

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

**1951584 ONTARIO INC. (formerly DESANTE FINANCIAL SERVICES INC.) and
CWB MAXIUM FINANCIAL INC.**

Applicants

- and -

**4231 SHEPPARD AVENUE EAST INC., ABU SEIFEIN BRIMLEY PHARMA INC.,
BLESS HUI PHARMA INC., JG WINDSOR INC., JM WESTVIEW PHARMA INC.,
JUBILEE PROPERTY INVESTMENTS INC., MAPLE MEDI PHARMA INC., RIVER
HILL PHARMACY LTD., SIGMA HEALTHCARE INC., SJ EAST PHARMA INC., ST.
MARY COOKSVILLE PHARMA INC., ST. MARY THEOTOKOS PHARMA INC.,
STONEY CREEK PHARMA INC., TORONTO APOTHECARY PHARMA INC.,
WESTWAY HOLDINGS INC., and OLDE WALKERVILLE HOLDINGS INC.**

Respondents

**THIRD REPORT OF MSI SPERGEL INC.
IN ITS CAPACITY AS THE RECEIVER OF**

**4231 SHEPPARD AVENUE EAST INC., ABU SEIFEIN BRIMLEY PHARMA INC.,
BLESS HUI PHARMA INC., JG WINDSOR INC., JM WESTVIEW PHARMA INC.,
JUBILEE PROPERTY INVESTMENTS INC., MAPLE MEDI PHARMA INC., RIVER
HILL PHARMACY LTD., SIGMA HEALTHCARE INC., SJ EAST PHARMA INC., ST.
MARY COOKSVILLE PHARMA INC., ST. MARY THEOTOKOS PHARMA INC.,
STONEY CREEK PHARMA INC., TORONTO APOTHECARY PHARMA INC.,
WESTWAY HOLDINGS INC., and OLDE WALKERVILLE HOLDINGS INC.**

November 3, 2021

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I. APPOINTMENT AND BACKGROUND

1. This Third report ("**Third Report**") is filed by msi Spergel inc. ("**Spergel**") in its capacity as the Court-appointed receiver (in such capacity, the "**Receiver**") of the following companies (collectively the "**Debtors**"):
 - i. 4231 Sheppard Avenue East Inc., ("**4231**")
 - ii. Abu Seifein Brimley Pharma Inc. ("**Brimley**")
 - iii. Bless Hui Pharma Inc. ("**Bless Hui**")
 - iv. JG Windsor Inc. ("**JGWI**");
 - v. JM Westview Pharma Inc. ("**Westview**");
 - vi. Jubilee Property Investors Inc., ("**Jubilee**")
 - vii. Maple Medi Pharma Inc. ("**Maple Medi**");
 - viii. River Hill Pharmacy Ltd. ("**River Hill**");
 - ix. Sigma Healthcare Inc. ("**Sigma**");
 - x. SJ East Pharma Inc. ("**SJ East**");
 - xi. St. Mary Cooksville Pharma Inc., ("**Cooksville**")
 - xii. St. Mary Theotokos Pharma Inc. ("**Theotokos**");
 - xiii. Stoney Creek Pharma Inc. ("**Stoney Creek**");
 - xiv. Toronto Apothecary Pharma Inc. ("**Toronto Apothecary**");
 - xv. Westway Holdings Inc. ("**Westway Holdings**"); and
 - xvi. Olde Walkerville Holdings Inc. ("**Olde Walkerville**").
2. 4231 is a Canadian owned private corporation. 4231 formerly owned real property municipally known as 4231 Sheppard Avenue East, Unit C1, Toronto, Ontario (the "**4231 Real Property**").
3. Brimley is a Canadian owned private corporation carrying on the business of a retail pharmacy (the "**Brimley Pharmacy**") at 127 Montezuma Trail, Toronto, Ontario (the "**Brimley Premises**").

4. Bless Hui is a Canadian owned private corporation carrying on the business of a retail pharmacy (the "**Bless Hui Pharmacy**") at 280 Spadina Avenue Toronto, Ontario (the "**Bless Hui Premises**").
5. JGWI is a Canadian owned private corporation. JGWI owns real property municipally known as 2780 Totten Avenue, Windsor, Ontario (the "**JGWI Real Property**").
6. JM Westview was a Canadian owned private corporation formerly carrying on the business of a retail pharmacy in Tilbury, Ontario.
7. Jubilee is a Canadian owned private corporation. Jubilee owns real property municipally known as 280 West Beaver Creek, Unit 11, Richmond Hill, Ontario (the "**Jubilee Real Property**").
8. Maple Medi is a Canadian owned private corporation formerly carrying on the business of a retail pharmacy (the "**Maple Medi Pharmacy**") at 2535 Major MacKenzie Drive, Vaughan, Ontario.
9. River Hill is a Canadian owned private corporation formerly carrying on the business of a retail pharmacy (the "**River Hill Pharmacy**") at 2086 Lawrence Avenue West, Toronto, Ontario (the "**River Hill Premises**").
10. Sigma is a Canadian owned private corporation carrying on the business of a retail pharmacy (the "**Sigma Drug Mart**") at 2 Dufferin Street, Tilbury, Ontario (the "**Sigma Premises**")
11. SJ East was a Canadian owned private corporation formerly carrying on the business of a retail pharmacy in Brighton Ontario.
12. Cooksville was a Canadian owned private corporation formerly carrying on the business of a retail pharmacy in Mississauga, Ontario.
13. Theotokos is a Canadian owned private corporation formerly carrying on the business of a retail pharmacy in Toronto, Ontario.
14. Stoney Creek is a Canadian owned private corporation formerly carrying on the business of a retail pharmacy (the "**Stoney Creek Pharmacy**") at 800 Queenston Road, Stoney Creek, Ontario (the "**Stoney Creek Premises**").

15. Toronto Apothecary is a Canadian owned private corporation formerly carrying on the business of a retail pharmacy (the "**Apothecary Pharmacy**") at 842 Markham Road, Toronto, Ontario (the "**Apothecary Premises**").
16. Westway Holdings is a Canadian owned private corporation formerly carrying on the business of a retail pharmacy in Toronto, Ontario.
17. Olde Walkerville is a Canadian owned private corporation carrying on the business of two retail pharmacies at 1701 Wyandotte Street and 870 Erie Street, respectively, in Windsor, Ontario (collectively the "**Olde Walkerville Premises**").
18. Spergel was appointed as the Receiver of all of the assets, undertakings and properties of the Debtors (collectively, the "**Property**") by the Orders of the Honourable Mr. Justice Cavanagh of the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), in the case of Bless Hui, Maple Medi, River Hill, Theotokos, Stoney Creek, Toronto Apothecary, Westway Holdings and Olde Walkerville made November 25, 2020, in the case of JM Westview and SJ East made January 26, 2021, in the case of Cooksville, 4231, JGWI and Jubilee, made February 3, 2021, in the case of Brimley, made April 8, 2021 and in the case of Sigma made September 7, 2021 (collectively, the "**Receivership Orders**"). The Receivership Orders were made upon the application of the Debtors' general secured creditor CWB Maximum Financial Inc. ("**CWB**" or the "**Bank**"). Copies of the Receivership Orders are attached to this Third Report as **Appendices "1", "2", "3", "4" and "5"**, respectively. The Receivership Orders were granted by the Court on consent of the Debtors who were represented by counsel.
19. Copies of all non-confidential materials filed in these proceedings are posted on the Receiver's website at <https://www.spergelcorporate.ca/engagements/maple-medi-pharma-inc-river-hill-pharmacy-inc-westway-holdings-inc-toronto-apothecary-pharma-inc-st-mary-theotokos-pharmacy-inc-bless-hui-pharma-inc-stoney-creek-pharma-inc-and-olde-walkerville-holdings-inc/>
20. The Receiver retained Goldman, Sloan, Nash and Haber LLP ("**GSNH**" or the "**Receiver's Counsel**") as its independent legal counsel.

