

CANADA  
Province of Quebec  
District of Québec  
Division No.: 01-Montréal  
Court No.: 500-11-060355-217  
Estate No.: 41-2777077

SUPERIOR COURT  
(Commercial Division)  
*Bankruptcy and Insolvency Act*

Court No.: 500-11-060356-215  
Estate No.: 41-2777094

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**IN THE MATTER OF THE NOTICE OF  
INTENTION TO MAKE A PROPOSAL OF:**

**CHRONOMÉTRIQ INC.**, a legal person duly incorporated under the Québec *Business Corporations Act*, having its registered office at 100-1396 Saint-Patrick Street, in the city of Montréal, Province of Québec, H3K 2C8;

**Debtor/Petitioner**

-and-

**HEALTH MYSELF INNOVATIONS INC.**, a legal person duly incorporated under the *Canada Business Corporations Act*, RSC 1985, c C-44, having its registered office at 100-1396 Saint-Patrick Street, in the city of Montréal, Province of Québec, H3K 2C8;

**Debtor/Petitioner**

-and-

**RICHTER ADVISORY GROUP INC.**

**Proposal Trustee**

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**FIRST REPORT OF THE TRUSTEE  
ON THE STATE OF PETITIONERS' BUSINESS AND FINANCIAL AFFAIRS**

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Richter Advisory Group Inc. ("**Richter**" or the "**Proposal Trustee**"), in its capacity as trustee with respect to the Notices of Intention to Make a Proposal ("**NOIs**") filed by ChronoMétriq Inc. ("**ChronoMétriq**"), doing business as Pomelo Health and Health Myself Innovations Inc. ("**HMI**") (collectively the "**Debtors**" or the "**Companies**"), each an insolvent person, does hereby report to the Court the following:

## INTRODUCTION

1. On October 26, 2021, the Debtors each filed an NOI in accordance with Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S. C. 1985, c. B.-3, as amended (the “**BIA**”), and Richter was appointed as Proposal Trustee under the NOIs. A copy of the Certificates of Filing issued by the Superintendent of Bankruptcy is annexed hereto as **Exhibit “A”**.
2. On October 26, 2021, the Debtors filed a motion entitled *Motion for the Issuance of an Order Authorizing and Approving Interim Financing, a Sale and Investment Solicitation Process, an Administrative Charge, a Directors and Officers Charge, a Key Employee Retention Program, Procedural Consolidation of the Estates, and Other Relief* (the “**Financing and Charge Motion**”). A hearing to consider the Financing and Charge Motion has been scheduled for October 27, 2021.
3. In order to monitor the affairs and finances of the Debtors, the Proposal Trustee has been provided with access to the books, records and other important documents of the Debtors.

## PURPOSE OF THIS REPORT

4. The purpose of this First Report is to provide this Court with information pertaining to:
  - a) A concise summary regarding the background and operations of the Debtors, their creditors and the purpose of the NOI filings;
  - b) The Debtors statement of projected cash flow for the period from October 18, 2021 to November 26, 2021;
  - c) The relief sought in the Financing and Charge Motion;
  - d) A concise summary regarding the steps undertaken by the Debtors to interest potential investors or purchasers prior to the NOI filings;
  - e) The sale and investment solicitation process proposed to be conducted by the Proposal Trustee; and
  - f) The Proposal Trustee’s recommendations that this Court make the order as requested by the Debtors in the Financing and Charge Motion.

## TERMS OF REFERENCE

5. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
6. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Debtors' representatives, the Debtors' books and records, and discussions with the Debtors' representatives and legal counsel (the "**Information**").
7. Except as otherwise described in this First Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information. The Information has been provided by the Management of the Companies and only the Companies are responsible for the accuracy of such Information.
8. Future oriented financial information relied upon in this First Report is based on the Debtors' representatives' assumptions regarding future events; actual results achieved may vary from the Information presented even if the hypothetical assumptions occur and these variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether projections will be achieved.

