

COURT FILE NUMBER

2201-11627

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

IN THE MATTER OF THE NOTICE OF INTENTION TO FILE A PROPOSAL OF BR CAPITAL INC., BR CAPITAL LP, FIRST RESPONSE INTERNATIONAL GP LP, FIRST RESPONSE INTERNATIONAL INC., FIRST RESPONSE INTERNATIONAL LP, HEALTH EDUCATION GP LP, HEALTH EDUCATION LP, HELP INC., ICE HEALTH SYSTEMS GP LP, ICE HEALTH SYSTEMS INC, ICE HEALTH SYSTEMS LP, ICE HEALTH SYSTEMS LTD., AND SESCO HEALTH SERVICES INC.

KPMG INC., IN ITS CAPACITY AS PROPOSAL TRUSTEE

DOCUMENT

SECOND REPORT OF THE PROPOSAL TRUSTEE

DATE

NOVEMBER 15, 2022

ADDRESS FOR SERVICE AND
CONTRACT INFORMATION OF
PARTY FILING THIS DOCUMENT:

PROPOSAL TRUSTEE

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1. INTRODUCTION

1. On September 15, 2022, BR Capital Inc., BR Capital LP, First Response International GP LP, First Response International Inc., First Response International LP, Health Education GP LP, Health Education LP, Help Inc., ICE Health Systems GP LP, ICE Health Systems Inc. and SESCO Health Services Inc. and on September 16, 2022, ICE Health Systems LP and ICE Health Systems Ltd., (each individually, a “**Company**”, and collectively, the “**Companies**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”), pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”), and KPMG Inc. (“**KPMG**”) was appointed as trustee (the “**Proposal Trustee**”) under these NOI proceedings (the “**NOI Proceedings**”).
2. The NOI provided the Companies with a stay of proceedings until October 15, 2022, and October 16, 2022, respectively. (the “**Initial Stay Period**”).
3. On October 5, 2022, the Proposal Trustee filed its first report (the “**First Report**”) providing this Honourable Court with the following:
 - a) Background information on the Companies;
 - b) The Proposal Trustee’s views on the Companies’ cash flow forecast from September 15, 2022 to December 10, 2022 (the “**First Cash Flow Forecast**”); and
 - c) The Proposal Trustee’s views on the requested relief sought by the Companies’.
4. On October 14, 2022, this Honourable Court issued an order approving the following:
 - a) The Companies’ request for an Order procedurally consolidating the estates of all Companies (the “**Consolidation Order**”);
 - b) The Companies’ request for approval of interim financing (the “**Interim Financing**”) and an interim lender’s charge (the “**Interim Lender’s Charge**”);
 - c) The Companies’ request for Court approval of a charge in favour of the Proposal Trustee and the Proposal Trustee’s counsel (the “**Administration Charge**”) for professional fees and costs;
 - d) The Companies’ request for a charge in favour of its directors and officers (the “**Directors’ Charge**”); and

- e) The Companies' request for a forty-five day extension to the Initial Stay Period to and including November 29, 2022 (the "**First Extension**"), as permitted under section 50.4(9) of the BIA.

Purpose of the Report

- 5. The purpose of the Second Report of the Proposal Trustee (the "**Second Report**" or this "**Report**") is to provide this Honourable Court with the Proposal Trustee's views on the following matters:
 - a) The activities of the Company since the date of the First Report;
 - b) The activities of the Proposal Trustee since the date of the First Report;
 - c) The Companies' reported actual receipts and disbursements for the period from September 15, 2022 to October 29, 2022;
 - d) The Companies' updated consolidated statement of projected cash flow for the thirteen-week period from October 30, 2022 – January 28, 2023 (the "**Second Cash Flow Forecast**");
 - e) The requested repayment of the Payroll Bridge Financing; and
 - f) The requested forty-five day extension to the stay of proceedings up to and including January 13, 2023 (the "**Second Extension**"), as permitted under section 50.4(9) of the BIA.

Restrictions and Scope Limitation

- 6. In preparing this Second Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, unaudited and other financial information and certain records (together, the "**Information**") prepared by the Companies and/or their representatives, and discussions with Companies' management and/or representatives. The Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. 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 Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants Handbook, and accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information.

