

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, C. C. 43.**

BETWEEN:

ASTRAZENECA CANADA INC.

Plaintiff

- and -

**SAMEH SADEK also known as SAM SADEK,
ST. MAHARIAL PHARMACY INC. dba MD HEALTH PHARMACY,
ST. MAHARIAL CLINIC INC., SRX INVESTMENT INC.,
SHEPHERD RX PHARMACY INC. and LILIAN FAM**

Defendants

**SECOND REPORT OF THE RECEIVER
ALVAREZ & MARSAL CANADA INC.**

NOVEMBER 20, 2018

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1.0 INTRODUCTION

Overview

- 1.1 This second report of the Receiver (the “**Second Report**”) is filed by Alvarez & Marsal Canada Inc. (“**A&M**”), in its capacity as Court-appointed Receiver (the “**Receiver**”) of the assets, undertakings and properties of Sameh Sadek also known as Sam Sadek (“**Sadek**”), St. Maharial Pharmacy Inc. dba MD Health Pharmacy, St. Maharial Clinic Inc., SRX Investment Inc., Shepherd RX Pharmacy Inc. and Lilian Fam (“**Fam**”, and collectively, the “**Defendants**” and, individually, a “**Defendant**”).
- 1.2 Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated September 11, 2018 (as amended and restated by the Order of the Honourable Mr. Justice McEwen dated October 17, 2018) (the “**Appointment Order**”), A&M was appointed as the Receiver, without security, of all the Domestic Property (as defined in the Appointment Order) of the Defendants, with certain additional powers relating to the Foreign Property (as defined in the Appointment Order) of the Defendants. The proceedings commenced by the Applicants under Section 101 of the *Courts of Justice Act* are referred to herein as the “**Receivership Proceedings**”.
- 1.3 In connection with the Receivership Proceedings, the Receiver previously provided to this Court the First Report of the Receiver (the “**First Report**”) dated October 9, 2018, which, among other things, summarized the activities of the Receiver following its appointment. A copy of the First Report (without appendices) is attached hereto as **Appendix “A”**.
- 1.4 On October 17, 2018, this Court issued an order (the “**October 17 Order**”), which, among other things:
- (a) amended and restated the Appointment Order;

- (b) approved the activities of the Receiver as set out in the First Report;
- (c) approved an agreement of purchase and sale (the “**Original Sale Agreement**”) entered into between Fam, as vendor, and Shawn Zarb, as purchaser (the “**Original Purchaser**”), dated September 17, 2018 (as amended) with respect to the property municipally known as 8 Calico Court, Halton Hills, Ontario (the “**Georgetown Property**”), and authorized the Receiver to complete the transaction contemplated by the Original Sale Agreement (the “**Original Transaction**”);
- (d) sealed the Confidential Appendix (as defined in the First Report) until the completion of the Original Transaction or further Order of this Court;
- (e) declared that all monies and assets held in TD Canada Trust (“**TD**”) account #1579-6XXXX27 (the “**TD Account**”) shall be deemed to be Domestic Property (as defined in the Appointment Order) and transferred by TD to the Receiver forthwith; and
- (f) declared certain funds held by Blaney McMurtry LLP (“**BM**”), in trust, in the amount of \$53,201.95 shall be deemed to be Domestic Property and transferred by BM to the Receiver forthwith.

A copy of the October 17 Order is attached hereto as **Appendix “B”**.

Purpose of Report

1.5 This Second Report is filed in support of the Receiver’s motion seeking, among other things, one or more Orders from this Court:

- (a) approving the new sale transaction (the “**Transaction**”) contemplated by the agreement of purchase and sale between the Receiver, as seller, and Summer Wind

Homes Inc., as buyer (“**Summer Homes**”), dated October 24, 2018 (the “**Purchase Agreement**”), with respect to the Georgetown Property;

- (b) approving the Receiver’s execution of the Purchase Agreement and authorizing the Receiver to execute all other ancillary documents and agreements required to complete the Transaction;
- (c) vesting in Summer Wind Developments Inc. (the “**Purchaser**”), in accordance with the written direction of Summer Homes, Fam’s right, title and interest in and to the Georgetown Property free and clear of all liens, charges and security interests and other encumbrances;
- (d) sealing the Confidential Appendix 1 (as defined herein) until the completion of the Transaction or further Order of this Court;
- (e) approving the activities of the Receiver since the date of the First Report, October 9, 2018, to the date of this Second Report; and
- (f) approving the Receiver’s Interim Statement of Receipts and Disbursements for the period September 11, 2018 to November 16, 2018.