21. The Receiver filed a report in its capacity as the Proposed Receiver of JM Westview and SJ East on January 25, 2021 (the "**Proposed Receiver's Report**") reporting its findings with respect to Westview and SJ East. A copy of the Proposed Receiver's Report is not attached in the interest of keeping the size of this report as small as possible. A copy is available on the Receiver's website¹ if needed.
22. The Receiver filed its First Report dated February 1, 2021 (the "**First Report**") reporting its further findings with respect to Westview and SJ East. A copy of the First Report is not attached in the interest of keeping the size of this report as small as possible. A copy is available on the Receiver's website² if needed.
23. The Receiver filed its Second Report dated August 4, 2021 (the "**Second Report**") seeking, inter alia, approval of the sale of the 4231 Real Property; the sale of the Maple Medi Pharmacy; the sale of the Apothecary Pharmacy; the sale of the Bless Hui Pharmacy; the sale of the River Hill Pharmacy; and the sale of the Stoney Creek Pharmacy. A copy of the Second Report is not attached in the interest of keeping the size of this report as small as possible. A copy is available on the Receiver's website³ if needed.
24. At a hearing held August 12, 2021, Orders were issued by the Honourable Justice Patillo approving the sale transactions with respect to 4231, Maple Medi, Apothecary, Bless Hui, River Hill, and Stoney Creek (the "**Sale Approval and Vesting Orders**") and authorizing the Receiver to complete the transactions contemplated thereby (the "**Approved Sale Transactions**"). Copies of the Sale Approval and Vesting Orders are not attached in the interest of keeping the size of this report as small as possible. Copies are available on the Receiver's website⁴ if needed.

¹ <https://www.spergelcorporate.ca/engagements/maple-medi-pharma-inc-river-hill-pharmacy-inc-westway-holdings-inc-toronto-apothecary-pharma-inc-st-mary-theotokos-pharmacy-inc-bless-hui-pharma-inc-stoney-creek-pharma-inc-and-olde-walkerville-holdings-inc/>

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.*

25. A further Order issued by Justice Patillo dated August 12, 2021, (the "**August 12th Ancillary Order**") approved the activities described in the Receiver's First and Second Reports, including the Interim Statements of Receipts and Disbursements and the fees of the Receiver to and including June 30, 2021 for each Debtor. A copy of the August 12th Ancillary Order is attached to this Third Report as **Appendix "6"**.

II. PURPOSE OF THIS THIRD REPORT AND DISCLAIMER

26. The purpose of this Third Report is to report to the Court regarding the Receiver's activities and conduct since the Receiver's Second Report dated August 4, 2021 and to seek Orders from this Court:
- i. approving this Third Report and the activities described herein including, without limitation, the Receiver's interim statements of receipts and disbursements as at October 27, 2021 for the receivership of each of the Debtors (the "**Interim R&Ds**");
 - ii. approving the Jubilee Real Property sale transaction contemplated by the agreement of purchase and sale dated September 24, 2021 between the Receiver as vendor and George Chan in trust for a Company to be incorporated (the "**Jubilee Purchaser**") as purchaser, (the "**Jubilee Sale Agreement**") with respect to the Purchased Assets (as defined in the Jubilee Sale Agreement) (the "**Jubilee Purchased Assets**"), and authorizing the Receiver to complete the transaction contemplated thereby (the "**Jubilee Transaction**");
 - iii. vesting in the Jubilee Purchaser, Jubilee's right, title, and interest in and to the Jubilee Purchased Assets free and clear of any claims and encumbrances save and except for "Permitted Encumbrances";
 - iv. approving the JGWI Real Property sale transaction contemplated by the agreement of purchase and sale dated October 6, 2021 between the Receiver as vendor and George Chan in trust for a Company to be incorporated (the "**JGWI Purchaser**") as purchaser, (the "**JGWI Sale**

- Agreement**") with respect to the Purchased Assets (as defined in the JGWI Sale Agreement) (the "**JGWI Purchased Assets**"), and authorizing the Receiver to complete the transaction contemplated thereby (the "**JGWI Transaction**");
- v. vesting in the JGWI Purchaser, JGWI's right, title and interest in and to the JGWI Purchased Assets free and clear of any claims and encumbrances save and except for "Permitted Encumbrances";
 - vi. approving the Brimley Pharmacy sale transaction contemplated by the agreement of purchase and sale dated September 24, 2021 between the Receiver as vendor and 2868783 Ontario Inc. ("**286**") as purchaser, (the "**Brimley Sale Agreement**") with respect to the Purchased Assets (as defined in the Brimley Sale Agreement) (the "**Brimley Purchased Assets**"), and authorizing the Receiver to complete the transaction contemplated thereby (the "**Brimley Transaction**" together with the Jubilee Transaction and the JGWI Transaction shall be referred to herein as the "**Transactions**");
 - vii. vesting in 286, Brimley's right, title, and interest in and to the Brimley Purchased Assets free and clear of any claims and encumbrances save and except for "Permitted Encumbrances";
 - viii. sealing the Confidential Appendices (as defined herein) to this Third Report until the earlier of the completion of the Transactions or further Order of this Court;
 - ix. declaring that the transaction (the "**Bless Hui Transaction**") contemplated by the agreement of purchase and sale dated June 14, 2021 between the Receiver as vendor and Raouf Basilious in Trust for a corporation to be formed and as assigned to Guide Pharma Inc. ("**Guide Pharma**") as purchaser (the "**Bless Hui Sale Agreement**") is terminated with the deposit to be retained by the Receiver as liquidated damages in accordance with the terms of the Bless Hui Sale Agreement.

- x. approving the fees and disbursements of the Receiver for the period from July 1, 2021 to and including October 27, 2021 for each of the Respondents as well as fee accruals for Theotokos, Cooksville, Westway, SJ East and Westview as described in the Fee Affidavit of Mukul Manchanda sworn November 2, 2021;
 - xi. approving the fees and disbursements of the Receiver's Counsel for the period to and including October 31, 2021 for each of the Respondents as described in the Fee Affidavit of Joel Turgeon sworn November 2, 2021;
 - xii. authorizing and directing the Receiver to make distributions proposed in this Third Report; and
 - xiii. effective upon filing of a certificate by the Receiver certifying that all outstanding matters to be attended to in connection with the receivership of Theotokos, Westway, Cooksville, SJ East and Westview (the "**Completed Estates**") have been completed to the satisfaction of the Receiver, discharging Spergel as the Receiver and granting certain ancillary relief in relation; and
 - xiv. such further and other relief as Counsel may advise and this Court may permit.
27. The Receiver will not assume responsibility or liability for losses incurred by the reader due to the circulation, publication, reproduction or use of this Third Report for any other purpose.
28. In preparing this Third Report, the Receiver has relied upon certain information provided to it by the Debtors and or its principals. The Receiver has not performed an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises or International Financial Reporting Standards. Accordingly, the Receiver expresses no opinion or other form of assurance with respect to such information.
29. Unless otherwise stated, all monetary amounts contained in this Third Report are expressed in Canadian dollars.

III. ACTIONS OF THE RECEIVER SUBSEQUENT TO THE SECOND REPORT

The Approved Sale Transactions

30. Following the issuance of the Sale Approval and Vesting Orders, the Receiver completed the closing of the Approved Sale Transactions with the exception of the sale transaction with respect to the Bless Hui Pharmacy contemplated by the Bless Hui APS, which is discussed in greater detail below.