## GENERAL BACKGROUND INFORMATION OF THE DEBTORS

9. Both Companies operate as software providers in the health care sector as follows:
  - a) ChronoMétriq operates under the trade name of Pomelo Health and was founded in 2012. ChronoMétriq provides various software platforms to assist clinics, hospitals and governments with services which include online appointment booking and management of queues. ChronoMétriq's customers are located in Canada and the United States.
  - b) HMI was acquired by ChronoMétriq in the fiscal year ended June 30, 2020 and is a wholly owned subsidiary. HMI operates an online portal to enable patients and service providers to interact online and interacts with EMRs or electronic medical records.

We refer to the Financing and Charge Motion for further information on the business of the Companies as well as an organization chart.

10. In addition to HMI, ChronoMétriq owns a company in the United States known as CMetric Inc. (“**CMetric**”) which has limited revenue (approximately \$115K in the fiscal year ended June 30, 2021) and is used to pay for operating expenses including salaries for an employee and third-party contractors who are based in the United States. No insolvency proceedings are anticipated for CMetric.
11. The operations of ChronoMétriq and HMI are fully integrated as further noted below. Consequently, the financial information presented in this report is presented on a combined basis.
12. At the time of the filing, the Debtors had approximately 48 full-time employees who primarily operate out of leased premises in Montreal, Quebec. In addition to its own employees, the Debtors also utilize many third-party contractors in the operation of the business. At the time of the filing, employee wages are current with the next payroll (covering the period October 16 to October 31, 2021) due to be funded on October 28, 2021.

#### **THE DEBTORS’ ASSETS**

13. At the time of the filing of the NOIs, the Debtors’ books and records reflected the following assets:
  - a) \$2,875,112 of receivables – consisting of \$701,333 of trade receivables and a provision of \$2,173,779 for tax credits (consisting of research and development credits and e-business credits for which tax returns will have to be filed);
  - b) \$3,252,230 of acquisition costs – this is related to the acquisition of HMI in Fiscal 2020 and has no value on consolidation;
  - c) \$1,770,130 – deferred development costs capitalized by the Companies in connection with software development; and
  - d) \$423,664 of fixed assets.

#### **THE DEBTORS’ CREDITORS**

14. At the time of the filing of the NOIs, the Debtors’ books and records reflected debt of \$9,199,470 due to its creditors, as summarized below:
  - a) Secured Creditors - \$3,193,414:
    - The Canadian Imperial Bank of Commerce (“**CIBC**”) - \$2,923,724. Subject to a full security review to be performed, the Proposal Trustee is informed that CIBC has registered a first ranking charge on the universality of the Debtors’ assets. We refer to the Financing and Charge Motion for more details regarding the credit facility from CIBC as well as the recent communications including a notice of default and demand letter issued by the CIBC to the

Debtors prior to the filing of the NOIs. On October 22, 2021, the CIBC and the Debtors entered into a forbearance agreement as well as an interim financing credit facility (the “**DIP Facility**”) which is further discussed below.

- The Business Development Bank of Canada (“**BDC**”) - \$130,635. Subject to a full security review to be performed, the Proposal Trustee is informed that BDC has registered a charge on the universality of the Debtors’ assets, which charge ranks behind the CIBC but *pari-passu* with the charge of IQ (as defined below).
- Investissement Québec (“**IQ**”) - \$139,035. Subject to a full security review to be performed, the Proposal Trustee is informed that IQ has registered a charge on the universality of the Debtors’ assets, which charge ranks behind the CIBC but *pari-passu* with the charge of BDC.

b) Tax Obligations - \$3,181,454

- As of the date of filing, the Debtors owe approximately \$3,181,454 in respect of deductions at source relating to unremitted employee and employer portions for a period starting in 2019 through to May 2021.