1.6 In preparing this Second Report, the Receiver has relied upon the Defendants’ books and records that could be located by the Receiver, unaudited and draft financial information available, certain financial information obtained by third parties, and discussions with various individuals (collectively, the “**Information**”). Since the time of its appointment, the Receiver has had no communication or otherwise with management or any employees of any of the corporate Defendants. The Receiver has had no meaningful communication with Sadek or Fam. The Receiver has not audited, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially

comply with Canadian Auditing Standards (“CAS”) pursuant to the *Chartered Professional Accountants of Canada Handbook* and, accordingly the Receiver expresses no opinion or other form of assurance contemplated under the CAS in respect of the Information.

- 1.7 This Second Report has been prepared for the use of this Court to provide general information and an update relating to these receivership proceedings for the purpose of assisting the Court in making a determination as to whether to approve the relief sought in the Receiver’s Notice of Motion dated November 20, 2018. This Second Report should not be relied upon for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Second Report contrary to the provisions of this paragraph.
- 1.8 Capitalized terms used but not defined in this Second Report shall have the meaning ascribed to them in the Appointment Order or the First Report, as applicable, both of which are appended hereto for reference. All references to dollars are in Canadian currency unless otherwise noted.
- 1.9 In accordance with the Appointment Order, copies of materials and prescribed notices delivered and/or filed in the Receivership Proceedings are available on the Receiver’s Case Website at: www.alvarezandmarsal.com/mdhealth.

2.0 BACKGROUND

- 2.1 The background with respect to the Defendants, as well as a description of the activities and circumstances leading to the appointment of the Receiver, are contained in the application record (the “**AstraZeneca Application Record**”) filed by AstraZeneca Canada Inc. (“**AstraZeneca**”) and further summarized by the Receiver in its First Report.
- 2.2 The two individual Defendants, Sadek and Fam, are spouses and, as of the date hereof, the Receiver understands that neither of Sadek and Fam are currently residing in the country.
- 2.3 St. Maharial Pharmacy Inc., which carried on business as MD Health Pharmacy (“**MD Health**”), was incorporated under the laws of the Province of Ontario on October 28, 2008. Sadek is listed as the sole director and officer. Sadek and Fam both worked as pharmacists at MD Health. The pharmacy operated from leased premises located in Brampton, Ontario.
- 2.4 Sadek is also an officer and director of the following additional Defendants, each of which is a corporation existing under the laws of the Province of Ontario:
- (a) Shepherd RX Pharmacy Inc. (“**Shepherd RX**”), which was incorporated on September 12, 2011;
 - (b) St. Maharial Clinic Inc. (“**SMC**”), which was incorporated on October 21, 2016; and
 - (c) SRX Investment Inc. (“**SRX**”), which was incorporated on September 18, 2017.
- 2.5 At the time of the Appointment Order, none of the corporate Defendants were operational and/or carrying on business.

The Mareva Orders

- 2.6 As described in the AstraZeneca Application Record, AstraZeneca is an Ontario biopharmaceutical distribution company. Between June 2017 and March 2018, it is alleged

that AstraZeneca paid MD Health approximately \$7.73 million on the basis that Sadek and Fam had filled some 7,980 prescriptions for AstraZeneca medications.

2.7 AstraZeneca contends that the Defendants defrauded AstraZeneca of the approximately \$7.73 million by submitting false claims for non-existent prescriptions. Accordingly, AstraZeneca commenced an action against the Defendants, including bringing a motion for certain injunctive relief and, subsequently obtained the Mareva Orders, as more particularly described in the First Report.

2.8 The Mareva Orders granted by the Court provided for certain injunctive relief, including:

- (a) restraining the Defendants, save Shepherd RX, from dealing with their assets;
- (b) prohibiting Sadek and Fam from leaving the jurisdiction;
- (c) requiring the Defendants to disclose certain information relating to their existing assets;
- (d) freezing bank accounts at certain financial institutions and requiring those banks to disclose to AstraZeneca any and all records concerning the Defendants' assets and accounts; and
- (e) granting Certificates of Pending Litigation over certain properties owned by the Defendants, as detailed below.

