

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

IN THE MATTER OF THE BANKRUPTCY OF:

CHRONOMÉTRIQU 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

-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

-and-

RICHTER ADVISORY GROUP INC.

Trustee

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On October 26, 2021, ChronoMétriq Inc. ("**ChronoMétriq**") and Health Myself Innovations Inc. ("**HMI**"), doing business as Pomelo Health (collectively the "**Debtors**" or the "**Companies**") filed Notices of Intention to Make a Proposal ("**NOI**") in accordance with the *Bankruptcy and Insolvency Act* ("**Act**") and Richter Advisory Group Inc. ("**Richter**" or "**Trustee**") was appointed Trustee thereunder.

On October 27, 2021, the Court issued an order consolidating the two NOI proceedings for administrative purposes.

The Debtors failed to file a Proposal within the period of 30 days after the day on which the NOIs were filed or within any extension of the period granted by the Court under the subsection 50.4(9) of the Act. Accordingly, on December 8, 2021, the Debtors were deemed to have made an assignment in bankruptcy and Richter was appointed Trustee of the estates of the bankrupts by the Official Receiver, subject to confirmation by the creditors at the first meeting of creditors.

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and our findings.

The information contained in this report has been prepared based on the books and records of the Companies and from discussions with the Companies' management during the NOI proceedings. The books and records have not been audited or verified by the Trustee and prior to the bankruptcy, all the management of the Debtors had resigned. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information contained herein.

I. INTRODUCTION

The Debtors operated as software providers in the health care sector as follows:

- ChronoMétriq operated under the trade name of Pomelo Health and was founded in 2012. ChronoMétriq provided various software platforms to assist clinics, hospitals and governments with services which include online appointment booking and management of queues. ChronoMétriq's customers were located in Canada and the United States.
- HMI was acquired by ChronoMétriq in the fiscal year ended June 30, 2020 and is a wholly owned subsidiary. HMI operated an online portal to enable patients and service providers to interact online and interacted with EMRs or electronic medical records.

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.

At the time of the filing of the NOIs, the Debtors had approximately 48 full-time employees who primarily operated out of leased premises in Montreal, Quebec (the “**Premises**”). In addition to its own employees, the Debtors also utilized third-party contractors in the operation of the business.

The Debtors have attributed their significant operating losses to the growth strategy, difficulties arising from its efforts to expand its business and mismanagement by the former officers.

II. FINANCIAL INFORMATION

The following financial data was extracted either from the books and records of the Debtors, the unaudited financial statements or from discussions held with management prior to the bankruptcy. This information is submitted solely to assist the reader in assessing the current financial position of the Debtors.

The operations of ChronoMétriq and HMI were fully integrated as further noted below. Consequently, the financial information presented in this report is presented on a combined basis where applicable.

The Trustee makes no representation or warranty as to the accuracy of said financial information.

Summary Profit and Loss			
Year ended June 30	2021	2020	2019
(in \$000's)	Unaudited	Unaudited	Unaudited
Revenues	\$ 2,619	\$ 2,425	\$ 1,356
Cost of Sales	2,381	1,126	656
Gross Profit	238	1,299	700
Expenses	10,384	6,108	2,815
Net Loss	\$ (10,146)	\$ (4,809)	\$ (2,115)

The above table shows the financial performance of the Companies for the last three (3) fiscal years.

III. EVENTS DURING THE NOI PERIOD

A) Sale and Investment Solicitation Process (the “SISP”)

Immediately following the commencement of the NOIs, the Debtors, with the assistance of the Trustee and as approved by the Court, commenced an accelerated SISP to attempt to locate interested parties to continue the operations of the Debtors. Approximately 260 interested parties consisting of strategic buyers and financial investors were contacted. Of these, 25 parties signed confidentiality agreements

and were granted access to a virtual data room to enable them to perform due diligence on the Companies. Three (3) parties submitted a bid for the assets of the Debtors by the bid deadline.

Ultimately, an agreement was concluded with TELUS Health Solutions Inc. (“**TELUS**”), which transaction was approved by the Court on November 25, 2021 (the “**Transaction**”) and implemented on November 29, 2021. We briefly summarize the Transaction as follows:

- The Transaction was structured as an asset purchase such that the majority of assets have been sold to TELUS free and clear of all encumbrances;
- TELUS has hired the majority of employees that worked for the Companies prior to the closing of the Transaction. Employees not engaged by TELUS were terminated by the Debtors;
- TELUS assumed certain vendor contracts and employee liabilities as part of the purchase price.

Following completion of the Transaction, the Trustee is holding the proceeds of sale in trust subject to resolution of the Appeal (as defined below).

Consequently, at the time of the Bankruptcy, the Debtors had no remaining employees and had vacated the leased premises in Montreal, Quebec.

