

District of Alberta
Division No.: Calgary
Estate No: 25-2881727
Court No: 25-2881727

**IN THE MATTER OF THE BANKRUPTCY OF
SANTE MEDICAL LTD.
TRUSTEE'S PRELIMINARY REPORT**

The information contained in this report has been prepared from the available books and records of the Company (as subsequently defined) and discussions with management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information contained therein.

BACKGROUND

1. On November 4, 2022 (the "Filing Date"), Sante Medical Ltd. ("SML" or the "Company") made an assignment in bankruptcy and MNP Ltd. was appointed as Trustee of the bankrupt estate. Publicly available documents related to the bankruptcy are available on the Trustee's website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/sante-medical-ltd>.
2. SML was incorporated under *the Business Corporations Act of Alberta* on February 29, 2016. Kent MacIntyre was listed as SML's sole director, and the Canadian Income Fund Group Inc. ("CIF") was listed as the Company's sole shareholder. SML operated a medical and aesthetics clinic out of premises located at 1451 14th Street SW in Calgary, Alberta (the "Premises") that provided services including skin enhancement, facial improvement, laser treatments, body contouring and hair restoration.
3. On the Filing Date, all of the Company's operations ceased and all of SML's employees and contractors were terminated.
4. On November 4, 2022, the Notice of Bankruptcy, First Meeting of Creditors, a list of creditors and a proof of claim form, along with a proxy, were sent to all known creditors of

the Company. Pursuant to subsection 102(4) of the BIA, notice of SML's bankruptcy was published in the November 10, 2022 edition of the Calgary Herald newspaper.

BOOKS AND RECORDS

5. The Trustee has taken possession of the Company's books and records and is in the process of completing backups of all available electronic records.
6. The Trustee is working with Med Access EMR to ensure necessary access to patient records and is working with the College of Physicians & Surgeons of Alberta to ensure the appropriate preservation/transition of such records during the bankruptcy proceedings.

CONSERVATORY AND PROTECTIVE MEASURES

7. The Company's operations were discontinued as at the Filing Date. The Trustee took reasonable steps to conserve and protect the Company's assets, consisting of SML's medical and aesthetic equipment/ lasers and related products and medications, office furniture and equipment and computer equipment (the "Assets"), including changing the locks on the Premises, verifying the Assets and ensuring adequate insurance coverage.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

8. On the Filing date, the Company reported that the Assets included the following:
 - a. Accounts receivable totaling approximately \$86,400, of which \$83,400 is due from a contractor, who provided pre-filing services to SML;
 - b. Cash held in the Company's bank account at CIBC (the "CIBC Account") in the estimated amount of \$45,000. The Trustee has requested that the CIBC Account be set to deposit only and all available funds be paid to the bankrupt estate. The Trustee notes that approximately \$9,000 in cash was also held on the Premises at the Filing Date;
 - c. Prepaid expenses and deposits with a net book value of \$248,600 as at February 28, 2022;
 - d. Medical and aesthetics equipment and lasers with a net book value of approximately \$4.9 million as at February 28, 2022;

- e. Inventory, including medications, with an estimated value of \$80,000. At the Filing Date, SML was holding a small number of expired medications that the Trustee subsequently delivered to a local pharmacy for disposal; and
 - f. Intellectual property, including customer lists with an estimated value of \$25,000.
9. On November 22, 2022, the Trustee initiated a process whereby interested parties can submit offers to purchase/ auction proposals with respect to the Assets (the “Sale Process”). The deadline for the submission of offers to purchase/ auction proposals is December 20, 2022. Any resulting transaction will be subject to the approval of any inspectors appointed for the estate or approval of the Court. A copy of the Information Summary prepared in respect of the Sale Process is attached hereto as “Schedule A”.

SUMMARY OF CLAIMS

11. As the Filing Date, the Company listed the following secured/ priority claims:
- a. CIF is listed as having a secured claim of approximately \$80,000 in respect of which they hold a registered interest in an Artas iX System and all related parts and accessories. CIF is the only party with a registered security interest in the Government of Alberta Personal Property Registry.
 - b. It is anticipated that Service Canada will have a claim for unpaid vacation pay of approximately \$10,200 payable pursuant to the Wage Earners’ Protection Program (“WEPP”) and any such claim will be granted a super-priority over the Assets pursuant to section 81.3(1) of the BIA. We note that the Company had six employees, who will also have unsecured claims related to unpaid severance/ termination obligations.
 - c. J-9 Capital Corporation (“J-9 Capital”) was listed as having a preferred unsecured claim of approximately \$86,900 for rental arrears for the three months preceding the Filing Date pursuant to Section 136(1)(f) of the BIA.
12. At the Filing Date, SML listed ordinary unsecured creditors with claims totaling approximately \$13.9 million, which included a claim totalling approximately \$11.7 million by CIF.
13. As of the date of this report, the Trustee had received one secured proof of claim for \$80,000 and 15 unsecured proofs of claims totaling approximately \$13.5 million. Unsecured claims totaling \$62,800 have been admitted by the Trustee with the remaining claims being subject

to ongoing review. The Trustee has not determined the admissibility of these claims for dividend purposes.