2.9 As at the date of this Second Report, the Mareva Orders remain in full force and effect.

2.10 As of the date hereof, the Receiver understands that AstraZeneca continues to pursue judgment against the Defendants in respect of its claims.

Receivership Proceedings

2.11 As previously mentioned, the Appointment Order, among other things: (i) appointed A&M as Receiver, without security, of all the assets, undertakings and properties of the Defendants, including all proceeds thereof to the extent that such assets, undertakings and

properties are located in Canada (the “**Domestic Property**”); and (ii) empowered and authorized the Receiver to act in respect of all of the assets, undertakings and properties of the Defendants located outside of Canada (the “**Foreign Property**” and together with the Domestic Property, the “**Property**”), including to undertake any investigations deemed necessary by the Receiver with respect to the location and/or disposition of assets reasonably believed to be, or to have been, Foreign Property, including, without limitation, the transfer of any funds of the Defendants to any related party or unrelated parties.

2.12 As described above, the Court issued the October 17 Order amending and restating the Appointment Order, to provide the Receiver with the power to cease to perform any contracts of any of the Defendants, if deemed necessary by the Receiver.

3.0 RECEIVER'S ACTIVITIES TO DATE

3.1 Since the date of the First Report, the Receiver has continued to take control of and realize on the Domestic Property. The Receiver's activities since its First Report include, among other things, the following:

- (a) liaising and coordinating with the banks who maintained the Defendants' bank accounts to: (i) transfer any Domestic Property to the Receiver's trust account; and (ii) provide account statements and other documentation relating to bank account activity;
- (b) conducting a preliminary review of the Defendants' bank records and transfer activity;
- (c) liaising with the Ontario College of Pharmacists ("OCP") with respect to pharmaceuticals found in a vehicle located at the Mississauga Property (as defined below);
- (d) liaising with the Ontario College of Physicians ("OCPH") with respect to medical records located at the Pharmacy (as defined below);
- (e) liaising with the Mississauga Properties Broker with respect to the sale of the Mississauga Property and Mississauga Semi (as such capitalized terms are defined below);
- (f) reviewing the books and records obtained or discovered by the Receiver relating to the Defendants;
- (g) liaising with the Receiver's insurance broker regarding various insurance matters;
- (h) marketing and realizing on the Domestic Property of the Defendants as described in Section 4.0 below;

- (i) liaising with Stuart Budd & Sons Ltd. (“**Budds**”) with respect to the Defendants’ owned and leased vehicles;
 - (j) making enquiries with various parties with respect to certain Foreign Property as described in Section 5.0 below
 - (k) correspondence and discussions with the Receiver’s legal counsel, Aird & Berlis LLP (“**A&B**”), with respect to administration and general receivership matters, including liaising and addressing queries and requests for information from stakeholders;
 - (l) correspondence with AstraZeneca’s legal counsel, Blake Cassels & Graydon LLP (“**Blakes**”), with respect to receivership matters;
 - (m) coordinating the posting of relevant documents to the Case Website; and
 - (n) responding to stakeholders and other enquiries.
- 3.2 Additional activities with respect to the Domestic Property as well as other matters are described in more detail below:

The Pharmacy – MD Health

- 3.3 As described in the First Report, the Receiver attended and supervised the removal of pharmaceuticals and patient records from the Pharmacy by the OCP and, on October 2, 2018, the Pharmacy Landlord issued a notice of termination to St. Maharial Pharmacy Inc. and Sadek for non-payment of rent, effectively terminating the lease arrangement.
- 3.4 Notwithstanding the termination, the Receiver continued to liaise with representatives from Orion Group Properties Ltd. (the “**Property Manager**”) and the medical doctors who previously worked at the clinic (collectively, the “**Medical Doctors**”) to coordinate the transfer of medical patient records and files to the Medical Doctors. Over a three-week period, the Receiver supervised the removal of these records from the Pharmacy. On

October 23, 2018, the Medical Doctors advised the Receiver and the Property Manager that all patient records had been removed and/or destroyed pursuant to OCPH guidelines.

