

Deloitte.



NO. S-234092
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

BANK OF MONTREAL

PETITIONER

AND:

**POLYCAN HEALTH CENTRE (CANADA) INC.,
ANQI MAI, ALSO KNOWN AS AN QI MAI, ALSO KNOWN AS ANDREW MAI,
WEIDONG ZHU, ALSO KNOWN AS WEI DONG ZHU, ALSO KNOWN AS WILLIAM ZHU,
SUI ZHANG and HUA XU**

RESPONDENTS

**SUPPLEMENT TO THE FIRST REPORT
OF THE COURT APPOINTED RECEIVER
OF POLYCAN HEALTH CENTRE (CANADA) INC.**

DATED FEBRUARY 25, 2024

PREPARED BY DELOITTE RESTRUCTURING INC.

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THE RECEIVER'S SALE ACTIVITIES

- 11) On November 25, 2023, the Receiver spoke with Mr. Mai to, among other things, understand the efforts he had undertaken prior to the Date of Receivership to seek investments into the Company and to identify potential interested parties that were in active discussions with Mr. Mai.
- 12) The Receiver understands that Mr. Mai had been seeking potential investors in PolyCan for many months prior to the Date of the Receivership, and at least as early as January 2023 (refer to paragraph 36 and Exhibit "O" of the First Yamasaki Affidavit").
- 13) During the first week of the Receivership Proceedings, the Receiver met with Mr. Mai on several occasions to understand the business and investment opportunity in more detail, to explain the sale process that would be undertaken, and to discuss potential interested parties.
- 14) Mr. Mai advised the Receiver that in the weeks leading up to the Date of Receivership he was in active discussions with at least two potential interested parties, including a financial investor from Taiwan and a strategic investor.
- 15) The Receiver carried out industry research and liaised with colleagues in Deloitte LLP's corporate finance practice to identify potential strategic and financial buyers that may have an interest in purchasing the business and assets of PolyCan.
- 16) The Receiver collated a list of parties to contact that included parties suggested by Mr. Mai and parties identified through the Receiver's research and internal contacts. The Receiver also developed a "teaser email" describing the operations of PolyCan and the investment highlights.
- 17) On November 29, 2023, the Receiver began contacting the list of potential interested parties, including by sending the teaser email. An example of the teaser email is attached as Appendix "A" to this First Report Supplement.
- 18) As further described in the First Report, the Receiver approached a targeted group of potential buyers, being the parties that the Receiver believed were the most likely parties to conclude a transaction and the parties that would be able to proceed on the timeline required in these Receivership Proceedings.
- 19) In total, the Receiver directly contacted or was contacted by twenty three (23) different interested parties. These parties included:
 - a) Five large strategic investors identified through research and Deloitte contacts as being acquisitive and having operations in the same sector as PolyCan;
 - b) Five smaller health centre operators with two or more operating locations in the Greater Vancouver area;
 - c) Four parties that contacted the Receiver after seeing the advertisement in the Insolvency Insider;
 - d) Six parties identified by Mr. Mai, including financial investors and businesses that PolyCan was developing relationships with;
 - e) Two local health authorities; and
 - f) A shareholder of PolyCan, Mr. William Zhu, the beneficial owner of the proposed Purchaser.

