

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Companies' Creditors Arrangement Act,
(R.S.C., c. C-36, as amended)

COURT NO.: 500-11-065011-245

IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF:

ELNA MEDICAL GROUP INC. / GROUPE MÉDICAL ELNA INC. a corporation existing under the laws of Canada, having its registered office at 5990 Chemin de la Côte-des-Neiges in Montréal, Québec, H3S 1Z5, Canada.

-AND-

9508503 CANADA INC. a corporation existing under the laws of Canada, having its registered office at 5990 Chemin de la Côte-des-Neiges in Montréal, Québec, H3S 1Z5, Canada.

-AND-

OTHER ENTITIES LISTED IN SCHEDULE A HEREIN

Hereinafter collectively referred to as the “**Applicants**”

-AND-

RAYMOND CHABOT INC., duly incorporated legal person having a place of business at 600 De La Gauchetière Street West, Suite 2000, in the city of Montréal, in the province of Québec, H3B 4L8, Canada;

Hereinafter referred to as the “**Monitor**” or “**RCI**”

FIRST REPORT TO THE COURT SUBMITTED BY RAYMOND CHABOT INC.

To the Honourable Martin F. Sheehan, J.S.C., we respectfully submit the First Report of the Monitor (the “**Report**”).

Signed in Montréal, on December 16, 2024

RAYMOND CHABOT INC.
Monitor


Benoit Fontaine, CPA, CIRP, LIT

1. INTRODUCTION

- 1.1. On December 11, 2024, the Applicants notified an Application for an Initial Order, an Amended and Restated Initial Order, a SISP Approval Order and Other Ancillary Relief, seeking a first day initial order and other relief.
- 1.2. On December 11, 2024, the Monitor issued its pre-filing report (the “**Pre-Filing Report**”), which enumerated the relief sought in the application for an initial order and provided the Monitor’s views and recommendations on the following items:
 - 1.2.1. Overview of the ELNA Group;
 - 1.2.2. Appointment of the Proposed Monitor;
 - 1.2.3. Context and Causes of Financial Difficulties;
 - 1.2.4. Summary Analysis of the Financial Situation and Overview of Liabilities;
 - 1.2.5. Restructuring Plan;
 - 1.2.6. Projected Cash-Flow;
 - 1.2.7. Stay of Proceedings, Including in Respect of Amram;
 - 1.2.8. Sale and Investment Solicitation Process;
 - 1.2.9. DIP Financing and DIP Charge;
 - 1.2.10. Payments to Doctors;
 - 1.2.11. Engagement of the Chief Financial Officer;
 - 1.2.12. Other Charges - Administration Charge and D&O Charge;
 - 1.2.13. Intercompany Transactions;
 - 1.2.14. Consequences of a Potential Bankruptcy in the Absence of the Initial Order Being Granted; and
 - 1.2.15. Conclusions and Recommendations.
- 1.3. On December 11, 2024, following the first day hearing, this Court issued an initial order (the “**Initial Order**”) providing for, *inter alia*, the following relief:
 - 1.3.1. declaring that the CCAA applies to the Applicants;
 - 1.3.2. staying all proceedings and remedies taken or that might be taken in respect of the Applicants, and any of their property, except as otherwise set forth in the Initial Order or as otherwise permitted by law (the “**Stay**”), for an initial period of ten days in accordance with the CCAA (the “**Stay Period**”);