2334 Hammond Road, Mississauga, Ontario (the “Mississauga Property”)

- 3.5 As described in the First Report, on September 11, 2018, the Receiver secured the Mississauga Property and began preparing the property for sale. The Receiver’s activities at this property since the date of the First Report include, among other things, the following:
- (a) attending at the residence on a regular basis to inspect the premises and ensure that the property is secure;
 - (b) evaluating offers and proposals received from prospective purchasers and corresponding with Re/Max Realtron Realty Inc. (the “**Mississauga Properties Broker**”), the real estate broker engaged by the Receiver to list the Mississauga Properties, with respect to such offers and proposals;
 - (c) corresponding with Fam’s legal counsel with respect to personal property located at the Mississauga Property and identified by Fam as items she wished to retrieve. The Receiver evaluated the value of these items and determined it was reasonable to coordinate their retrieval. On November 9 and 12, 2018, the Receiver attended at the Mississauga Property for the transfer of Fam’s personal property to her designated agent. An Acknowledgement and Release of Personal Items (the “**Acknowledgement**”) was signed and provided to the Receiver to evidence the returned items. A copy of the Acknowledgement signed by Fam’s agent is attached hereto as **Appendix “C”**; and
 - (d) arranging for up-keep and maintenance to be conducted at the residence, as required.

5045 Churchill Meadows Boulevard, Mississauga, Ontario (the “Mississauga Semi” and together with the Mississauga Property, the “Mississauga Properties”)

3.6 As described in the First Report, on September 11, 2018, the Receiver secured the Mississauga Semi. The Receiver’s activities at the Mississauga Semi since the date of the First Report include, among other things, the following:

- (a) attending the residence to inspect the premises;
- (b) evaluating offers and proposals received from prospective purchasers and corresponding with the Mississauga Properties Broker with respect to such offers and proposals; and
- (c) communicating with the tenants residing at the Mississauga Semi with respect to lease payments, the sales process for the property, and their obligations pursuant to the lease agreement entered into by Fam and the tenants prior to the Receiver’s appointment.

The Georgetown Property

3.7 As described in the First Report, on September 21, 2018, the Receiver secured the Georgetown Property. The Receiver’s activities at this property since the date of the First Report include, among other things, the following:

- (a) attending at the residence to inspect the premises and ensure that the property is secure;
- (b) communicating with the real estate broker engaged by Fam to sell the property (as described in more detail in Section 4.0 below) prior to the Receiver’s appointment, and as detailed in the First Report;

- (c) communicating with the Original Purchaser and his counsel with respect to the Original Transaction that ultimately did not close for the reasons set out below;
- (d) entering into the Purchase Agreement with Summer Homes (as described in more detail in Section 4.0 below); and
- (e) communicating with the Purchaser with respect to the Receiver's intention to close the transaction and obtain Court approval of the Transaction.

3.8 As will be discussed in more details below, the Original Purchaser failed to secure sufficient financing to satisfy the purchase price at the time of closing under the Original Purchase Agreement, constituting a breach by the Original Purchaser thereunder. However, after expeditiously negotiating a new transaction and entering into the new Purchase Agreement, the Receiver and the Original Purchaser agreed to mutually terminate the Original Sale Agreement. A Mutual Release was subsequently executed by the parties.

Georgetown Pre-Construction Property (the "Pre-Construction Property")

3.9 Following its investigations into the affairs of the Defendants, the Receiver discovered and subsequently confirmed with the counterparty, that on August 28, 2017, Fam entered into an agreement of purchase and sale (the "**Pre-Construction APS**") for the purchase of a previously unknown pre-construction property located in Georgetown, Ontario (in addition to the Georgetown Property). The Pre-Construction Property is part of a new home development being developed by Remington Georgetown Inc. ("**Remington**"). The Receiver notes that on certain addendums to the Pre-Construction APS, SRX has been noted as the purchaser. The scheduled closing date for this property was October 2019.

3.10 Based on the accounting provided by Remington to the Receiver, to date, a total of approximately \$519,000 was paid to Remington (the "**Pre-Construction Deposit**") with

respect to: (i) purchaser deposits of \$495,000; and (ii) purchased extras of approximately \$24,000.