7. Some information referred to in this report may consist of forecasts and projections, which were prepared based on management's estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable, and as a consequence, no assurance can be provided regarding the forecasted or projected results. The reader is cautioned that the actual results will likely vary from the forecasts or projections; even if the assumptions materialize, the variations could be significant.
8. The information contained in this report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Companies.
9. Capitalized terms not otherwise defined herein are defined in the Companies' application materials. The Second Report should be read in conjunction with the affidavit of James Lawson sworn on November 14, 2022 (the "**First Lawson Affidavit**") as certain information contained in the First Lawson Affidavit have not been included herein to avoid unnecessary duplication.
10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

2. ACTIVITIES OF THE COMPANIES AND THE PROPOSAL TRUSTEE

11. The Companies' activities since the date of the First Report have included, *inter alia*, the following:
 - a) Preparing and analysing a list of creditors and identifying issues specific to certain creditors;
 - b) Providing the Proposal Trustee with access to their books and records;
 - c) Updating (in conjunction with the Proposal Trustee) the Cash Flow Projections;
 - d) Cooperating with the Proposal Trustee in carrying out its monitoring and other obligations under the BIA;
 - e) Continuing the preparation and development of a joint proposal of the Applicants;
 - f) Communicating with creditors, limited partners and customers of the Applicants regarding the proposal process, status of the Proposal Proceedings and the development of the Proposal;
 - g) Reviewing their operating expenses, pursuing the collection of accounts receivable and taking other steps to ensure the Applicants remain financially viable during these Proposal Proceedings; and
 - h) Applying to this Honourable Court and obtaining the October 14 Order.

12. The Proposal Trustee's activities since the date of the First Report have included, *inter alia*, the following:
 - a) Maintaining the website where all materials filed with the Court and all orders made by the Court are available to the public;
 - b) Monitoring the Companies' receipts and disbursements;
 - c) Corresponding with stakeholders, creditors, employees, and limited partners in respect of the NOI filings;
 - d) Reviewing and discussing various iterations and revisions of the draft proposal to creditors;

- e) Assisting the Companies in preparing the Second Cash Flow Forecast; and
- f) Preparing and finalizing the Second Report.

3. CASH FLOW FORECAST

13. The Companies have prepared a Second Cash Flow Forecast for the 17-week period from October 30, 2022 to February 25, 2023. The detailed cash flow forecast is attached as **Appendix “A”** to this report, and is summarized below:

BR Capital Inc. et al.		
17 Week Forecast, to week ended February 25, 2023		
Forecast in \$000's		
Week #		
Week Ending Date	Notes	Total
Revenue receipts	1	267
Advances Received	2	(25)
Total Receipts		242
Disbursements: Operating Costs		
Payroll	3	(92)
Consulting	3	(24)
Technical and office costs	3	(43)
Contingency	4	(15)
Disbursements: Operating Costs		(174)
Net Operating Cash Flows		68
Net Cash Flow		68
Beginning Cash		7
Less: Net Cash Flow		68
Ending Cash		75
Notes:		
1. Per management revenue estimates prepared in October 2022.		
2. Repayment of temporary director advance to company.		
3. Per management expense estimates prepared in October 2022. Executives are not forecast to receive any compensation throughout forecast period.		
4. Contingency for additional unforeseen operational costs throughout forecast period.		
General notes:		
- Funding requirements for restructuring proceedings are intended to be addressed through a combination of company operational revenue receipts and a unitholder cash injection. If company does not collect revenue as forecast, additional unitholder cash injections may be required.		