c) Unsecured Creditors - \$2,824,602

- Trade creditors: approximately \$1,542,420;
- Other liabilities: approximately \$742,000 consisting of earn outs, shareholder loan, convertible debentures and deferred revenue; and
- Employee Obligations:
  - As noted above, the Debtors are current on their salary which is paid twice a month. The payroll for the period October 16 to October 31, 2021 is scheduled to be funded on October 28, 2021 in accordance with normal policy;
  - The Debtors have an unlimited vacation pay policy and does not record an estimate of accrued vacation pay in its books and records. When an employee leaves, a calculation is done based on percentage of gross earnings less vacation days taken to determine if additional amounts are owing to that employee. The current estimated accrued liability owing to all employees for vacation is \$17,332; and
  - An amount of \$472,870 in respect of performance bonuses for the fiscal year ended June 30, 2021 and \$50,000 is due as a severance payment.

## OBJECTIVES OF THE DEBTOR'S NOI PROCEEDINGS

15. The Debtors have incurred significant operating losses in the past three fiscal years of approximately \$16.6 million.
16. As more fully detailed in the Financing and Charge Motion, while the Debtors have recently implemented various cost cutting measures including staff reductions, they are insolvent, they lack the liquidity to continue operating, necessitating the need for the NOI filings and DIP financing to maintain operations.
17. The purpose of the NOI filings is to enable the Debtors to focus on a sale of the Companies on a going concern basis via the implementation of a SISP (as defined below) to maximize realization for all stakeholders including the continued employment of the employees and third-party contractors as well as maintaining the platforms that impact over 1 million persons' health information, appointment scheduling and electronic health records.

## CASH FLOW PROJECTION

18. As noted above and in the Financing and Charge Motion, the Debtors lack the necessary liquidity to continue operations without ongoing financial support. Management has prepared a projected weekly cash flow for the period October 18, 2021 to November 26, 2021 ("**Cash Flow**") which is filed under seal as **Exhibit "B"**.
19. The Cash Flow is based upon the operations of the Companies on a going-concern basis following the filing of the NOIs and reflect cash receipts and cash disbursements based on recent trending and Management's identification of potential cost reductions. The Cash Flow also reflects the various restructuring related expenses including professional fees, potential deposits, DIP fees and expenses as well as the funding of the KERP (as defined below).
20. The Cash Flow reflects that there is a payroll to be paid in the week ending October 29, 2021 (which covers the period October 16, 2021 to October 31, 2021). The payroll is to be funded on October 28, 2021 and paid to the employees on October 29, 2021. Absent the approval of the DIP Facility, the Companies do not have the necessary liquidity to fund this payroll.
21. Based on Management's assumptions, the Cash Flow reflects that the Companies can respect the maximum DIP limit of \$1 million through the week ending November 19, 2021 but thereafter will need an increase in the DIP to approximately \$1.6 million in the week ending November 26, 2021. CIBC has indicated that it would consider increasing the DIP based on the opening of tenders.

## THE FINANCING AND CHARGE MOTION

22. As noted above, the Debtors have filed the Financing and Charge Motion which seeks the following relief:

- a) **Administration Charge**: An amount of \$200,000 in respect of the post-filing professional fees of Miller Thomson, counsel for the Debtors, the Proposal Trustee (as well as in the event of a bankruptcy) and of McCarthy Tétrault, counsel to the Proposal Trustee.
- b) **Directors and Officers Charge**: An amount of \$250,000 in respect of potential post-filing obligations that the directors and officers may incur. Essentially this is estimated to consist of post-filing payroll (for one pay period), vacation pay and sales taxes.
- c) **Key Employee Retention Program (“KERP”)**: The Debtors operate in a highly competitive marketplace where there is significant competition to attract and retain talent. The Debtors have identified seventeen (17) employees that they consider crucial to maintain during and through to the completion of a sale process, to ensure that the employees remain focused on maintaining the going concern value of the Companies. This includes supporting existing products and customers, ongoing efforts to attract new customers and the development of new software products including the launch of a major project in the next two months.