- 1.3.3. staying all civil proceedings and remedies taken or that might be taken in respect of Laurent Amram, and any of his property, with respect to: i) personal guarantees granted on debts of the Applicants, and ii) personal loans whose proceeds were totally invested in the Applicants (the “**Amram Stay**”);
 - 1.3.4. appointing Raymond Chabot Inc. as the Monitor of the Applicants in these proceedings, with the powers provided for in the Initial Order
 - 1.3.5. ordering the procedural consolidation of the CCAA proceedings in respect of each of the Applicants, for administrative purposes only;
 - 1.3.6. granting the Administration Charge in the amount of \$750K;
 - 1.3.7. granting a D&O Charge in the amount of \$725K;
 - 1.3.8. authorizing the engagement of the CFO;
 - 1.3.9. authorizing National Bank of Canada (“**NBC**”) to provide the DIP Facility to the Applicants and granting a DIP Charge in the amount of \$1.2M in relation thereto;
 - 1.3.10. authorizing the Applicants, with the consent of the Monitor, and in accordance with agreements in effect with certain secured creditors, to convey, assign, lease or in any other manner dispose of property, outside the normal course of business, in whole or in part, provided that the price in each case does not exceed \$300K in the aggregate;
 - 1.3.11. authorizing the Applicants to pay, with the consent of the Monitor, any pre filing unpaid claims of suppliers it deems critical, up to an aggregate amount of \$300K;
 - 1.3.12. authorizing the Applicants to establish the MRP and granting the related MRP Charge in the amount of \$3.0M;
 - 1.3.13. the scheduling of a comeback hearing for December 17, 2024 (the “**Comeback Hearing**”); and
 - 1.3.14. ordering the sealing of certain confidential exhibits supporting this Application and Schedule C of the Pre-Filing Report.
- 1.4. On December 16, 2024, the Applicants notified an *Amended Application for an Initial Order, an Amended and Restated Initial Order, a SISP Approval Order and Other Ancillary Relief* (the “**Application**”), seeking *inter alia*, at the Comeback hearing, the following additional relief as part of the proposed Amended and Restated Initial Order (the “**ARIO**”):
 - 1.4.1. an extension the Stay Period until on or about February 12, 2025;
 - 1.4.2. an extension of the Amram Stay (subject to the modifications provided in the Application and proposed ARIO) until on or about February 12, 2025;
 - 1.4.3. the authorization provided to the Applicants, with the consent of the Monitor, to convey, assign, lease or in any other manner dispose of property, outside the normal course of

business, in whole or in part, provided that the price in each case does not exceed \$500,000 individually and \$1,500,000 in the aggregate;

- 1.4.4. the increase of certain CCAA Charges, namely the Administration Charge (up to \$1.0M) DIP Charge (up to \$6.0M) and the D&O Charge (up to \$1.6M);
- 1.4.5. the addition of Gestion Privamed Inc. as an Applicant to these proceedings;
- 1.4.6. the establishment of a KERP (as defined below) and a KERP Charge (as defined below, in the amount of \$250K); and
- 1.4.7. the approval of any other relevant relief sought by the Applicants or deemed necessary by the Court.

1.5. This Report is intended to briefly supplement the Pre-Filing Report for the purposes of the Comeback Hearing, and to provide an update on certain limited items in relation to the Application, namely:

- Section 2: Activities of the Monitor since the issuance of the Initial Order;
- Section 3: Launch of the SISP;
- Section 4 : Update on the MRP and Communications with Medicentres Doctors;
- Section 5 : Medicentres Key Employee Retention Plan (KERP)
- Section 6: Update on the DIP Financing;
- Section 7: Increase of the Amounts of CCAA Charges; and
- Section 8: Conclusions and Recommendations.

1.6. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Application.