14. The Proposal Trustee has reviewed the Second Cash Flow Forecast and notes that the assumptions used for the Second Cash Flow Forecast are similar to the First Cash Flow Forecast.
15. Key differences between the First Cash Flow Forecast and the Second Cash Flow Forecast are as follows:

- a) The Second Cash Flow Forecast extends the forecast period up to February 25, 2023 to include the entire proposed Second Extension;
 - b) Timing differences related to certain disbursements such as payroll, consulting, and general expenses; and
 - c) Repayment of the previous director advance to the Companies, as described further in this report.
16. Overall, the Second Cash Flow Forecast estimates a positive cash flow from operations over the forecast period of approximately \$68,000.
17. The Proposal Trustee reviewed the Second Cash Flow Forecast to the standard required by section 50.4(2) of the BIA. Section 50.4(2) requires the Proposal Trustee to review the debtor's cash flow statement as to its reasonableness and to file a report with the Office of the Superintendent of Bankruptcy on the Proposal Trustee's findings. The Canadian Association of Insolvency and Restructuring Professional's standards of Professional Practice include a standard for Proposal Trustee fulfilling their statutory responsibilities under the BIA in respect of a Proposal Trustee report on the cash flow forecast.
18. Based on our review, nothing has come to our attention that causes us to believe that in all material respects:
- a) the hypothetical assumptions are not consistent with the purpose of the Second Cash Flow Forecast;
 - b) as at the date of the Second Report, the probable assumptions developed by Companies' management are not suitably supported and consistent with the plans of the Companies or do not provide a reasonable basis for the cash flow statement, given the hypothetical assumptions; or
 - c) the cash flow statement does not reflect the probable and hypothetical assumptions.
19. Since the Second Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Second Cash Flow Forecast will be achieved.

20. The Second Cash Flow Forecast has been prepared solely for the purpose described on the face of the Second Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

4. VARIANCE ANALYSIS

21. Below is the variance between forecasted results from the First Cash Flow Forecast and actual results for the weeks ending September 17, 2022 to October 29, 2022 (the “Variance Period”):

BR Capital et al.			
Cash Flow variance analysis for the weeks ended September 17, 2022 to October 29, 2022			
in \$000's	Actual	Forecast	Variance
Receipts			
Revenue receipts	69	76	(7)
Other receipts	25	-	25
Total Receipts	94	76	18
Disbursements: Operating Costs			
Payroll	(60)	(30)	(30)
Consulting	(5)	(6)	1
Technical and office costs	(25)	(16)	(9)
Contingency	-	(5)	5
Disbursements: Operating Costs	(90)	(57)	(33)
Net Cash Flow	4	19	(15)
	-	-	-
Beginning Cash	2	2	-
Less: Net Cash Flow	4	19	(15)
Ending Cash	6	21	(15)

22. The net cash flow and ending cash balance are both approximately \$15,000 lower than forecast, primarily due to timing differences in payroll disbursements which will reverse in upcoming weeks.
23. We note that a director of the company advanced additional funds to the Companies to address the earlier than forecast required payroll payment. This advance is expected to be repaid to the director upon receipt of accounts receivable funds in the upcoming weeks.

5. PAYROLL BRIDGE FINANCING

24. Due to a temporary cash deficiency, a director of the Companies temporarily advanced a sum of \$25,000 for the purpose of funding the payroll amount due October 31, 2022.
25. Approximately \$94,000 of accounts receivable are forecast to be collected in the weeks ended November 26 and December 3, 2022. Upon collection of these accounts receivable, the Companies intend to repay the director this temporary advance, and have requested approval of same from this Honourable Court.
26. The Proposal Trustee supports the Companies' request for approval of repayment of the Payroll Bridge Financing, as the funds were intended to address a temporary cash deficiency which is forecast to be resolved in the upcoming weeks, and no creditor will be materially prejudiced by the repayment.

6. EXTENSION OF THE STAY PERIOD

27. The Companies are seeking an order extending the Initial Stay Period for a further forty-five days up to and including January 13, 2023 to provide it with the time necessary to complete the following:
- a) Continue their work to finalize and file with this Honourable Court and the Official Receiver of the Office of the Superintendent of Bankruptcy the Proposal and distribute it to the creditors of the Applicants;
 - b) Hold the Special Meeting of the limited partners of BR LP to consider and if they deem appropriate to approve the Partnership Amending Agreement;
 - c) Continue the operations of the Applicants to generate and collect revenues continue to work to preserve the value of the Applicants business for the benefit of all of the stakeholders; and
 - d) Continue communicating with creditors, limited partners and customers of the Applicants regarding the proposal process, status of the Proposal Proceedings and the development of the Proposal.
28. The Proposal Trustee is of the view that the Companies are acting in good faith and with due diligence. The Proposal Trustee considers the stay extension period to be reasonable considering the time required to close the potential transaction.
29. The Proposal Trustee does not believe that any creditor will be materially prejudiced by the extension of the Initial Stay Period to January 13, 2023.