B) Appeal of the Financing and Charge Order

On October 27, 2021, the Court issued an order (the “**Financing and Charge Order**”) approving a \$200,000 charge in favor of certain professionals (the “**Administration Charge**”), a \$250,000 charge in favor of directors and officers (the “**D&O Charge**”) and up to \$1.6 million of interim financing (the “**DIP Financing Charge**”). On November 8, 2021, each of the Attorney General of Canada and l’Agence du Revenu du Quebec (collectively the “**Agencies**”) filed a notice of appeal of the Financing and Charge Order (the “**Appeal**”). In essence the Agencies are contesting the authority of the Bankruptcy Court to issue an order which results in the Administration Charge, the D&O Charge and the DIP Financing Charge to rank ahead of the Agencies claim of a deemed trust in connection with up to an estimated \$3.1 million of unremitted deductions at source. It is expected that the Court of Appeal will hear this case in 2022.

IV. STATEMENT OF AFFAIRS

In accordance with the Act, a Statement of Affairs showing the Bankrupts' assets and liabilities as at the date of bankruptcy ("**Statement of Affairs**") was prepared from the information provided by the Companies. Normally, the Statement of Affairs is signed by a senior officer of the Companies. As noted above, following the Transaction, all employees were either engaged by TELUS or terminated and thus the Statement of Affairs was not attested to. The following summarizes the information contained in the Debtors' Statement of Affairs which has not been validated by the Trustee:

Statement of Affairs	
As at December 15, 2021	
(in \$000's)	
Assets	
Cash (held in trust)	\$ 2,210
	<u>2,210</u>
Liabilities	
Unsecured Creditors	5,454
Secured Creditors	2,210
Balance of Secured Claims	3,189
Preferred Creditors	-
	<u>10,853</u>
Deficiency	<u><u>\$ (8,643)</u></u>

During the NOI proceedings, the Trustee received a deposit of approximately \$57K as a deposit for professional fees in the event of bankruptcy proceedings.

A) Assets

- **Cash (\$2,210K)**

As noted above, the cash held by the Trustee following completion of the Transaction will be distributed following the resolution of the Appeal. In any event, there will be no money left for distribution to the unsecured creditors.

B) Liabilities

It is important to note that the exact amount of the Debtors' liabilities as at December 8, 2021, will only be determined once all proofs of claim have been submitted by the creditors and have been compiled and analyzed by the Trustee. Nonetheless, the following is a summary of the Companies' liabilities based upon preliminary information reflected in the Statement of Affairs.

- **Secured Creditors**

As per the Statement of Affairs, the Companies' secured creditors with a balance of claims are as follows:

- The Canadian Imperial Bank of Commerce ("**CIBC**"):
 - o \$1.6 million consisting of amounts due under the DIP Financing Charge ranking behind the Administration Charge and the D&O Charge which are expected to include various CIBC costs and fees.
 - o \$2,919,667 which is supported by a first ranking charge on the universality of the Debtors' assets. As noted below, the realization of the Debtors' assets will not permit the payment of this secured claim and consequently, the Trustee will not perform a review of the CIBC's security.
- The Business Development Bank of Canada ("**BDC**") - \$130,635. The 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. The 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.
- The Agencies for a total amount of \$3,181,454 in respect of unremitted deductions at source from 2018 through 2021. The exact amount will only be confirmed upon receipt of the necessary proofs of claim. As noted in this report, the Agencies have taken the position that the amount of \$3,181,454 is the subject of a deemed trust and have a first ranking claim on the cash proceeds of the Transaction ahead of the Charges, and accordingly have filed an appeal of the Financing and Charge Order. Absent a negotiated settlement, this will only be determined based on a final Court ruling.

- **Unsecured Creditors**

According to the Statement of Affairs, unsecured ordinary creditors total approximately \$2.6 million consisting of trade debt as well as amounts owing to former shareholders. Additional claims may be filed in connection with severance claims for terminated employees. The \$2.6 million excludes the potential unsecured portion of the debt owing to various secured creditors as described in the section above. As of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to the ordinary unsecured creditors.

V. SUMMARY OF THE PRELIMINARY ADMINISTRATION

A) Books and Records

Pursuant to the terms of the Transaction, TELUS has taken possession of the books and records and will give access to the Trustee as required.

B) Office Furniture

The Transaction excluded the office furniture located in the Premises. The Trustee arranged for an informal appraisal of the office furniture and determined that the cost of taking possession of the furniture exceeded the realizable value. As noted above, following completion of the Transaction, the Companies remitted control of the Premises to the landlord.

C) Reviewable Transactions and Preferential Payments

The Trustee will perform a review of the payments to creditors preceding the date of the bankruptcy which may be reviewable, preferential or undervalue as defined within the meaning of the Act. The Trustee, upon completion of the review, will discuss any relevant findings with the Inspectors to be appointed at the first meeting of creditors.

VI. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As of the date hereof, based on the cash on hand, the value of the Charges and the deemed trust claim of the Agencies, the Trustee does not anticipate that there will be any dividends available to the preferred and ordinary creditors.

DATED AT MONTREAL, this 4th day of January 2022.

Richter Advisory Group Inc.
Licensed Insolvency Trustee



Andrew Adessky, CPA, CA, CIRP, LIT
Administrator of the Bankruptcy