2. ACTIVITIES OF THE MONITOR SINCE THE ISSUANCE OF THE INITIAL ORDER

- 2.1. On December 12, 2024, the Monitor posted relevant materials relating to the CCAA Proceedings on its website at <https://www.raymondchabot.com/en/companies/public-records/groupe-elna/> (the “**Monitor’s Website**”). Such documents include, namely, the :
- Application;
 - Pre-Filing Report of the Proposed Monitor;
 - First Day Initial Order;
 - Judgment on Request for an Initial Order; and the
 - SISF Approval Order, including the Bidding Procedures.
- 2.2. The Monitor also set up a dedicated email address (elna@rcgt.com) and a toll-free line (1-844-967-3706) to allow the different stakeholders to contact the Monitor directly to discuss any matter related to the CCAA Proceedings.
- 2.3. On December 13, 2024, the Monitor circulated a notice for publication with respect to the Initial Order, to be published in (i) La Presse+ (on December 18 and 24, 2024) and (ii) in The Globe & Mail (December 17 and 24, 2024), as required pursuant to the Initial Order.
- 2.4. On December 16, 2024, the Monitor filed Form 1 with the Office of the Superintendent of Bankruptcy. Form 2 will be filed by December 20, 2024.
- 2.5. The Monitor has gathered the required information to send a notice to all known creditors having an amount due of more than \$1,000 (the “**Notice to Creditors**”). The Notice to Creditors will be sent by December 17, 2024, by e-mail, fax and regular mail and with the understanding that the regular delivery by Canada Post should have restarted.
- 2.6. The Monitor assisted management in numerous discussions with doctors, suppliers, landlords, and secured and unsecured creditors.
- 2.7. The Monitor supervised receipts and disbursements on a daily basis and held daily meetings with management to discuss operations and potential restructuring measures. The Monitor also revised, on a daily basis, the list of payments to be made by the different controllers of the ELNA Group.
- 2.8. The Monitor assisted management in the preparation and transmission of financial information to the Financial Advisor (as defined thereafter), in regard to the SISF.

3. LAUNCH OF THE SISP

- 3.1. Immediately following the issuance of the Initial Order, Raymond Chabot Grant Thornton & Co. LLP, as “**Financial Advisor**” pursuant to the SISP, with the assistance of the Monitor and the Applicants, began preparing materials in order to launch the SISP without any further delay.
- 3.2. As part of these efforts, the Monitor provided assistance to the Financial Advisor and to the Applicants in preparing a template non-disclosure agreement (the “**NDA**”), a teaser and a teaser letter to be provided to potential bidders.
- 3.3. These materials were finalized on December 13, 2024. On December 14, 2024, these materials together with the Bidding Procedures were forwarded to 137 potential bidders.
- 3.4. In regards to the next steps, parties wishing to be granted access to the virtual dataroom and to the confidential information memorandum (in preparation) must first execute the NDA, in accordance with the Bidding Procedures.
- 3.5. As of the date of this report, 15 NDA have been executed (including those that had been executed prior to the Initial Order), 10 introduction calls were made and certain additional letters of interest have been received. The Financial Advisor expects the VDR to be online by December 18, 2024.
- 3.6. All potential bidders were duly reminded of the next steps in the teaser letter, including with respect to the upcoming deadline in respect of phase 1 non-binding letters of intent, which will occur on January 31, 2025, at 5:00 p.m. (Eastern prevailing time).

4. UPDATE ON THE MRP AND COMMUNICATIONS WITH MEDICENTRES DOCTORS

- 4.1. As briefly mentioned in Section 2 above, the Monitor has been involved in many discussions and communications with doctors and with the Applicants in respect to same.
- 4.2. Starting from the evening of December 11, 2024, the day of the Initial Order, and on a quasi-daily basis since, the Applicants and the Monitor participated in meetings with various groups of doctors.
- 4.3. The Monitor, with the assistance of the Applicants, also prepared communications to Medicentres doctors in which they provided, as the case may be, certain explanations (i) in respect of the MRP approved by the Court as part of the Initial Order, and (ii) assurances in respect of upcoming payments, in view of alleviating certain concerns with respect to the Applicants’ upcoming monetary obligations.
- 4.4. These communications were issued on December 13, 2024, and the Monitor has since been kept apprised of various discussions and issues pertaining to same.