7. PROPOSAL TRUSTEE'S RECOMMENDATION

30. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court issue an order:

- a) Approving the repayment of the Payroll Bridge Financing; and
- b) Approving the extension of the stay period until January 13, 2023.

This Report is respectfully submitted this 15th day of November 2022.

KPMG Inc.

**In its capacity as Proposal Trustee of
BR Capital Inc., BR Capital LP,
First Response International GP LP,
First Response International Inc., First Response International LP,
Health Education GP LP, Health Education LP, Help Inc.,
ICE Health Systems GP LP, ICE Health Systems Inc.,
ICE Health Systems LP, ICE Health Systems Ltd.,
and SESCO Health Services Inc.
and not in its personal or corporate capacity**



Per: Neil Honess
Senior Vice President

APPENDIX "A"
SECOND CASH FLOW FORECAST

BR Capital Inc. et al.

17 Week Forecast, to week ended February 25, 2023

Forecast in \$000's

Week #		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Week Ending Date	Notes	5-Nov	12-Nov	19-Nov	26-Nov	3-Dec	10-Dec	17-Dec	24-Dec	31-Dec	7-Jan	14-Jan	21-Jan	28-Jan	4-Feb	11-Feb	18-Feb	25-Feb	
Revenue receipts	1	-	1	-	35	59	60	-	-	-	-	62	-	-	-	-	50	-	267
Advances Received	2	-	-	-	-	(25)	-	-	-	-	-	-	-	-	-	-	-	-	(25)
Total Receipts		-	1	-	35	34	60	-	-	-	-	62	-	-	-	-	50	-	242
Disbursements: Operating Costs																			
Payroll	3	-	-	-	-	(30)	-	-	-	(30)	-	-	-	(32)	-	-	-	-	(92)
Consulting	3	(6)	-	-	-	(6)	-	-	-	-	(6)	-	-	-	(6)	-	-	-	(24)
Technical and office costs	3	-	(1)	(1)	(1)	(10)	(1)	(1)	(1)	(1)	(10)	(1)	(1)	(1)	(10)	(1)	(1)	(1)	(43)
Contingency	4	-	-	-	-	(5)	-	-	-	-	(5)	-	-	-	(5)	-	-	-	(15)
Disbursements: Operating Costs		(6)	(1)	(1)	(1)	(51)	(1)	(1)	(1)	(31)	(21)	(1)	(1)	(33)	(21)	(1)	(1)	(1)	(174)
Net Operating Cash Flows		(6)	-	(1)	34	(17)	59	(1)	(1)	(31)	(21)	61	(1)	(33)	(21)	(1)	49	(1)	68
Net Cash Flow		(6)	-	(1)	34	(17)	59	(1)	(1)	(31)	(21)	61	(1)	(33)	(21)	(1)	49	(1)	68
Beginning Cash		7	1	1	-	34	17	76	75	74	43	22	83	82	49	28	27	76	7
Less: Net Cash Flow		(6)	-	(1)	34	(17)	59	(1)	(1)	(31)	(21)	61	(1)	(33)	(21)	(1)	49	(1)	68
Ending Cash		1	1	-	34	17	76	75	74	43	22	83	82	49	28	27	76	75	75

Notes:

1. Per management revenue estimates prepared in October 2022.
2. Repayment of temporary director advance to company.
3. Per management expense estimates prepared in October 2022. Executives are not forecast to receive any compensation throughout forecast period.
4. Contingency for additional unforeseen operational costs throughout forecast period.

General notes:

- Funding requirements for restructuring proceedings are intended to be addressed through a combination of company operational revenue receipts and a unitholder cash injection. If company does not collect revenue as forecast, additional unitholder cash injections may be required.