The incentives are based upon a percentage of the employees’ annual salary to be paid assuming the employee stays through the completion of a transaction. The estimated cost of the KERP is approximately \$194,000 plus employer share of benefits. The list of employees affected by the KERP and related incentive amount are attached as an exhibit (filed under seal) to the Financing and Charge Motion.

The Cash Flow reflects that following court approval of the Financing and Charge Motion, an amount of approximately \$194,000 plus employer share of deductions at source will be placed in trust with the Debtors’ attorneys based on Cash Flow availability to provide assurance to the employees that the funds will be available assuming they are earned.

- d) **DIP Facility**: The CIBC has agreed to provide interim financing. The DIP Facility will be subject to a maximum of \$1.0 million with the possibility to increase to \$1.6 million at the sole discretion of the CIBC following the opening of tenders. The DIP Facility is set out in a term sheet annexed to the Financing and Charge Motion and we summarize certain key elements below:

- The CIBC shall be granted a super-priority first ranking charge to secure the DIP, which charge shall rank behind only the Administration Charge and the D&O Charge;
- Interest will be charged at a rate of 8.7% per annum plus a \$10,000 facility fee, both to be paid upon maturity of the DIP as well as other related expenses;

- Maturity date is the earlier of various milestones including Events of Default, completion of a sale, bankruptcy and November 30, 2021;
  - Requirement to obtain an order approving the SISP with a bid deadline of November 15, 2021 and closing of a transaction by November 30, 2021;
  - The DIP Facility requires that net overdraft advances made in the week ending October 22, 2021 of \$170,434 in preparation for the filing are included in the DIP Facility and related charge. The net overdraft advances were made to critical suppliers identified by the Companies to maintain operations in advance of the present proceedings and include third-party contractors/developers essential in the day-to-day operations as well as payments for various licenses and software; and
  - Other terms and conditions which are usual in the circumstances.
- e) The Administration Charge, the Directors and Officers Charge and the DIP Facility Charge (collectively the “**Charges**”) shall have the ranking set out in the Financing and Charge Motion and related order.
23. The Proposal Trustee is supportive of the Charges and the KERP. As relates to the Charges:
- a) The Administration Charge is reasonable in comparison to the level of work being undertaken by the various professionals;
  - b) The Directors and Officers Charge is reasonable in the circumstances and provides assurances to the directors and officers during the NOI process; and
  - c) The unavailability of additional financial support (from existing shareholders), the urgent need for liquidity including the funding of payroll on October 28, 2021, the Proposal Trustee believes the DIP Facility is reasonable and fair in the circumstances.
24. As relates to the KERP, the Proposal Trustee is of the view that an incentive plan is essential to keep the key employees focused on operations and supporting the SISP. It would be very difficult to replace the key employees’ specialized knowledge in all aspects of the business. Most importantly, the Proposal Trustee is informed that the principal secured creditor of the Debtors, the CIBC, does not object to the use of the DIP Facility to fund the proposed KERP.

#### **ADMINISTRATIVE CONSOLIDATION**

25. As noted above, the operations of ChronoMétriq and HMI are integrated. For example:
- a) All employees are paid by ChronoMétriq regardless of whether they work on projects for ChronoMétriq or HMI. With the exception of CMetric, the majority of employees work out of the same premises in Montreal, Quebec;



- b) While each company generates its own billing, the Debtors advise that customers do not always distinguish between the different legal entities and that statements of account provided to the customers may group receivables from both companies;
  - c) We understand that all operating expenses regardless of which company they may be incurred for are paid by ChronoMétriq and indeed, the listing of trade liabilities provided by the Debtors are all allocated to ChronoMétriq;
  - d) HMI does not have its own direct borrowing facilities but instead relies upon and benefits from the credit facilities of ChronoMétriq and in turn is a guarantor of ChronoMétriq's indebtedness; and
  - e) While ChronoMétriq and HMI have separate websites, the HMI website (<https://healthmyself.ca/>) notes that it is changing its name to Pomelo further demonstrating the integrated operations.
26. Accordingly, the Proposal Trustee supports the Debtors' request that the Court permit the consolidation of the respective NOIs for administrative purposes which will, in turn, be more efficient and reduce restructuring costs.