- 3.11 The Receiver notified Remington in writing that it intended to immediately terminate the Pre-Construction APS and requested the return of the Pre-Construction Deposit, net of any out-of-pocket costs incurred by Remington to date. Remington, in turn, claimed that it had a contingent damages claim as against Fam (or SRX) on account of Fam breaching the terms of the Pre-Construction APS.
- 3.12 Following investigations and exchanges between the parties legal counsel, the Receiver and Remington entered into settlement discussions with respect to the return of the Pre-Construction Deposit.
- 3.13 The settlement discussions have culminated in an agreement in principal with Remington, and the parties have now settled on a form of settlement agreement, pending the receipt of the signature pages, whereby Remington has agreed to return to the Receiver \$350,044.14 of the Pre-Construction Deposit in full and final satisfaction of any and all claims between the parties in connection with the Pre-Construction APS.

Canada Revenue Agency (Potential Priority Claims)

- 3.14 Subsequent to the First Report, the Receiver continued to correspond with the Canada Revenue Agency (“CRA”) with respect to outstanding liabilities and returns not filed by the Defendants. The CRA has provided the following additional information:
 - (a) the amount owing by MD Health with respect to unremitted source deductions is \$18,689.44 (\$6,489.14 deemed trust and \$12,200.30 unsecured);
 - (b) the amount owing by SMC with respect to unremitted source deductions is \$9,596.28 (\$6,426.57 deemed trust and \$3,169.71 unsecured); and

- (c) the amount owing by Sadek for personal income and GST/HST accounts totals \$841.17 (all unsecured).

In addition, a number of nil income and GST/HST tax returns have not been filed by the Defendants and remain outstanding.

- 3.15 With respect to the letter dated January 5, 2018, described in the First Report, sent by the CRA to Fam advising her of an outstanding GST/HST assessment against Shephard RX in the amount of \$184,340.14, the CRA has advised the Receiver that Fam subsequently responded to the CRA with additional information and the assessment was voided.

Additional Stakeholders

- 3.16 Since the First Report, the Receiver has been contacted by additional stakeholders asserting claims as against the Defendants, including (i) two other large pharmaceutical companies alleging that the Defendants submitted false claims for non-existent prescriptions, for which funds were paid back to the Defendants; and (ii) McKesson Canada Corporation (“**McKesson**”), who has a PPSA registration against St. Maharial Pharmacy Inc. dba MD Health Pharmacy on account of inventory. The Receiver has also been provided with a copy of a Judgment in favour of McKesson in the amount of \$70,476.27 (plus costs in the amount of \$1,130.00) and an Inventory Security Agreement granted by St. Maharial Pharmacy Inc. in favour of McKesson. The Receiver is reviewing these materials with its legal counsel, A&B, and will provide an update to the Court with respect to the foregoing in due course.

4.0 REALIZATION EFFORTS

The Mississauga Properties and the Sales Process (the “Mississauga Properties Sales Process”)

- 4.1 As described in the First Report, the Receiver engaged the Mississauga Properties Broker to list the Mississauga Properties.
- 4.2 Both real properties are currently listed and available for sale. The Receiver and the Mississauga Properties Broker continue to evaluate offers and proposals as they are received.

Georgetown Property

- 4.3 As described in the First Report, the Georgetown Property is a new-build residential home located in a new housing development in Georgetown, Ontario. The home is approximately 2,500 to 3,000 square feet with four bedrooms and four bathrooms, located on a 36 x 117 foot lot.
- 4.4 The Georgetown Property had been listed for sale by Intercity Realty Brokerage Inc. (the “**Georgetown Broker**”). The Georgetown Broker provided the Receiver with a copy of: (i) a signed listing agreement dated August 28, 2018; (ii) copies of the property listing; and (iii) the Original Sale Agreement. The Original Sale Agreement was entered into on Fam’s behalf by Mr. Pierre Sadek, Fam’s power of attorney. The Original Transaction was scheduled to close on October 18, 2018.
- 4.5 On October 6, 2018, A&B received an email from the Original Purchaser, advising it and the Receiver that the financing condition had not been waived by the Original Purchaser and, as such, requesting the return of the deposit currently being held in trust by the Georgetown Broker. Contrary to the Original Purchaser’s assertions regarding the waiver of the financing condition, the Receiver is in receipt of a signed waiver from the Original

Purchaser confirming that this condition was waived. The Receiver responded to both the Original Purchaser and the Georgetown Broker accordingly, including reserving its rights and remedies under the Original Sale Agreement in the event that the Original Purchaser failed to close the Original Transaction in accordance with the terms of the Original Sale Agreement.