The Bless Hui Sale Transaction

31. The Bless Hui Sale Transaction was scheduled to close after extensions on September 10, 2021, subject to the approved Bless Hui Agreement of Purchase and Sale (the "**Bless Hui APS**") attached to this Third Report with deposit and purchase price redacted as **Appendix "7"**.
32. On or about the morning of September 9, 2021, the Receiver was contacted by one of the Purchasers advising of its unwillingness to close due to the impending departure of the Designated Manager of the pharmacy and requesting a return of the deposit paid in the amount of \$90,000. The request for the return of the deposit was rejected by the Receiver pursuant to Paragraph 2.4(b)(ii) and the matter referred to Receiver's Counsel.
33. By September 9, 2021, all conditions to which the Bless Hui Agreement of Purchase and Sale was subject had been either fulfilled by the Receiver and/or waived by the Purchaser. All closing documents were prepared, executed, and exchanged over the course of September 9th and 10th. An Assignment of the lease of the Bless Hui Premises had been finalized and all documents related thereto executed by all parties and exchanged.
34. The inventory count was held after pharmacy closing on September 9th in anticipation of closing on September 10th at which representatives of the Purchaser were in attendance, however, left before the count was completed.
35. Receiver's Counsel sent an email to Counsel for the Purchaser on September 9, 2021 at 4:50pm in response to the Purchaser's telephone discussion with the

Receiver earlier that day requesting a call with Counsel for the Purchaser. A copy of this email is attached to this Third Report as **Appendix "8"**.

36. Receiver's Counsel sent a further email to Counsel for the Purchaser on September 9, 2021 at 5:12 pm confirming, inter alia, that the Receiver was ready willing and able to close. A copy of this email is attached to this Third Report as **Appendix "9"**.
37. Receiver's Counsel sent a further email to Counsel for the Purchaser on September 10, 2021 at 11.18am confirming, inter alia, once again that the Receiver was ready willing and able to close but offering an extension to September 24, 2021 subject to terms. A copy of this email is attached to this Third Report as **Appendix "10"**.
38. The offer by Counsel for the Receiver of an extension to close was never accepted by the Purchaser and the Receiver takes the position that the Bless Hui APS has been terminated by the Purchaser and accordingly, the Receiver is entitled to retain the deposit paid as liquidated damages. Counsel for the Receiver wrote to counsel for the Purchaser accordingly on September 16, 2021, a copy of which is attached to this Third Report as **Appendix "11"**.
39. The Bless Hui Pharmacy has been re-listed for sale on the MLS system.

IV. THE TRANSACTIONS

40. Pursuant to the terms of the Receivership Orders, the Receiver was empowered and authorized to, among other things, market any or all the Debtors' assets, including advertising and soliciting offers in respect of the assets and negotiating such terms and conditions of sale as the Receiver, in its discretion, deemed appropriate.

Jubilee Property Investments Inc.

41. The sole asset of Jubilee is a commercial condominium unit located at 280 West Beaver Creek, Unit 11, Richmond Hill, Ontario (the "**Jubilee Real Property**").

42. Upon appointment, the Receiver engaged the services of Wagner, Andrews & Kovac Ltd. ("**Wagner**") and Cornwall Property Consultants Ltd. ("**Cornwall**") to attend at and conduct full narrative appraisals of the Jubilee Real Property. The Receiver obtained appraisals in relation to the Jubilee Real Property from Wagner on February 17, 2021 as updated April 23, 2021 and from Cornwall on February 22, 2021. Copies of the appraisal reports are attached to this Third Report as **Confidential Appendix "1"**.
43. As reported in the Second Report, the Jubilee Real Property is subject to what the Receiver believes is a non-arm's length 40-year lease dated August 27, 2021 with Jubilee Medical Pharma Inc. (the "**Jubilee Tenant**") operating a pharmacy owned by George Chan (the "**Jubilee Pharmacy Lease**"). The Receiver has concerns that the Jubilee Pharmacy Lease may negatively impact the value of the Jubilee Real Property. The Jubilee Pharmacy Lease is attached to this Third Report as **Appendix "12"**.
44. The Receiver has negotiated the Jubilee Sale Agreement with Mr. Chan as the principal of the Jubilee Tenant at a price that the Receiver believes is appropriate having regard to (i) the value of the Jubilee Real Property if not affected by the Jubilee Pharmacy Lease, and (ii) the potential cost and risk to the estate of Jubilee involved in any litigation to seek to set aside the Jubilee Pharmacy Lease. The Receiver is of the opinion that the Jubilee Sale Agreement is the most economical way possible to dispose of the Jubilee Real Property.
45. After the waiver of the due diligence conditions in the Jubilee Sale Agreement, the acceptance of the Jubilee Sale Agreement is conditional only upon the approval of this Honourable Court and accordingly is the subject matter, inter alia, of the motion brought by the Receiver. A copy of the Jubilee Sale Agreement with redactions for the purchase price and deposit is attached to this Third Report as **Appendix "13"**. An unredacted copy of the Jubilee Sale Agreement is attached as **Confidential Appendix "2"**.

JG Windsor Inc.

46. The sole asset of JGWI is a 3500 square foot medical building located at 2780 Totten Avenue, Windsor, Ontario (the "**JGWI Real Property**").
47. Upon appointment, the Receiver engaged the services of Renaissance Valuations ("**Renaissance**") and F./R. Jordan and Associates. ("**Jordan**") to attend at and conduct full narrative appraisals of the JGWI Real Property. The Receiver obtained appraisals in relation to the JGWI Real Property from Renaissance on February 13, 2021 and from Jordan on May 12, 2021. Copies of the appraisal reports are attached to this Third Report as **Confidential Appendix "3"**.
48. As advised in the Second Report of the Receiver, a portion of the JGWI Real Property is subject to what the Receiver believes is a non-arm's length 40-year lease dated August 27, 2020 with Totten Windsor Drugs Inc. (the "**JGWI Tenant**") operating a pharmacy owned by George Chan (the "**Totten Pharmacy Lease**"). As with the Jubilee Pharmacy lease, the Receiver has concerns that the Totten Pharmacy Lease may negatively impact the value of the JGWI Real Property. The Totten Pharmacy Lease is attached to this Third Report as **Appendix "14"**.
49. The Receiver has negotiated JGWI Sale Agreement with Mr. Chan as the principal of the JGWI Tenant at a price at a price that the Receiver believes is appropriate having regard to (i) the value of the JGWI Real Property if not affected by the Totten Pharmacy Lease, and (ii) the potential cost and risk to the estate of JGWI involved in any litigation to seek to set aside the Totten Pharmacy Lease. The Receiver is of the opinion that the Jubilee Sale Agreement is the most economical way possible to dispose of the Jubilee Real Property .
50. The acceptance of the JGWI Sale Agreement is conditional upon due diligence and the approval of this Honourable Court and accordingly is the subject matter, inter alia, of the motion brought by the Receiver. A copy of the JGWI Sale Agreement with redactions for the purchase price and deposit is attached to this Third Report as **Appendix "15"**. An unredacted copy of the JGWI Sale Agreement is attached as **Confidential Appendix "4"**.

Abu Seifein Brimley Pharma Inc

51. The Receiver entered into an MLS Listing Agreement dated July 21, 2021 with Maged Bebawy ("**Bebawy**"), a broker with ReMax West Realty Inc., with respect to the sale of the Brimley Pharmacy (the "**Brimley Listing**") located at 123 Montezuma Trail, Scarborough, Ontario. Bebawy is well known within the pharmacy industry and has multiple years' experience in the purchase and sale of community pharmacies. A copy of the Brimley Listing is attached to this Third Report as **Appendix "16"**.
52. An online data room was set up by the Receiver containing the financial and other information related to the Brimley Pharmacy. Prior to being granted access to the data room(s), prospective purchasers were required to sign a Non-Disclosure Agreement ("**NDA**") to protect the integrity of the information made available in the data room.
53. Bebawy widely marketed the Pharmacies to garner maximum interest. The pharmacy was advertised on the realtor.ca website. An email blast was sent by Bebawy to approximately 800 prospective purchasers. A fax broadcast was also sent to approximately 4,692 pharmacies in Ontario with a success rate of 4,405. A copy of the email blast sent to prospective purchasers and marketing report is attached to this Third Report as **Appendix "17"**.
54. The current lease related to the Brimley Premises is set to expire on July 31, 2022. The Receiver was advised by the property manager that any renewals beyond July 31, 2022 would be subject to a demolition clause exercisable by the Landlord on three months' written notice. The Receiver managed to negotiate a reciprocal three months written notice provision in favour of the tenant on any renewal. Attached to this Third Report as **Appendix "18"** is a copy of the email exchange between the Receiver and the property manager in this regard.
55. As a result of the above, 20 interested parties signed the NDA and obtained the information related to the Brimley Pharmacy. After reviewing the offer(s), the Receiver determined that the purchase offer from 286 would net the highest realization and be the most appropriate transaction for the benefit of the

stakeholders. A copy of the Receiver's bid summary is attached as **Confidential Appendix "5"** to this Third Report (the "**Bid Summary**"). The Receiver shared the Bid Summary along with the written offer(s) with the Bank. The Bank has indicated to the Receiver that it supports the acceptance of the offer from 286, which the Receiver has now put into the Brimley Sale Agreement and signed subject to approval of the Court.