14. At the time that this report was finalized, the Trustee had not received any proxies.

LEGAL

15. The Trustee has retained Caron & Partners LLP (“Caron”) as its legal counsel to provide any required legal assistance with respect to the bankrupt estate, including assisting in completing a transaction pursuant to the Sale Process. Caron’s appointment will be subject to the approval of any inspectors who may be appointed pursuant to section 116(1) of the BIA.

REVIEW OF FRAUDULENT PREFERENCES AND TRANSFERS AT UNDERVALUE

16. The Trustee is required to undertake a review of any transactions that occurred prior to the date of bankruptcy that would constitute a transfer at undervalue or a fraudulent preference as defined by subsections 95 and 96 of the BIA (the “Review”) and expects to commence that review shortly.

OTHER

17. The Trustee notes as follows with respect to the administration of the bankrupt estate:
 - a. The Trustee has entered into an agreement with J-9 Capital with respect to the occupation of the Premises such that occupation rent for the period from the Filing Date to December 31, 2022 (the “Post-Filing 2022 Rent”) will only be paid on a per-diem basis in the event that the net proceeds from the sale of Assets are sufficient to satisfy the cost of administering the bankruptcy proceedings and pay the Post-Filing 2022 Rent; and
 - b. CIF has provided the Trustee with a third-party retainer in the amount of \$70,000 in the event that there are not sufficient realizations in the bankrupt estate to satisfy the fees and disbursements of the Trustee.

18. The Trustee's intended course of action is to complete a transaction pursuant to the Sale Process, which will determine the quantum of any funds that are available for distribution to the creditors.

Dated at Calgary, Alberta this 28th day of November 2022.

MNP Ltd.,

In its capacity as Trustee of the Estate of
Sante Medical Ltd. and not in its
personal or corporate capacity



Vanessa Allen, B. Comm, CIRP, LIT
Senior Vice President

SCHEDULE A

SANTE MEDICAL LTD. PROCESS TO SUBMIT OFFERS TO PURCHASE/ AUCTION PROPOSALS

INTRODUCTION

Sante Medical Ltd. filed an assignment in bankruptcy on November 4, 2022 and MNP Ltd. was appointed as Trustee of the bankrupt estate (the “Trustee”).

The Company operated a medical and aesthetics clinic located at 1451 14th Street SW in Calgary, Alberta that provided services including skin enhancement, facial improvement, body contouring and hair restoration. In our capacity as Trustee, we are soliciting offers to purchase the assets of the Company, including the Company’s medical and aesthetic equipment/ lasers and related products and medications, office furniture and equipment and computer equipment. Further information can be made available upon receipt of an executed confidentiality agreement.

LIMITATIONS

To facilitate this process, we have prepared a Confidential Information Memorandum (“CIM”). All information in the CIM has been prepared solely for the convenience of prospective purchasers and has not been audited or otherwise verified by the Trustee.

The Trustee does not make any representations or warranties as to the accuracy or completeness of the CIM and shall have no liability for any representations (be they expressed or implied) or omissions contained herein nor in any other written or oral communications transmitted to prospective purchasers in the course of evaluating the assets. Furthermore, the information provided in the CIM may not contain all of the information a prospective purchaser may require and therefore, prospective purchasers should conduct their own investigations, analysis and due diligence relating to the Company’s assets and any of the information contained in the CIM.

TIMELINE

Milestones	Estimated deadlines
Issuance of a teaser and confidentiality agreement	November 22, 2022
Issuance of a confidentiality agreement upon receipt of a non-disclosure agreement	Beginning November 22, 2022
Due diligence period for potential bidders	November 22 to December 19, 2022
Deadline for receipt of offers for sale/ auction proposals	December 20, 2022
Selection of successful offeror(s)	December 22, 2022
Closing of transaction (dependant on timing of any required approvals)	January 6, 2023

CONTACTS: Rick Anderson, CPA, CMA, CFE
Corporate Recovery and Restructuring
403-537-8424
Rick.anderson@mnp.ca

SANTE MEDICAL LTD. PROCESS TO SUBMIT OFFERS TO PURCHASE/ AUCTION PROPOSALS



SALES PROCESS

The Trustee has formulated specific transaction procedures that are included in the Terms and Conditions of Sale included in the CIM. However, the Trustee reserves the right to:

- Amend or terminate the sale procedures during the sales process.
- Accept an Offer to Purchase that may not necessarily be the highest bid.
- Negotiate with one or more prospective purchasers at any time.
- Set a minimum offer price for the assets.
- Enter into a definitive transaction agreement without prior notice to other prospective purchasers at any time during the transaction process.
- Not accept any offer to purchase.

Please note that any offer the Trustee accepts may be subject to the approval of the required majority of inspectors appointed pursuant to Section 116(1) of the *Bankruptcy and Insolvency Act, RSC 1985, c B-3* and/ or the approval of the Court of King's Bench of Alberta

To receive a copy of the CIM and access to the electronic data room, please request a non-disclosure agreement ("NDA") from the Receiver at:

MNP Ltd. in its capacity as Trustee of Sante Medical Ltd.
1500, 640 – 5th Avenue SW
Calgary, AB T2P 3G4
Attn: Rick Anderson
Tel: 403-537-8424
Fax: 403-537-8437
Email: rick.anderson@mnt.ca

Offers to Purchase along with a certified cheque, wire transfer or money order deposit must be received by the Receiver no later than 5:00pm (Mountain Time) on December 20, 2022.

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