- 4.6 The Receiver was subsequently advised that the Original Purchaser was willing to close the Original Transaction and proceeded to seek Court approval of same. The October 17 Order approved the Sale Agreement and authorized the Receiver to close the Original Transaction. On October 18, 2018, the Original Purchaser advised the Receiver that he had failed to secure sufficient financing to satisfy the purchase price and was unable to close the Original Transaction.
- 4.7 After notifying the Original Purchaser and the Georgetown Broker of the breach, the Receiver discussed its options with the Georgetown Broker, including alternative purchasers. At this time, the owner of the Georgetown Broker expressed an interest in purchasing the Georgetown Property under the same terms as the Original Purchase Agreement.
- 4.8 After being advised that the Original Purchaser was not in a position to close, the Receiver negotiated a new transaction whereby the Purchaser (which is ultimately owned by the owner of the Georgetown Broker) would acquire the Georgetown Property on essentially identical terms as those agreed to under the Original Purchase Agreement. The Purchase Agreement contemplates that the Receiver will complete the Transaction and the Georgetown Property will be vested in the Purchaser. As part of the new Transaction, the

Receiver agreed to enter into a mutual release with the Original Purchaser pursuant to which the parties agreed to mutually terminate the Original Sale Agreement.

- 4.9 The only remaining conditions under the Purchase Agreement are: (i) the Court granting the proposed Approval and Vesting Order; and (ii) receipt by the Receiver of the balance of the purchase price. The Transaction is currently scheduled to close on November 30, 2018. A copy of the redacted Purchase Agreement is attached as **Appendix “D”** and a copy of the unredacted Purchase Agreement is attached as **Confidential Appendix “1”**;
- 4.10 The terms and purchase price under the Purchase Agreement mirror those under the Original Purchase Agreement, and based on the current market for comparable homes in the Georgetown area and discussions with the Mississauga Properties Broker, the purchase price contemplated by the Purchase Agreement represents a fair price for the Georgetown Property.
- 4.11 For the reasons set out above, the Receiver is of the view that the Transaction is fair and reasonable in the circumstances.
- 4.12 The Receiver is requesting that the commercial terms of the Purchase Agreement be redacted and sealed until the completion of the Transaction, as the Purchase Agreement contains confidential and commercially sensitive information that could prejudice the Defendants’ stakeholders, particularly if the Transaction does not close.

Motor Vehicles

- 4.13 As described in the First Report, the Receiver secured three vehicles located at the Mississauga Property. Upon review of documentation found inside the residence at the Mississauga Property and correspondence with Budds, the Receiver confirmed that: (i) Fam owned two of the vehicles, a 2018 Land Rover and a 2015 Mini; and (ii) SRX leased

the third vehicle, a BMW X4, from Budds. As previously mentioned in the First Report, Budds registered a PPSA financing statement against the aforementioned Defendants.

- 4.14 The Receiver undertook a limited sale process for the two owned vehicles. After review of the bids received from various parties, the 2018 Land Rover was sold for \$71,000 and the 2015 Mini was sold for \$10,500 to the highest bidding party.
- 4.15 The Receiver undertook a review of the sale value of the BMW X4 and determined that there was limited equity value in the lease. On October 22, 2018, Budds repossessed the BMW X4 and signed a release wherein they agreed that should any realizations received by Budds exceed the buy-out value of the lease, such proceeds will be returned to the Receiver.

Daniel Sadek Account

- 4.16 In accordance with the October 17 Order, all assets held in the TD Account were deemed to be Domestic Property and transferred by TD to the Receiver. On October 23, 2018, TD complied with the October 17 Order and \$140,946.10 was received by the Receiver and the TD Account was subsequently closed.

BM Retainer Funds Held in Trust

- 4.17 In accordance with the October 17 Order, certain funds held by BM, in trust, were deemed to be Domestic Property and transferred by BM to the Receiver. On October 18, 2018, BM complied with the October 17 Order and \$53,201.95 was received by the Receiver.