56. The acceptance of the Brimley Sale Agreement is conditional upon the Purchaser obtaining pharmacy accreditation from the Ontario College of Pharmacists ("**OCP**"); a provider number from the Ontario Drug Benefit Plan ("**ODB**") and approval of this Honourable Court and accordingly is the subject matter, inter alia, of the motion brought by the Receiver. A copy of the Brimley Sale Agreement with redactions for the purchase price and deposit is attached to this Third Report as **Appendix "19"**. An unredacted copy of the Brimley Sale Agreement is attached as **Confidential Appendix "6"** (collectively with Confidential Appendices "1", "2", "3", "4" and "5", the "**Confidential Appendices**").
57. The Receiver is of the view that the sale process with respect to the Brimley Pharmacy was conducted in a commercially reasonable manner and that the market was extensively canvassed pursuant to Bebawy's marketing efforts detailed above. It is the opinion of the Receiver that the terms and conditions contained in the Brimley Sale Agreement are commercially reasonable in all respects and that the purchaser price in the Brimley Sale Agreement is at market value and is the best outcome to the estate in the circumstances.

V. REQUEST FOR A SEALING ORDER

58. The Receiver is seeking a sealing order in respect of the Confidential Appendices to this Third Report as they each contain commercially sensitive information, the release of which prior to the completion of the Transactions would be prejudicial to the stakeholders in the event the Transactions do not close.

VI. OPERATING PHARMACIES NOT SUBJECT TO SALE AGREEMENTS

Olde Walkerville Holdings Inc.

59. The assets of Olde Walkerville are two retail pharmacies operating out of leased premises located at 1701 Wyandotte Street East, Windsor, Ontario and 870 Erie Street East, Windsor, Ontario (collectively, the "**Windsor Pharmacies**").
60. The Windsor Pharmacies were previously listed for sale with Bebawy, however, the marketing efforts did not garner any offers that were acceptable in the view of the Receiver.
61. The Windsor Pharmacies remain fully operational under the supervision of the Receiver and revised listing agreements have been signed with Bebawy (the "**Revised Olde Walkerville Listing Agreements**") by the Receiver. Copies of the Revised Olde Walkerville Listing Agreements are attached to this Third Report as **Appendices "20" and "21"**, respectively.

Bless Hui Pharma Inc.

62. Due to the failure of the previously approved sale to close as described in this Third Report, the Receiver has re-listed the Bless Hui Pharmacy for sale. The sole asset of Bless Hui is a retail pharmacy operating out of leased premises at 280 Spadina Avenue, Toronto, Ontario.
63. The pharmacy remains fully operational under the supervision of the Receiver and a new listing agreement for the sale of the pharmacy has been signed with Bebawy by the Receiver (the "**Bless Hui Listing Agreement**"). A copy of the new listing agreement is attached to this Third Report as **Appendix "22"**.

Sigma Healthcare Inc.

63. Sigma operates a retail pharmacy business out of leased premises located at 2 Dufferin Street, Tilbury, Ontario.
64. Immediately upon its appointment, the Receiver directly or through counsel attended to the following:
- i) secured possession of the premises;

- ii) arranged for insurance in the name of the Receiver;
- iii) notified the office of the Superintendent of Bankruptcy of its appointment as Receiver;
- iv) opened a dedicated trust account for the receivership estate and dealt with existing bank accounts;
- v) prepared and filed all documents mandated by the *Bankruptcy and Insolvency Act*;
- vi) communicated with the Canada Revenue Agency;
- vii) met with and re-hired pharmacists and technicians;
- viii) confirmed its appointment with the Ontario College of Pharmacists (the "OCP");
- ix) took steps to quantify PMSI security interests in favour of suppliers;
- x) secured a continuation of pharmaceutical supply;
- xi) took all necessary steps to ensure that the pharmacies remained fully operational under the supervision of the Receiver and that the transfer of care and control to the Receiver was seamless and without interruption to client service. The pharmacies continue to operate with most of the same personnel and remain open the same hours as previously.

65. The Receiver is currently operating the Sigma pharmacy business. Once stabilized, the Receiver will be listing the pharmacy business for sale on a going-concern basis and will report back to the stakeholders and to the Court in due course.

VII. NON-OPERATING DEBTORS

JM WESTVIEW PHARMA INC.

66. As previously reported by the Receiver, the pharmacy operations of Westview operating as Mill Street Pharmacy in Tilbury, Ontario ceased in January 2021. The Receiver has filed an Assignment in Bankruptcy with respect to Westview. The Receiver as Trustee of Westview undertook a detailed investigation into the transfer of the Westview pharmacy assets to Sigma,

which ultimately resulted in an interim receivership order and later a full receivership order being issued against Sigma.

67. As there is no further work to be done by the Receiver with respect to JM Westview, the Receiver is seeking its discharge.

SJ EAST PHARMA INC.

68. As previously reported by the Receiver, the pharmacy operations of SJ East operating as Brighton Pharmacy in Brighton, Ontario ceased in or around November 2020. The Receiver has filed an Assignment in Bankruptcy with respect to SJ East. The Receiver as Trustee of SJ East undertook a detailed investigation into the transfer of the SJ East pharmacy assets and reported its findings to the inspector of the estate. The inspector has indicated that he is not in favour of taking further steps in the Bankruptcy in respect of the matters reported. Given that the inspector is a representative of CWB and any losses in the estate of SJ East in the receivership will predominantly to CWB's account, the Receiver believes that no further steps are required or appropriate.

69. Accordingly, the Receiver is seeking its discharge with respect to the estate of SJ East.

ST. MARY THEOTOKOS PHARMA INC.

70. The pharmacy operations of Theotokos ceased prior to the appointment of the Receiver and the principals of the Debtors have advised that the operations were co-mingled with those of Bless Hui given its proximity. As there is no further work to be done by the Receiver with respect to Theotokos, the Receiver is seeking its discharge.

WESTWAY HOLDINGS INC.

71. The pharmacy operations of Westway ceased prior to the appointment of the Receiver and it is believed that the operations were co-mingled with those of River Hill given its proximity. As there is no further work to be done by the Receiver with respect to Westway, the Receiver is seeking its discharge.

ST. MARY COOKSVILLE PHARMA INC.

The pharmacy operations of Cooksville ceased in or around November, 2020. The Receiver has filed an Assignment in Bankruptcy with respect to Cooksville. The Receiver as Trustee of Cooksville undertook a detailed investigation into the transfer of the Cooksville pharmacy assets and reported its findings to the inspector of the estate. The inspector has indicated that he is not in favour of taking further steps in the Bankruptcy in respect of the matters reported. Given that the inspector is a representative of CWB and any losses in the estate of SJ East in the receivership will predominantly to CWB's account, the Receiver believes that no further steps are required or appropriate.