- 20) The Receiver had numerous follow-up calls and/or meetings with eight (8) of the above parties, and facilitated access to the dataroom to six (6) of the parties following receipt of an executed NDA.
- 21) At paragraph 12 of the Mai Response, Mr. Clark states that the "sales process itself appears truncated and hasty". As set out above, the Receiver first started reaching out to interested parties beginning on November 29, 2023. The formal Offer Deadline was set as February 2, 2024, more than 9 weeks later. The process allowed sufficient time for numerous parties to assess the investment opportunity, carry out diligence, and undertake site visits.
- 22) At paragraph 13 of the Mai Response, Mr. Clarke asserts that "on January 1st, the Receiver seems to have selected this purchaser... and it so advised all other interested parties, undoubtedly discouraging them from proceeding further." This statement is inaccurate. The Receiver did not select the successful bidder or advise any parties of the selected bidder until February 5, 2024 as clearly set out in the First Report at paragraph 93.
- 23) In fact, as described in the First Report, on January 26, 2024, the Receiver sent emails to four (4) interested parties that continued to express an interest in the opportunity, attaching guidelines for the submission of final binding bids, including the form of asset purchase agreement to be used as the basis of offers. The Receiver had follow-up calls and/or emails with each of these parties to encourage them to put forward bids and to answer any questions they may have related to the submission of bids.
- 24) Furthermore, from December 21, 2023 to February 2, 2024, the Receiver had multiple calls and follow-up emails with the most promising alternative bidder to the Purchaser (Bidder 1) to answer questions about the business, its financial position and certain aspects of acquiring a business through an insolvency process in Canada.
- 25) Throughout the Sale process, the Receiver continued to work with Mr. Mai to market the business for sale and to keep him advised as to the progress being made and next steps, including informing him by email dated January 26, 2024 (attached hereto as Appendix "B") that the Receiver had set a deadline for submission of binding offers.

FINANCIAL PERFORMANCE OF THE COMPANY

- 26) At paragraph 8(i) of the Mai Response, Mr. Clarke states that the Purchaser is acquiring "various leases which create significant monthly cash flow, which is alone sufficient to cover the purchase price in 6 months". This statement is inaccurate. The Purchaser is assuming the SFU Lease and the Sublease. When excluding the rent paid by City of Burnaby under the Sublease (\$25,000 a month), the net cost of the SFU Lease to PolyCan is approximately \$40,000 a month.
- 27) The Receiver is not aware of any lease interests of the Company that create positive cash flows for PolyCan. In fact, upon the Receiver's appointment, the Company was making an operating loss that Mr. Mai estimated at approximately \$100,000 per month. Following the stabilization and cost reduction actions taken by the Receiver as described in the First Report, the Company continues to incur operating losses of approximately \$50,000 to \$60,000 per month (excluding the oversight costs of the Receiver). As of the date of this First Report Supplement, the Receiver has borrowed ~~\$60,000~~ from Mr. Mai (on an unsecured and non-refundable basis) and \$250,000 under the Receiver's Borrowing Facility to fund the operating losses of the Company and costs of the Receiver through the course of the Sale Process.

- 28) Accordingly, any purchaser of PolyCan will need to provide material working capital funding to the Company to continue operations while a turnaround plan is implemented and the patient base is expanded.

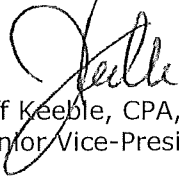
CONCLUSIONS AND RECOMMENDATIONS

- 29) Contrary to several statements in the Mai Response, the Receiver believes that the Sale Process has been robust and appropriate in the circumstances, exposing the investment opportunity to multiple interested parties.
- 30) The Receiver has attempted to work as collaboratively as possible with Mr. Mai throughout the Sale Process, proactively engaging in calls, meetings and site visits with Mr. Mai and interested parties, and providing updates on the progress and next steps of the Sale Process.

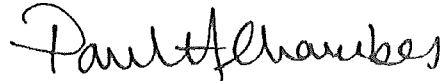
All of which is respectfully submitted at Vancouver, BC this 25th day of February, 2024.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Receiver of
PolyCan Health Centre (Canada) Inc.
and not in its personal capacity



Per: Jeff Keeble, CPA, CMA, CIRP, LIT
Senior Vice-President



Paul Chambers, FCA(UK), CIRP, LIT
Senior Vice-President

Appendix "A"

Teaser email example dated November 29, 2023

From: Vaughan, Sam
To: [REDACTED]@[REDACTED].partners.com
Cc: Chambers, Paul; Quan, Alyson
Subject: PolyCan Opportunity
Date: Wednesday, November 29, 2023 2:34:13 PM

Hi Michael,

Hope all is well.

Deloitte Restructuring Inc. was appointed as Receiver of PolyCan Health Centre (Canada) Inc. on November 23, 2023 pursuant to an Order of the Supreme Court of BC.

The Receiver is seeking a purchaser of the business and assets of PolyCan. Let us know if you would have any interest in this opportunity. If not, let us know if you think any other parties may be interested.