5. MEDICENTRES KEY EMPLOYEE RETENTION PLAN (KERP) AND KERP CHARGE

- 5.1. The Application seeks the approval of the proposed KERP and of a KERP Charge in the amount of \$250K, in relation to two key employees of Medicentres, respectively located in Ontario and in Alberta.
- 5.2. The proposed KERP and KERP Charge aim to secure the participation of these key employees during the restructuring proceedings, with a view to maintain the going concern and the activities of Medicentres, for the benefit of all of its stakeholders.
- 5.3. The KERP Charge is limited to the Medicentres' assets and property and no payment shall occur under the KERP until a transaction takes place or a plan of arrangement in respect of Medicentres is implemented and that the net proceeds are sufficient to cover amounts owed under the MRP Charge.
- 5.4. The Monitor has been involved in discussions relating to the KERP with the Applicants and is of the view that the proposed KERP and KERP Charge are reasonable and necessary in the circumstances.

6. UPDATE ON THE DIP FINANCING

- 6.1. On December 13, 2024, the Applicants, with the consent of the Monitor, issued a first drawdown request to NBC in respect of the DIP Financing, in an initial amount of \$1.0M.
- 6.2. These sums were reflected in the cash-flow statement included in the Pre-Filing Report which showed a drawdown and collection of the DIP Financing in the same amount, for the week ended December 13, 2024.
- 6.3. The sums were disbursed by NBC, and received by the Applicants, on the same day.

7. INCREASE OF THE AMOUNTS OF CCAA CHARGES

- 7.1. The proposed ARIO contemplates the increase of the following CCAA Charges:
 - 7.1.1. Administration Charge: from \$750K to \$1.0M;
 - 7.1.2. DIP Charge: from \$1.2M to \$6.0M; and
 - 7.1.3. D&O Charge: from \$725K to \$1.6M.
- 7.2. These increases are in line with what was contemplated at the time of the first day initial order and were determined in consultation with the Monitor.

7.3. The Monitor supports these increases that it considers reasonable and appropriate in the circumstances, based namely on comparable situations and the Monitor's experience.

8. CONCLUSIONS AND RECOMMENDATIONS

8.1. The Monitor is supportive of the relief sought in the Application and the proposed ARIO as part of the Comeback Hearing.

8.2. The relief will allow the Applicants to continue the restructuring process and the SISF, in the interest of all stakeholders.

8.3. Subject to continued access to the DIP Financing, the Applicants are expected to have sufficient funds for the duration of the proposed Stay Period.

8.4. The Monitor is of the opinion that the Applicants have acted with diligence and in good faith since the issuance of the Initial Order.

SCHEDULE A – LIST OF APPLICANT ENTITIES

- 9508503 Canada Inc.
- ELNA Medical Group Inc.
- ELNA Pediatrics Inc.
- Tiny Tots Medical Centre Ltd.
- 7503881 Canada Inc.
- Clinique Médicale ELNA Unimed Inc.
- Gestion ELNA 2 Inc. (ELNA Plateau Mont Royal)
- CDL Protontherapy Center Inc.
- CDL Proton Management Inc.
- Clinique Médicale ELNA Châteauguay Inc.
- Clinique Métro-Medic Centre-Ville Inc.
- 9248-5994 Québec Inc. (ELNA Pierrefonds)
- Créa-Med Clinique de Médecine Privée Inc.
- GBMC Medical Office Management Inc.
- Omni-Med Stillview Inc.
- Elna Rockland Management Inc.
- ELNA Rockland Clinic Inc.
- ELNA Clinique A Inc.
- ELNA Group Inc. (ELNA Cosmetics)
- ELNA Anti-Aging Inc.
- Clinique Médicale ELNA Décarie Inc.
- ELNA Plus Decarie Square Inc.
- ELNA Mental Health Inc.
- ELNA Technologies Inc.

- Montreal Perfusion Centre Inc.
- Gestion ELNA 1 Inc.
- Clinique Privamed Inc.
- ~~ELNA Private Care – Old Montreal Inc.~~
- M-Health Solutions Inc.
- 1000224328 Ontario Inc.
- CDL Laboratories Inc.
- 11247603 Canada Inc.
- ~~Évatumedic Inc.~~
- 7159099 Canada Inc.
- CDL Cardiology Inc.
- ELNA Acquisitions Inc.
- Medicentres Canada Inc.
- 9472-1024 Québec inc.
- Gestion Privamed Inc.