72. Accordingly, the Receiver is seeking its discharge with respect to the estate of Cooksville.

IX. FEES AND DISBURSEMENTS OF THE RECEIVER

73. Attached to this Third Report as **Appendix "23"** is the Affidavit of Mukul Manchanda, sworn November 2, 2021, (the "**Manchanda Affidavit**") which incorporates, by reference a copy of the time dockets pertaining to the receiverships of each of the Debtors for the period from July 1, 2021 to and including October 27, 2021. The fees and disbursements of the Receiver for the period to and including June 30, 2021 for the Debtors in Paragraph 78 below, save and except for Sigma, were previously approved by Order of the Honourable Justice Patillo dated August 12, 2021.
74. The fees and disbursements of the Receiver for each of the Debtors (save and except for Sigma) for the period from July 1, 2021 to and including October 27, 2021 are as follows:
- i. in respect of the receivership of Westview for the period from July 1, 2021 to and including October 27, 2021 fees \$2,093.04 (inclusive of HST, disbursements and a discount of \$144.50) were charged by Spengel as detailed in the Manchanda Affidavit. This represents 5.05 hours at an effective rate of \$395.39 per hour. The Receiver anticipates additional fees

to completion in the amount of \$5,000, not including HST and disbursements.

- ii. in respect of the receivership of SJ East for the period from July 1, 2021 to and including October 27, 2021 fees of \$5,339.25 (inclusive of HST, disbursements and a discount of \$742.50) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 16.30 hours at an effective rate of \$335.43 per hour. The Receiver anticipates additional fees to completion in the amount of \$5,000, not including HST and disbursements.
- iii. in respect of the receivership of Bless Hui for the period from July 1, 2021 to and including October 27, 2021, 2021 fees of \$53,141.36 (inclusive of HST, disbursements and a discount of \$4,536.00) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 153.10 hours at an effective rate of \$336.24 per hour.
- iv. in respect of the receivership of Maple Medi for the period from July 1, 2021 to and including October 27, 2021 fees of \$36,491.45 (inclusive of HST, disbursements and a discount of \$4,526.50) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 112.05 hours at an effective rate of \$328.20 per hour.
- v. in respect of the receivership of River Hill for the period from July 1, 2021 to and including October 27, 2021 fees of \$33,438.74 (inclusive of HST, disbursements and a discount of \$4,417.00) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 108.00 hours at an effective rate of \$314.69 per hour.
- vi. in respect of the receivership of Theotokos for the period from July 1, 2021 to and including October 27, 2021 fees of \$1,626.92 (inclusive of HST, disbursements and a discount of \$89.00) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 3.45 hours at an effective rate of \$443.12 per hour. The Receiver anticipates additional fees

to completion in the amount of \$5,000, not including HST and disbursements.

- vii. in respect of the receivership of Stoney Creek for the period from July 1, 2021 to and including October 27, 2021 fees of \$32,711.81 (inclusive of HST, disbursements and a discount of \$3,787.50) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 95.75 hours at an effective rate of \$340.39 per hour.
- viii. in respect of the receivership of Toronto Apothecary for the period from July 1, 2021 to and including October 27, 2021 fees of \$39,255.86 (inclusive of HST, disbursements and a discount of \$5,130.50) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 119.00 hours at an effective rate of \$334.46 per hour.
- ix. in respect of the receivership of Westway for the period from July 1, 2021 to and including October 27, 2021 fees of \$2,093.04 (inclusive of HST, disbursements and a discount of \$144.50) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 5.05 hours at an effective rate of \$395.40 per hour. The Receiver anticipates additional fees to completion in the amount of \$5,000, not including HST and disbursements.
- x. in respect of the receivership of Olde Walkerville for the period from July 1, 2021 to and including October 27, 2021 fees of \$41,761.13 (inclusive of HST, disbursements and a discount of \$6,031.00) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 134.40 hours at an effective rate of \$317.89 per hour.
- xi. in respect of the receivership of Cooksville for the period from July 1, 2021 to and including October 27, 2021 fees of \$1,993.60 (inclusive of HST, disbursements and a discount of \$122.00) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 4.55 hours at an effective rate of \$414.56 per hour. The Receiver anticipates additional fees

to completion in the amount of \$5,000, not including HST and disbursements.

- xii. in respect of the receivership of 4231 for the period from July 1, 2021 to and including October 27, 2021 fees of \$15,431.84 (inclusive of HST, disbursements and a discount of \$1,012.50) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 32.45 hours at an effective rate of \$451.10 per hour.
- xiii. in respect of the receivership of Jubilee for the period from July 1, 2021 to and including October 27, 2021 fees of \$8,184.59 (inclusive of HST, disbursements and a discount of \$757.50) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 19.30 hours at an effective rate of \$414.53 per hour.
- xiv. in respect of the receivership of JGWI for the period from July 1, 2021 to and including October 27, 2021 fees of \$12,259.37 (inclusive of HST, disbursements and a discount of \$926.00) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 26.40 hours at an effective rate of \$446.02 per hour.
- xv. in respect of the receivership of Brimley for the period from July 1, 2021 to and including October 27, 2021 fees of \$53,829.17 (inclusive of HST, disbursements and a discount of \$10,374.00) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 198.70 hours at an effective rate of \$291.80 per hour.
- xvi. In respect of the receivership of Sigma for the period to and including October 27, 2021 fees of \$59,513.71 (inclusive of HST, disbursements and a discount of \$6,306.50) were charged by Spergel as detailed in the Manchanda Affidavit. This represents 168.80 hours at an effective rate of \$349.37 per hour.

X. FEES AND DISBURSEMENTS OF RECEIVER'S COUNSEL

75. Attached hereto as **Appendix "24"** is the Affidavit of Joel Turgeon, sworn November 3, 2021, which incorporates, by reference, a copy of the accounts rendered by the Receiver's Counsel to the Receiver pertaining to the receiverships of each of the Debtors for the period from November 2020 to and including October 31, 2021.
76. The fees and expenses of Receiver's Counsel for this period are as follows:
- i. in respect of the receivership of Westview, fees of \$11,060, disbursements of \$857, and HST of \$1,547.65. This represents a total of 22.4 hours at an effective rate of \$493.75 per hour;
 - ii. in respect of the receivership of SJ East, fees of \$5,342.50, disbursements of \$15, and HST of \$696.48. This represents a total of 10.1 hours at an effective rate of \$528.96 per hour;
 - iii. in respect of the receivership of Bless Hui, fees of \$22,577.50, disbursements of \$82.59, and HST of \$2,942.70. This represents a total of 46.7 hours at an effective rate of \$483.45 per hour;
 - iv. in respect of the receivership of Maple Medi, fees of \$16,675, disbursements of \$107.24, and HST of \$2,178.57. This represents a total of 36.6 hours at an effective rate of \$455.60 per hour;
 - v. in respect of the receivership of River Hill, fees of \$18,365, disbursements of \$82.59, and HST of \$2,395.07. This represents a total of 38.6 hours at an effective rate of \$501.78 per hour;
 - vi. in respect of the receivership of Theotokos, fees of \$2,190, disbursements of \$0, and HST of \$284.7. This represents a total of 4.6 hours at an effective rate of \$476.09 per hour;
 - vii. in respect of the receivership of Stoney Creek, fees of \$17,272.50, disbursements of \$82.59, and HST of \$2,253.05. This represents a total of 37.9 hours at an effective rate of \$455.74 per hour;

- viii. in respect of the receivership of Toronto Apothecary, fees of \$16,112.50, disbursements of \$190.34, and HST of \$2,116.25. This represents a total of 36.8 hours at an effective rate of \$437.84 per hour;
 - ix. in respect of the receivership of Westway, fees of \$2,190, disbursements of \$24.15, and HST of \$286.80. This represents a total of 4.6 hours at an effective rate of \$476.09 per hour;
 - x. in respect of the receivership of Olde Walkerville, fees of \$6,275, disbursements of \$24.15, and HST of \$817.85. This represents a total of 12.7 hours at an effective rate of \$494.09 per hour;
 - xi. in respect of the receivership of Cooksville, fees of \$12,145, disbursements of \$1,589.15, and HST of \$1,784.40. This represents a total of 26.8 hours at an effective rate of \$453.17 per hour;
 - xii. in respect of the receivership of 4231, fees of \$12,515, disbursements of \$738.55, and HST of \$1,653.55. This represents a total of 26.7 hours at an effective rate of \$469.10 per hour;
 - xiii. in respect of the receivership of Jubilee, fees of \$12,800, disbursements of \$328.45, and HST of \$1,691.35. This represents a total of 24.3 hours at an effective rate of \$526.75 per hour;
 - xiv. in respect of the receivership of JGWI, fees of \$11,562.50, disbursements of \$65.40, and HST of \$1,511.63. This represents a total of 21.8 hours at an effective rate of \$530.39 per hour;
 - xv. in respect of the receivership of Brimley, fees of \$6,125, disbursements of \$52.44, and HST of \$800.99. This represents a total of 11.9 hours at an effective rate of \$514.76 per hour;
 - xvi. in respect of the receivership of Sigma, fees of \$3,195, disbursements of \$70.75, and HST of \$422.47. This represents a total of 6.6 hours at an effective rate of \$484.09 per hour;
77. The Receiver has reviewed the Receiver's Counsel's accounts and given the Receiver's involvement in this matter, the Receiver is of the view that all the work

set out in Receiver's Counsel's accounts was carried out and was necessary. The hourly rates of the lawyers who worked on this matter were reasonable considering the services required, and the services were carried out by lawyers with the appropriate level of experience.