The Company operates from leasehold premises on the Simon Fraser University campus, Burnaby Mountain. The PolyCan website with some video footage of the premises is here:
<https://www.polycanhealthcentre.com/>

There are two operations:

1. Walk-in Clinic

- Currently operating 2 days a week with one Nurse Practitioner and two MOAs.
- Family doctor is awaiting certification (qualified in the States).
- Opened at the start of November 2023.
- Significant demand to extend operating days with appropriate staffing.

2. Health Care Centre

- Separate 20,000 sq ft facility located above the clinic (largest in BC), opened in January 2021.
- Operates a variety of medical, wellness and aesthetic services (refer to website for details).
- Newly furnished gym and multiple treatment rooms.
- Partially built-out surgical centre, with two operating rooms and an x-ray room (needs investment to finish).
- Variety of equipment: ultra-sound, shockwave, liposuction, laser aesthetics etc.
- Currently 7 active practitioners on contract basis: (2 physio, 2 acupuncture, 2 RMT, 1 chiro)
- Large training/lecture room

Investment highlights:

- Significant investment in leasehold improvements, equipment and furnishings – new and spacious facility.
- OR license issued (surgical facility needs to be finished).
- Opportunity to grow practice on SFU campus which is experiencing material growth. Significant population on campus and large residential developments underway within walking distance.

Interested parties should contact Paul Chambers, details set-out below.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-appointed Receiver and Manager of PolyCan Health Care Centre (Canada) Inc., and not in its personal capacity

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Appendix "B"

Email to Mr. Mai dated January 26, 2024

From: [Andrew Mai](#)
To: [Chambers, Paul](#); polycanada2020@gmail.com
Cc: [Keeble, Jeff](#); [Bao, Sally](#); [Yin, Jordan](#)
Subject: [EXT] Re: Sale Process
Date: Friday, January 26, 2024 2:00:35 PM

Hi Paul,

Received with thanks.

Please send this sales process document to Mr. [REDACTED], indigenous link, [REDACTED]@gmail.com and Chief [REDACTED], [REDACTED] First Nation, [REDACTED]@[REDACTED].ca and [REDACTED]9@gmail.com
Thanks.

Andrew Mai

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From: Chambers, Paul <pachambers@deloitte.ca>
Sent: Friday, January 26, 2024 4:41:39 PM
To: Andrew Mai <andrewmai@polycanhealthcentre.com>; polycanada2020@gmail.com <polycanada2020@gmail.com>
Cc: Keeble, Jeff <jkeeble@deloitte.ca>; Bao, Sally <sbao@deloitte.ca>; Yin, Jordan <joryin@deloitte.ca>
Subject: FW: Sale Process

Dr. Mai and Sonia,

Plased be advised that the Receiver has set a deadline for the submission of Binding Offers for the business and assets of PolyCan of 5:00pm (PT) on February 2, 2024.

The email below has been sent to interested parties, including to [REDACTED] and [REDACTED] from CanaGen Bio Inc.

Kind regards,

DELOITTE RESTRUCTURING INC.

In its capacity as Court-appointed Receiver of PolyCan Health Care Centre (Canada) Inc., and not in its personal capacity

Paul Chambers

Senior Vice President | Financial Advisory
410 West Georgia Street, Vancouver, British Columbia, V6B 0S7, Canada
D: 604-640-3368 | M: 604-365-4465
pachambers@deloitte.ca | www.deloitte.com

From: Chambers, Paul

Dear XXX

Thank you for your interest in a transaction involving the potential acquisition of the business and assets of PolyCan Health Care Centre (Canada) Inc. ("PolyCan").

The Receiver is setting a deadline for the submission of Binding Offers of 5:00pm (PT) on February 2, 2024 (the "Offer Deadline"). Offers must be submitted in writing and delivered by email to pachambers@deloitte.ca by the Offer Deadline.

Please find attached Process Requirements document with guidelines for submission of Binding Offers, along with a draft form of asset purchase agreement.

Should you have any questions, please let me know.

Kind regards,

DELOITTE RESTRUCTURING INC.

In its capacity as Court-appointed Receiver of PolyCan Health Care Centre (Canada) Inc., and not in its personal capacity

Paul Chambers

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