-	-	-	25	-	-	-	25	-	-	100
Total Operating Cash Disbursements		773	1,122	1,898	-	381	1,079	1,681	-	346	-	1,005	1,186	304	30	863	10,667
Net Cash Flow from Operations		712	(1,122)	(241)	-	1,220	(1,079)	(80)	-	920	-	261	(1,186)	(304)	1,181	(863)	(580)

Manitoba Clinic Medical Corporation


Keith McConnell
Chief Executive Officer

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


Crest Konowalchuk, LIT
Senior Vice President

The Manitoba Clinic Holding Co. Ltd. ("Realco")
Management Prepared 15 Week Cash Flow Forecast
For the period from January 14, 2023 to April 28, 2023
unaudited, in CAD \$000's

	Notes	Forecast Period														Total	
		Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Total
		20-Jan-23	27-Jan-23	3-Feb-23	10-Feb-23	17-Feb-23	24-Feb-23	3-Mar-23	10-Mar-23	17-Mar-23	24-Mar-23	31-Mar-23	7-Apr-23	14-Apr-23	21-Apr-23	28-Apr-23	Week 8 to Week 22
Cash Receipts																	
Parking Revenue		-	54	-	-	57	-	-	-	54	-	-	-	-	37	-	202
Lab Revenue		180	-	-	-	90	-	-	-	90	-	-	-	-	90	-	450
MBMC Rent	9	389	-	389	-	-	-	389	-	-	-	389	-	-	-	-	1,556
Other Lease Income		-	-	41	-	-	-	41	-	-	-	41	-	-	-	-	122
X-Ray Income		25	-	25	-	25	-	25	-	25	-	25	-	-	25	-	175
Other Income		-	-	0	-	-	-	0	-	-	-	0	-	-	-	-	0
Total Cash Receipts		594	54	455	-	172	-	455	-	79	90	25	430	-	152	-	2,506
Operating Cash Disbursements																	
R/M, security, cleaning, supplies	7	31	-	31	-	31	-	31	-	31	-	31	-	31	-	31	250
Salaries and Benefits	5	11	-	11	-	11	-	11	-	11	-	11	-	11	-	11	89
Radiologist Fees		16	-	16	-	-	-	16	-	-	-	16	-	-	-	-	64
Repairs and Maintenance - Capex		17	-	-	-	-	-	-	-	11	-	-	-	17	-	-	44
Audit and Legal Fees	10	-	-	-	15	-	-	-	15	-	-	-	15	-	-	-	44
Insurance	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	12	-	-	-	41	-	-	-	41	-	-	-	41	-	-	-	123
Office Supplies, Expense, & Consulting		-	-	-	-	1	-	-	-	1	-	-	-	1	-	-	3
Business taxes	13	17	-	-	-	17	-	-	-	17	-	-	-	17	-	-	68
GST Remittance	14	20	-	-	-	20	-	-	-	20	-	-	-	20	-	-	80
Contingency	15	25	-	-	-	25	-	-	-	25	-	-	-	25	-	-	100
Total Operating Cash Disbursements		137	-	88	56	105	-	58	56	116	-	42	72	122	-	42	865
Net Cash Flow from Operations		458	54	396	(56)	67	-	396	(56)	(38)	90	(17)	358	(122)	152	(42)	1,642

The Manitoba Clinic Holding Co. Ltd.



Keith McConnell
Chief Executive Officer

Alvarez & Marsal Canada Inc., in its capacity as Monitor of
The Manitoba Clinic Holding Co. Ltd. and not in its personal or corporate capacity



Orest Konowalchuk, LIT
Senior Vice President

Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd. (the "Company")
Notes to Management Prepared 15 Week Cash Flow Forecast
For the period from January 14, 2023 to April 28, 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, rent, 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 potential true up payments are then paid throughout the next calendar year once amounts are finalized. The 2022 year end accounting has not yet been finalized by management.

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 security and cleaners at the building.

Note 8 Non-Salary Research Clinical Trial

Non-salary research is estimated as a percentage of research/clinical trial revenue.

Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd. (the "Company")
Notes to Management Prepared 15 Week Cash Flow Forecast
For the period from January 14, 2023 to April 28, 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 protections 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 of post-filing obligations in accordance with the Initial Order and Amended and Restated Initial Order.

Note 11 Insurance

Management's forecast for insurance is based on the monthly financing costs for the insurance premium.

Note 12 Utilities

Forecast utility costs includes management's best estimate based on historical costs and seasonality.

Note 13 Business taxes

Realco incurs monthly business tax payable to the City of Winnipeg which is estimated at \$17,000 per month.

Note 14 GST

GST payments are for the remittance to CRA for GST amounts collected net of any ITC's paid.

Note 15 Contingency

A contingency of \$25,000 per month has been included for both the Medco and Realco to account for possible unforeseen expenditures.

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

The Forecast includes accrued interest payments owing to CIBC for the Interim Financing Facility at Prime +5%.

Note 19 Opening Cash

The opening cash balance reflects the current Company cash balance and includes previous interim financing draws completed by the Company during the CCAA proceedings.

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The Manitoba Clinic Holding Co. Ltd.

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The Manitoba Clinic Holding Co. Ltd.,
and not in its personal or corporate capacity



Keith McConnell
Chief Executive Officer



Orest Konowalchuk, LIT
Senior Vice President

APPENDIX C
Monitor's Fees and Costs

Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd.

Appendix C

Summary of Monitor's Fees and Disbursements

November 19 to December 31, 2022

Inv. No.	Period	Total Fees &				Total
		Fees	Disbursements	Disbursements	GST	
1	November 19, 2022 to December 9, 2022	222,520.00	239.05	222,759.05	11,137.95	233,897.00
2	December 10, 2022 to December 31, 2022	104,678.50	19,585.34	124,263.84	6,213.19	130,477.03
		\$ 327,198.50	\$ 19,824.39	\$ 347,022.89	\$ 17,351.14	\$ 364,374.03

APPENDIX D
Monitor's Counsel's Fees and Costs

Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd.

Appendix D

Summary of Monitor's Counsel's Fees and Disbursements

November 24 to December 28, 2022

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	PST	Total
686173	November 24, 2022 to December 9, 2022	47,970.00	8.00	47,978.00	2,398.90	2,878.20	53,255.10
687033	December 10, 2022 to December 28, 2022	18,630.00	16.40	18,646.40	932.32	1,117.80	20,696.52
		\$ 66,600.00	\$ 24.40	\$ 66,624.40	\$ 3,331.22	\$ 3,996.00	\$ 73,951.62