XI. RECEIVER'S STATEMENTS OF RECEIPTS AND DISBURSEMENTS

78. Attached to this Third Report as **Appendix "25"** are the Receiver's Statements of Receipts and Disbursements as October 27, 2021 for each of the Debtors.

XII. PROPOSED DISTRIBUTION

Receiver's Certificates

79. Pursuant to paragraph 23 of the amended and restated receivership order dated February 3, 2021 (the "**February Receivership Order**"), the Receiver borrowed monies from CWB in the principal amount of \$440,000 (the "**Receiver's Borrowings**") to fund its activities in respect to the estates of the following: a) Bless Hui; b) Maple Medi; c) River Hill; d) Theotokos; e) Stoney Creek; f) Toronto Apothecary; g) Westway Holdings; h) Olde Walkerville; i) SJ East; j) Westview; k) Cooksville; l) JGWI; m) Jubilee; and n) 4231 (collectively, the "**February Debtors**"). Attached as **Appendix "26"** to this Third Report are copies of the Receiver's Certificates representing the Receiver's Borrowings. The Receiver's Borrowings were used for the estate of the February Debtors as follows:

**In the Matter of the Receivership of Bless Hui Pharma Inc. et al
Summary of Receiver's Borrowings related to the February Debtors**

Estates	Borrowings
4231	35,000.00
Bless Hui	80,500.00
Cooksville	5,000.00
JGWI	19,000.00
Jubilee	25,000.00
Maple Medi	29,000.00
Olde Walkerville	122,500.00
River Hill	30,000.00
SJ East	5,000.00
Stoney Creek	24,000.00
Theotokos	5,000.00
Toronto Apothecary	50,000.00
Westview	5,000.00
Westway Holdings	5,000.00
Total	440,000.00

80. Pursuant to paragraph 23 of the February Receivership Order, the issuance of the Receiver's Certificate has the effect of creating a charge on the Property (as defined in the February Receivership Order), by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the repayment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person (as defined in the February Receivership Order), but subordinate to the Receiver's Charge, and the charges set out in subsections 14.06(7), 81.4(4), and 81.6(2) of the BIA.
81. Given all of the Property of the February Debtors have not been realized upon, the Receiver is recommending the repayment of the Receiver's Borrowings from the proceeds of the sale of assets (pro-rated based on gross realizations from the sale of assets) of the following:
- a) Maple Medi - \$111,185.00 (the "**Maple Medi RB Payment**");
 - b) River Hill - \$121,115.00 (the "**River Hill RB Payment**");

- c) Stoney Creek - \$112,500.00 (the "**Stoney Creek RB Payment**");
 - d) Toronto Apothecary - \$60,200.00 (the "**Apothecary RB Payment**"); and
 - e) 4231 - \$35,000.00 (the "**4231 RB Payment**").
82. If proceeds are received from the estates of February Debtors other than the five noted above and to which funds borrowed under the Receiver's Charge were applied, the Receiver will at that point reallocate such funds *pro rata* to the five estates noted above.

4231 Sheppard Avenue East Inc.

Canada Revenue Agency

83. Canada Revenue Agency ("**CRA**") is in the midst of conducting a trust exam of 4231's *Harmonized Sales Tax* ("**HST**") account. Although a formal claim with respect to outstanding HST has not been filed by CRA, the CRA has advised the Receiver that 4231 owes \$4,073.07 (the "**4231 HST Amount**") with respect to outstanding HST. The Receiver is proposing to hold the 4231 HST Amount (the "**4231 HST Holdback**") pending completion of the trust exam from CRA and will seek a further order of this Honourable Court for distribution with respect to same.
84. A title search conducted with respect to the 4231 Real Property on February 24, 2021 indicated a first mortgage in the principal amount of \$400,000 held by CWB which comprises an initial charge registered on October 23, 2019 (the "**CWB Mortgage**"). Attached hereto as **Appendix "27"** is a copy of the correspondence from CWB confirming the amount in respect of the CWB Mortgage was \$268,369.28 as at October 15, 2021. Attached hereto as **Appendix "28"** is a copy of the title search conducted on February 24, 2021. GSNH advises that CWB also held a general security agreement granted by 4231 and that is in the process of reviewing that agreement and the CWB Mortgage for validity as against the estate of 4231. The Receiver will report further in a Supplementary Report when GSNH's review in that regard is complete.
85. On the assumption that GSNH's review of the security held by CWB is that it is valid, after payment of the fees and disbursements of the Receiver and Receiver'

Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to the 4231 Real Property, the payment of the 4231 RB Payment and retaining the 4231 HST Holdback, the Receiver recommends that it be authorized and directed to distribute from the sale of the 4231 Real Property to CWB a maximum of \$268,369.28 plus accrued interest.

Maple Medi Pharma Inc.

Canada Revenue Agency

86. CRA is in the midst of conducting a trust exam of Maple Medi's payroll account. Although a formal claim with respect to outstanding source deductions has not been filed by CRA, the CRA has advised the Receiver that Maple Medi owes \$4,748.31 (the "**Maple Medi Payroll Amount**") with respect to outstanding source deductions. The Receiver is proposing to hold the Maple Medi Payroll Amount (the "**Maple Medi Payroll Holdback**") pending completion of the trust exam from CRA and will seek a further order of this Honourable Court for distribution with respect to same.

Wage Earner's Protection Program ("WEPP")

87. The Receiver mailed WEPP notifications, including schedules of amounts payable to all eligible former employees of Maple Medi. The Receiver received a statement from Employment and social Development Canada on October 19, 2021 indicating a total of \$2,280.99 outstanding with security for payment pursuant to subsection 81.4(4) of the *Bankruptcy and Insolvency Act (Canada)* ("**BIA**"). Attached as **Appendix "29"** to this Third Report is a copy of the statement received from Employment and Social Development Canada.
88. Therefore, after payment of the fees and disbursements of the Receiver and the Receiver's Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to Maple Medi, the payment of the Maple Medi RB Payment, retaining the Maple Medi Payroll Holdback, the Receiver recommends that it be authorized and directed to distribute \$2,280.99 to the Receiver General in respect of the priority claim pursuant to subsection 81.4(4) of BIA (the "**Medi WEPP Claim**").

McKesson Canada Corporation ("McKesson")

89. A review of the *Personal Property Security Act* ("**PPSA**") search of Maple Medi indicated that McKesson holds a purchase money security interest ("**PMSI**") in the inventory of Maple Medi. The Receiver's Counsel has reviewed McKesson's PMSI in the inventory of Maple Medi, and, subject to the usual assumptions and qualifications of an opinion of such nature, has opined that McKesson's PMSI in the inventory of Maple Medi is validly perfected and enforceable in accordance with its terms.
90. At the outset of the receivership proceedings, McKesson advised that it is owed \$92,326.69 with respect to its PMSI. The inventory count obtained by the Receiver upon appointment indicated \$61,709.82 as the value of the inventory subject to McKesson's PMSI. Accordingly, the Receiver recommends that it be authorized and directed to pay \$61,709.82 to McKesson in respect of the PMSI over the inventory of Maple Medi (the "**McKesson Medi PMSI Claim**").