5.0 FOREIGN PROPERTY

Aruba Condominiums

- 5.1 As described in the First Report, the Receiver identified certain documentation that indicated Sadek had entered into agreements of purchase and sale for two pre-construction condominiums located in Aruba. Total deposits paid for the two condominiums total approximately USD \$694,000.
- 5.2 On September 19, 2018, A&B wrote to the developer, Poundwise Investments & Development VBA, and its legal counsel to inform them of the Receivership Proceedings, and to request that no actions be taken with respect to the units or agreements without advance written notice to the Receiver. As at the date of this Second Report, the Receiver has not received any response from any party with respect to this Foreign Property.

Dominican Republic Transfers

- 5.3 As described above, the Receiver has undertaken a preliminary review of the Defendants' bank records and transfer activity. The Receiver identified two wire transfers made to Gratereaux Delva & Assoc. ("**Gratereaux**"), a law firm based in the Dominican Republic. Details of these two transfers are: (i) a wire transfer from MD Health in the amount of USD\$138,250 on August 29, 2017; and (ii) a wire transfer from SRX in the amount of USD\$166,625.44 on April 30, 2018.
- 5.4 On October 16, 2018, A&B sent a letter to Gratereaux (the "**October 16 Letter**") advising of the Receivership Proceedings and requesting that Gratereaux provide information and details with respect to these transfers.

5.5 As at the date of this Second Report, Grateaux has acknowledged receipt of the October 16 Letter, but has not provided any formal response or any of the additional information requested.

Classic Rock Coffee Co. (“CR Coffee”)

5.6 The Receiver also identified a wire transfer made to CR Coffee, a franchisor of specialty branded coffee shops based in Springfield, MO. The wire transfer identified was from SRX in the amount of USD\$175,500 on August 3, 2018.

5.7 On October 17, 2018, the Receiver sent a letter to CR Coffee advising of the Receivership Proceedings and requesting that CR Coffee provide information and details with respect to these transfers.

5.8 CR Coffee responded on October 22, 2018, advising the Receiver that:

“The funds were paid for their master franchise rights in Egypt and the funds have been applied towards their franchise fees. If they have further questions, you will need to contact our attorney directly.”

5.9 On October 23, 2018, A&B sent a letter to CR Coffee’s attorneys requesting documentation and additional information with respect to the transfers. On November 1, 2018, CR Coffee’s attorney’s responded that unless and until a recognition of the Appointment Order is provided from a governing court or municipality to which CR Coffee may be subject, they are not willing to provide any additional information.

Other

5.10 The Receiver continues to investigate and make enquiries with respect to other Foreign Property that may be in possession of the Defendants. The Receiver will report to the Court as the investigations evolve and further information becomes available.

6.0 RECEIVER'S RECEIPTS AND DISBURSEMENTS

6.1 A summary of the Receiver's receipts and disbursements from September 11, 2018 to November 16, 2018 is set out below:

ST. MAHARIAL PHARMACY INC. ET AL	
Receiver's Summary Receipts and Disbursements Schedule For the period September 11 to November 16, 2018	
RECEIPTS:	
Company/Individual Funds	\$766,873.05
Sale of Vehicles	81,500.00
Return of Retainer Funds - Blaney McMurtry	53,201.95
Tenant Rent	6,000.00
Deposit Interest	663.46
Total Receipts	\$908,238.46
DISBURSEMENTS:	
Professional Fees	153,622.11
HST Paid	20,957.78
Maintenance / Housewares	5,965.40
Insurance	4,803.44
Security	1,865.85
Bank Charges	1,657.95
Receiver's Filing Fee	70.00
Total Disbursements	\$188,942.53
Net Account Balance	\$719,295.93

6.2 To date, the Receiver has collected funds from the Defendants' accounts that were held at TD, Simplii Financial and HSBC Bank Canada.

7.0 SUMMARY COMMENTS AND RECOMMENDATIONS

7.1 Based on the foregoing, the Receiver respectfully recommends that the Court make an order granting the relief sought in the Receiver's Notice of Motion and detailed in Section 1.5 of this Second Report.

All of which is respectfully submitted this 20th day of November, 2018.

**Alvarez & Marsal Canada Inc., solely in its capacity as
Court-appointed Receiver of Sameh Sadek also known as Sam Sadek, St. Maharial
Pharmacy Inc. dba MD Health Pharmacy, St. Maharial Clinic Inc., SRX Investment Inc.,
Shepherd RX Pharmacy Inc. and Lilian Fam,
and not in its personal capacity**

Per:


Alan J. Hutchens
Senior Vice-President