#### **SALE AND INVESTMENT SOLICITATION PROCESS**

27. The Proposal Trustee, with the assistance of the Companies intends to launch an accelerated sales and investment solicitation process (the "SISP") as summarized in the table below:

<b>Dates</b>	<b>Steps</b>
October 27 to November 2, 2021	Creation of virtual data room and identification of potential interested parties
November 3, 2021 or earlier	Solicitation of potential interested parties (including issuance of teaser and confidentiality agreement)
November 15, 2021	Bid Deadline
November 30, 2021 (or such later date as the CIBC may agree)	Selection of successful bidder (including auction if necessary), negotiation of contract and completion of transaction including court approval

28. The above-noted timeline is very compressed. However, there are factors that will assist in achieving the timeline:

- a) Prior to the Companies filing the NOIs , and prior to the Proposal Trustee's involvement, the Companies have been in communication with various interested parties as it examined alternatives for continuing the operations. Thus, certain interested parties have already commenced some discussions and/or due diligence, albeit limited. Once the SISP is approved, the Proposal Trustee will implement the solicitation process. The Proposal Trustee will also gather all material that has been provided to date to the various interested parties to place into the virtual data room such that all interested parties have access to the same information; and
  - b) The Proposal Trustee understands from the Companies that various potential interested parties already have a good understanding of the nature of the services provided because they may be competitors, otherwise already doing business with the Companies such that they will have the capacity to react quickly to this opportunity.
29. As noted above, due to the limited liquidity available to the Debtors, along with concerns about maintaining the going concern value of the business, it is a condition of the DIP Facility that a bid deadline of November 15, 2021 be established. In the event that the Debtors with the assistance of the Proposal Trustee can establish that there is sufficient interest in the assets of the Debtors, then further discussions will take place with the CIBC and other stakeholders (as required) to potentially alter or extend the various deadlines reflected above as well as the maximum amount of the DIP Facility, the whole with a goal of maximizing value while respecting available liquidity.

## **CONCLUSION AND RECOMMENDATION**

30. Based on all of the foregoing, the Proposal Trustee respectfully recommends that this Honorable Court grants the relief sought in the Financing and Charge Motion as summarized in this First Report.

Respectfully submitted at Montreal, this 27<sup>th</sup> day of October 2021.

**Richter Advisory Group Inc.**  
Licensed Insolvency Trustee



Benoît Gingues, CPA, CA, CIRP, LIT



Andrew Adessky, CPA, CA, MBA, CIRP, LIT

## EXHIBIT A



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of Québec  
Division No. 01 - Montreal  
Court No. 500-11-060355-217  
Estate No. 41-2777077

In the Matter of the Notice of Intention to make a proposal of:

**Chronométriq Inc.**

Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE CONSEI**

Licensed Insolvency Trustee

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Date of the Notice of Intention:

October 26, 2021

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CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: October 26, 2021, 15:41

E-File/Dépôt Electronique

Official Receiver

Sun Life Building, 1155 Metcalfe Street, Suite 950, Montréal, Québec, Canada, H3B2V6, (877)376-9902

**Canada**



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of Québec  
Division No. 01 - Montreal  
Court No. 500-11-060356-215  
Estate No. 41-2777094

In the Matter of the Notice of Intention to make a proposal of:

**Health Myself Innovations Inc.**

Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE CONSEI**

Licensed Insolvency Trustee

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Date of the Notice of Intention:

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Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: October 26, 2021, 15:52

E-File/Dépôt Electronique

Official Receiver

Sun Life Building, 1155 Metcalfe Street, Suite 950, Montréal, Québec, Canada, H3B2V6, (877)376-9902

**Canada**

**EXHIBIT B**

FILED UNDER SEAL