CWB

91. CWB holds certain security over Maple Medi including a general security agreement dated May 25, 2018 ("**CWB's Medi Security**").
92. The Receiver's Counsel has reviewed CWB's Medi Security, and, subject to the usual assumptions and qualifications of an opinion of such nature, has opined that CWB's Medi Security is validly perfected and enforceable in accordance with its terms.
93. On October 15, 2021 CWB provided details of the amounts due by Maple Medi to CWB, not including legal expenses, to be \$1,551,266.15 (plus further amounts for the continued accrual of interest and recovery expenses).
94. Accordingly, the Receiver recommends that, after payment of the fees and disbursements of the Receiver and the Receiver's Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to Maple Medi, the payment of the Maple Medi RB Payment, retaining the Maple Medi Payroll Holdback, payment of the Medi WEPP Claim, payment of the McKesson Medi PMSI Claim, the Receiver be authorized and directed to pay the balance of

any and all funds available in Maple Medi's estate to CWB, on account of Maple Medi's secured indebtedness owing to CWB for principal, interest and costs up to the amount of Maple Medi's secured indebtedness owing to CWB.

Stoney Creek Pharma Inc.

Canada Revenue Agency

95. CRA is in the midst of conducting a trust exam of Stoney Creek's payroll account. Although a formal claim with respect to outstanding source deductions has not been filed by CRA, the CRA has advised the Receiver that Stoney Creek owes \$6,189.62 (the "**Stoney Creek Payroll Amount**") with respect to outstanding source deductions. The Receiver is proposing to hold the Stoney Creek Payroll Amount (the "**Stoney Creek Payroll Holdback**") pending completion of the trust exam from CRA and will seek a further order of this Honourable Court for distribution with respect to same.

Wage Earner's Protection Program

96. The Receiver mailed WEPP notifications, including schedules of amounts payable to all eligible former employees of Stoney Creek. The Receiver received a statement from Employment and social Development Canada on October 26, 2021 indicating a total of \$3,580.45 outstanding with security for payment pursuant to subsection 81.4(4) of BIA. Attached as **Appendix "30"** to this Third Report is a copy of the statement received from Employment and Social Development Canada.
97. Therefore, after payment of the fees and disbursements of the Receiver and the Receiver's Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to Stoney Creek, the payment of the Stoney Creek RB Payment, retaining the Stoney Creek Payroll Holdback, the Receiver recommends that it be authorized and directed to distribute \$3,580.45 to the Receiver General in respect of the priority claim pursuant to subsection 81.4(4) of BIA (the "**Stoney Creek WEPP Claim**").

McKesson Canada Corporation

98. A review of the PPSA search of Stoney Creek indicated that McKesson holds a PMSI in the inventory of Stoney Creek. The Receiver's Counsel has reviewed McKesson's PMSI in the inventory of Stoney Creek, and, subject to the usual assumptions and qualifications of an opinion of such nature, has opined that McKesson's PMSI in the inventory of Stoney Creek is validly perfected and enforceable in accordance with its terms.
99. At the outset of the receivership proceedings, McKesson advised that it is owed \$84,688.09 with respect to its PMSI. The inventory count obtained by the Receiver upon appointment indicated \$164,570.53 as the value of the inventory subject to McKesson's PMSI. Accordingly, the Receiver recommends that it be authorized and directed to pay \$84,688.09 to McKesson in respect of the PMSI over the inventory of Stoney Creek (the "**McKesson Stoney Creek PMSI Claim**").

CWB

100. CWB holds certain security over Stoney Creek including a general security agreement dated August 18, 2016 ("**CWB's Stoney Creek Security**").
101. The Receiver's Counsel has reviewed CWB's Stoney Creek Security, and, subject to the usual assumptions and qualifications of an opinion of such nature, has opined that CWB's Stoney Creek Security is validly perfected and enforceable in accordance with its terms.
102. On October 15, 2021 CWB provided details of the amounts due by Stoney Creek to CWB, not including legal expenses, to be \$1,318,899.40 (plus further amounts for the continued accrual of interest and recovery expenses).
103. Accordingly, the Receiver recommends that, after payment of the fees and disbursements of the Receiver and the Receiver's Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to Stoney Creek, the payment of the Stoney Creek RB Payment, retaining the Stoney creek Payroll Holdback, payment of the Stoney Creek WEPP Claim, payment of the McKesson Stoney Creek PMSI Claim, the Receiver be authorized and directed to pay the balance of any and all funds available in Stoney Creek's estate to CWB,

on account of Stoney Creek's secured indebtedness owing to CWB for principal, interest and costs up to the amount of Stoney Creek's secured indebtedness owing to CWB.

River Hill Pharmacy Limited

Canada Revenue Agency

104. CRA is in the midst of conducting a trust exam of River Hill's payroll account. Although a formal claim with respect to outstanding source deductions has not been filed by CRA, the CRA has advised the Receiver that River Hill owes \$12,946.74 (the "**River Hill Payroll Amount**") with respect to outstanding source deductions. The Receiver is proposing to hold the River Hill Payroll Amount (the "**River Hill Payroll Holdback**") pending completion of the trust exam from CRA and will seek a further order of this Honourable Court for distribution with respect to same.

Wage Earner's Protection Program

105. The Receiver mailed WEPP notifications, including schedules of amounts payable to all eligible former employees of River Hill. The Receiver received a statement from Employment and social Development Canada on October 19, 2021 indicating a total of \$2,509.94 outstanding with security for payment pursuant to subsection 81.4(4) of BIA. Attached as **Appendix "31"** to this Third Report is a copy of the statement received from Employment and Social Development Canada.
106. Therefore, after payment of the fees and disbursements of the Receiver and the Receiver's Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to River Hill, the payment of the River Hill RB Payment, retaining the River Hill Payroll Holdback, the Receiver recommends that it be authorized and directed to distribute \$2,509.94 to the Receiver General in respect of the priority claim pursuant to subsection 81.4(4) of BIA (the "**River Hill WEPP Claim**").

McKesson Canada Corporation and Kohl & Frisch Limited ("K&F")

107. A review of the PPSA search of River Hill indicated that McKesson and K&F holds a PMSI in the inventory of River Hill. The Receiver's Counsel has reviewed McKesson's and K&F's PMSI in the inventory of River Hill, and, subject to the usual assumptions and qualifications of an opinion of such nature, has opined that McKesson's and K&F's PMSI in the inventory of River Hill is validly perfected and enforceable in accordance with its terms.
108. At the outset of the receivership proceedings, McKesson advised that it is owed \$45,641.50 with respect to its PMSI. The inventory count obtained by the Receiver upon appointment indicated \$21,238.76 as the value of the inventory subject to McKesson's PMSI. Accordingly, the Receiver recommends that it be authorized and directed to pay \$21,238.76 to McKesson in respect of the PMSI over the inventory of River Hill (the "**McKesson Stoney Creek PMSI Claim**").
109. At the outset of the receivership proceedings, K&F advised that it is owed \$38,896.38 with respect to its PMSI. The inventory count obtained by the Receiver upon appointment indicated \$58,996.85 as the value of the inventory subject to K&F's PMSI. Accordingly, the Receiver recommends that it be authorized and directed to pay \$38,896.38 to K&F in respect of the PMSI over the inventory of River Hill (the "**K&F Stoney Creek PMSI Claim**")

CWB

110. CWB holds certain security over River Hill including a general security agreement dated August 26, 2015 granted in favour of Element Financial corporation and assigned to CWB by agreement dated January 31, 2018 ("**CWB's River Hill Security**").
111. The Receiver's Counsel has reviewed CWB's River Hill Security, and, subject to the usual assumptions and qualifications of an opinion of such nature, has opined that CWB's River Hill Security is validly perfected and enforceable in accordance with its terms.

112. On October 15, 2021 CWB provided details of the amounts due by River Hill to CWB, not including legal expenses, to be \$737,264.72 (plus further amounts for the continued accrual of interest and recovery expenses).
113. Accordingly, the Receiver recommends that, after payment of the fees and disbursements of the Receiver and the Receiver's Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to River Hill, the payment of the River Hill RB Payment, retaining the River Hill Payroll Holdback, payment of the River Hill WEPP Claim, payment of the McKesson River Hill PMSI Claim, payment of the K&F River Hill PMSI Claim, the Receiver be authorized and directed to pay the balance of any and all funds available in River Hill's estate to CWB, on account of River Hill's secured indebtedness owing to CWB for principal, interest and costs up to the amount of River Hill's secured indebtedness owing to CWB.

Toronto Apothecary Pharma Inc.

Canada Revenue Agency

114. CRA is in the midst of conducting a trust exam of Toronto Apothecary's payroll account. Although a formal claim with respect to outstanding source deductions has not been filed by CRA, the CRA has advised the Receiver that Toronto Apothecary owes \$3,137.25 (the "**Apothecary Payroll Amount**") with respect to outstanding source deductions. The Receiver is proposing to hold the Apothecary Payroll Amount (the "**Apothecary Payroll Holdback**") pending completion of the trust exam from CRA and will seek a further order of this Honourable Court for distribution with respect to same.
115. CRA is in the midst of conducting a trust exam of Toronto Apothecary's HST account. Although a formal claim with respect to outstanding HST has not been filed by CRA, the CRA has advised the Receiver that Toronto Apothecary owes \$1,328.46 (the "**Apothecary HST Amount**") with respect to outstanding HST. The Receiver is proposing to hold the Apothecary HST Amount (the "**Apothecary HST Holdback**") pending completion of the trust exam from CRA and will seek a further order of this Honourable Court for distribution with respect to same

Wage Earner's Protection Program

116. The Receiver mailed WEPP notifications, including schedules of amounts payable to all eligible former employees of Toronto Apothecary. The Receiver received a statement from Employment and Social Development Canada on October 19, 2021 indicating a total of \$2,000.00 outstanding with security for payment pursuant to subsection 81.4(4) of BIA. Attached as **Appendix "32"** to this Third Report is a copy of the statement received from Employment and Social Development Canada.
117. Therefore, after payment of the fees and disbursements of the Receiver and the Receiver's Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to Toronto Apothecary, the payment of the Apothecary RB Payment, retaining the Apothecary Payroll Holdback, retaining the Apothecary HST Holdback, the Receiver recommends that it be authorized and directed to distribute \$2,000.00 to the Receiver General in respect of the priority claim pursuant to subsection 81.4(4) of BIA (the "**Apothecary WEPP Claim**").

McKesson Canada Corporation and Kohl & Frisch Limited

118. A review of the PPSA search of Toronto Apothecary indicated that McKesson and K&F holds a PMSI in the inventory of Toronto Apothecary. The Receiver's Counsel has reviewed McKesson's and K&F's PMSI in the inventory of Toronto Apothecary, and, subject to the usual assumptions and qualifications of an opinion of such nature, has opined that McKesson's and K&F's PMSI in the inventory of Toronto Apothecary is validly perfected and enforceable in accordance with its terms.
119. At the outset of the receivership proceedings, McKesson advised that it is owed \$41,112.65 with respect to its PMSI. The inventory count obtained by the Receiver upon appointment indicated \$7,085.65 as the value of the inventory subject to McKesson's PMSI. Accordingly, the Receiver recommends that it be authorized and directed to pay \$7,085.65 to McKesson in respect of the PMSI over the inventory of Toronto Apothecary (the "**McKesson Apothecary PMSI Claim**").
120. At the outset of the receivership proceedings, K&F advised that it is owed \$17,996.26 with respect to its PMSI. The inventory count obtained by the Receiver

upon appointment indicated \$66,936.41 as the value of the inventory subject to K&F's PMSI. Accordingly, the Receiver recommends that it be authorized and directed to pay \$17,996.26 to K&F in respect of the PMSI over the inventory of Toronto Apothecary (the "**K&F Apothecary PMSI Claim**").

CWB

121. CWB holds certain security over Toronto Apothecary including a general security agreement dated March 11, 2016 ("**CWB's Apothecary Security**").
122. The Receiver's Counsel has reviewed CWB's Apothecary Security, and, subject to the usual assumptions and qualifications of an opinion of such nature, has opined that CWB's Apothecary Security is validly perfected and enforceable in accordance with its terms.
123. On October 15, 2021 CWB provided details of the amounts due by Toronto Apothecary to CWB, not including legal expenses, to be \$540,055.83 (plus further amounts for the continued accrual of interest and recovery expenses).
124. Accordingly, the Receiver recommends that, after payment of the fees and disbursements of the Receiver and the Receiver's Counsel (subject to a reserve for further fees as may be determined by the Receiver) as they relate to Toronto Apothecary, the payment of the Apothecary RB Payment, retaining the Apothecary Payroll Holdback, retaining the Apothecary HST Holdback, payment of the Apothecary WEPP Claim, payment of the McKesson Apothecary PMSI Claim, payment of the K&F Apothecary PMSI Claim, the Receiver be authorized and directed to pay the balance of any and all funds available in Toronto Apothecary's estate to CWB, on account of Toronto Apothecary's secured indebtedness owing to CWB for principal, interest and costs up to the amount of Toronto Apothecary's secured indebtedness owing to CWB.

XIII. ALLEGATIONS MADE IN COUNTERCLAIMS OF GUARANTORS

125. In connection with the distribution orders that are sought, the Receiver advises that it has been provided with counterclaims made by defendants in actions (the "Guarantors") commenced by CWB in connection with guarantees that CWB says those defendants granted in respect of the amounts owing by various of the

Debtors. Copies of the counterclaims provided to the Receiver are collectively attached to this Third Report as **Appendix "33"**.

126. Each of the counterclaims names certain of the Debtors as defendant by counterclaim.
127. The Receiver notes that no motion has been brought and no order has been granted to permit those counterclaims to commence a proceeding against any of the Debtors as required by the various receivership orders granted in this proceeding. This is despite correspondence from Receiver's Counsel to counsel for the Guarantors on June 3, 2021 indicating that leave was required in that regard.

XIV. DISCHARGE OF THE RECEIVER WITH RESPECT TO THE COMPLETED ESTATES

128. As noted in this Third Report the Receiver is seeking its discharge as Receiver of the Completed Estates.
129. Subsequent to the date of this Third Report and prior to the Receiver's discharge in connection with the Completed Estates, the Receiver proposes to attend to the following:
 - a) preparing and filing final returns;
 - b) finalizing WEPPA liability, if any, receiving and reviewing CRA assessments in relation to source deductions and HST, if any, and confirming the quantum of prior ranking claims;
 - c) other residual and/or administrative matters in connection with Spergel's appointment as Receiver, including all necessary filings with the Office of the Superintendent of Bankruptcy; and
 - d) filing of the Receiver's Certificate of Discharge.

XV. RECOMMENDATIONS

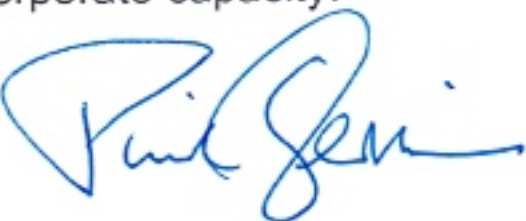
130. For the reasons outlined in this Third Report, the Receiver respectfully requests that the Court grant the relief requested in this Third Report.

Dated at Toronto this 3rd day of November, 2021.

msi Spergel inc.

solely in its capacity as the Court-appointed Receiver of the Debtors and not in its personal or corporate capacity.

Per:



Philip H. Gennis, JD., CIRP, LIT
Licensed Insolvency Trustee