



COURT FILE NUMBER 1701 – 04943

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF RECEIVERSHIP OF 1508686 ALBERTA LTD., PAUL LACKAN CONSULTING INC., and PMBRK HOLDINGS LTD.

PLAINTIFF BANK OF MONTREAL

DEFENDANTS 1508686 ALBERTA LTD., PAUL LACKAN CONSULTING INC., PMBRK HOLDINGS LTD., PAUL LACKAN and MELANIE LACKAN, also known as MELANIE OSTROSKY

DOCUMENT **FIRST REPORT OF DELOITTE RESTRUCTURING INC. AS THE COURT-APPOINTED RECEIVER AND MANAGER OF 1508686 ALBERTA LTD., PAUL LACKAN CONSULTING INC., and PMBRK HOLDINGS LTD.**

**DATED AUGUST 11, 2017**

**PREPARED BY DELOITTE RESTRUCTURING INC.**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

DELOITTE RESTRUCTURING INC.  
Suite 700, 850 - 2nd Street SW  
Calgary, AB T2P 0R8  
Attention: Jeff Keeble / Stefano Damiani  
Tel: 403-503-1458 / 416-874-4404  
Email: [jkeeble@deloitte.ca](mailto:jkeeble@deloitte.ca) / [sdamiani@deloitte.ca](mailto:sdamiani@deloitte.ca)

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## INTRODUCTION

- 1) Pursuant to an Order (the “**Receivership Order**”) of the Court of Queen’s Bench of Alberta (the “**Court**”) dated June 23, 2017 (the “**Date of Receivership**”), Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as receiver and manager (the “**Receiver**”) of all of the current and future assets, undertakings and properties (the “**Property**”) of 1508686 Alberta Ltd. operating as Macleod Guardian Pharmacy (“**1508686**” or the “**Pharmacy**”), Paul Lackan Consulting Inc. (“**PLC**”), and PMBRK Holdings Ltd. (“**Holdings**”) (collectively, the “**Companies**” or the “**Debtors**”).
- 2) The Receivership Order was granted as a result of an application by Bank of Montreal (“**BMO**”) which was owed approximately \$986,000 from the Debtors at the Date of Receivership (the “**BMO Indebtedness**”). BMO holds various registered security over the Property of the Companies along with a personal guarantee from the principal and sole director of the Companies, Mr. Paul Lackan (the “**Guarantor**” or “**Lackan**,” collectively, the “**BMO Security**”).
- 3) The Receivership Order, together with related Court documents and the notices sent to the creditors of the Companies have been posted on the Receiver’s website (the “**Receiver’s Website**”) at <http://www.insolvencies.deloitte.ca/en-ca/Pages/Lackan-et-al.aspx>. This first report of the Receiver (the “**First Report**”) will also be posted on the Receiver’s Website after it has been filed with the Court.
- 4) In addition to the First Report, the Receiver has prepared a confidential supplement to the First Report dated August 11, 2017 (the “**First Confidential Report**”) which the Receiver is seeking to be temporarily sealed in the Court file.
- 5) Unless otherwise provided, all other capitalized terms not defined in this First Report are as defined in the Receivership Order.

## PURPOSE

- 6) The purpose of this First Report is to:
  - a) Provide the Court with additional information in respect of the Property;
  - b) Provide an update on the administration of the receiverships since the Date of Receivership; and
  - c) Respectfully recommend that this Honourable Court make orders:
    - i. Approving the sales process and actions taken by the Receiver as outlined in the First Report;
    - ii. Authorizing and directing the Receiver to enter into and carry out the terms of the asset purchase agreement (the “**APA**”) dated July 28, 2017, as amended on August 9, 2017, and together with any further amendments thereto deemed necessary by the Receiver in its sole opinion, for the sale of certain of the Property as described in the APA (the “**Sold Assets**”) in connection with the pharmacy operations at the premises located at 1018 Macleod Trail SE, Calgary (the “**Leased Premises**”) and vesting title to the Sold Assets free and clear of all liens, charges, security interests and other encumbrances in and to the purchaser upon closing of the APA;
    - iii. Sealing the Confidential Report, which includes a copy of the APA, until a Receiver’s certificate is filed in the respect of the closing of the transaction pursuant to the APA;
    - iv. Authorizing and directing the Receiver, if it so chooses, to assign the Companies into bankruptcy on behalf of the Debtors; and

- v. Providing such further or other relief that the Court considers just and warranted in the circumstances.

**Terms of Reference**

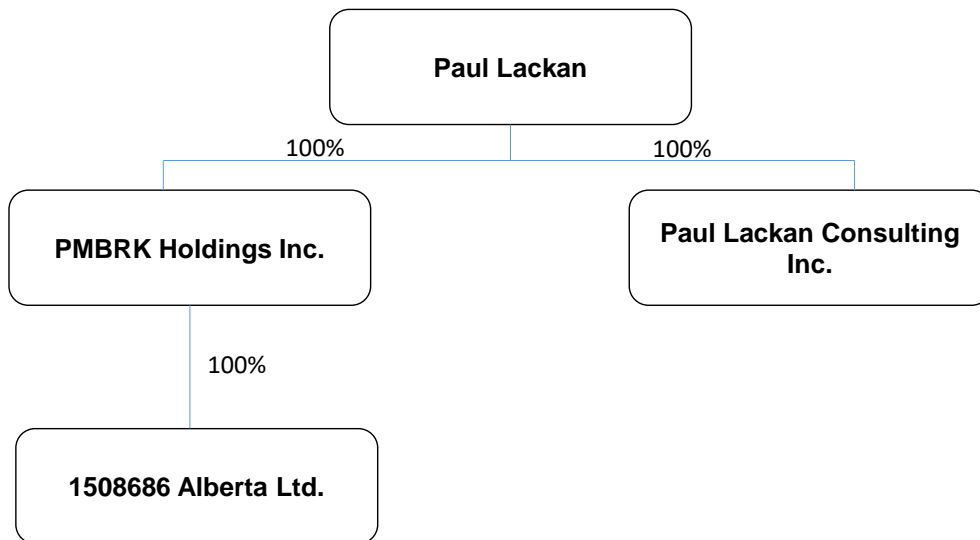
- 7) In preparing this First Report, the Receiver has relied upon unaudited financial information prepared by the Debtors’ management (“**Management**”), the Debtors’ books and records and discussions with Management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information. Further, readers are cautioned that the Receiver has found the available books and records of the Debtors to be incomplete, inaccurate, and to contain material misstatements; accordingly, the Receiver is unable to place any reliance on the financial reports of the Debtors or the representations of Lackan.

**Currency**

- 8) All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.

**BACKGROUND**

- 9) A summary of the corporate structure that comprise the Debtors is as follows:



- 10) Holdings is a private company that was incorporated in the Province of Alberta in April 2015 and it owns 100% of the shares of 1508686 and C.A.M.P. Ltd. Lackan is the sole Director and shareholder of Holdings. Lackan advised the Receiver that Holdings was an inactive entity with no operations. The Receiver is not in possession of the books and records of C.A.M.P. Ltd. and this company does not form part of the receivership.
- 11) As described later in this First Report, the Receiver understands that Holdings previously held the shares of seven (7) numbered companies (the “**Transferred Entities**”) which operated as pharmacies and clinics, specializing in methadone treatments in four cities in the Province of Alberta. The Receiver understands that the Transferred Entities were sold for no consideration in late 2016.

- 12) 1508686 is a private company that was incorporated in the Province of Alberta and was registered by way of an amalgamation in December 2009. Lackan is the sole director of 1508686, a wholly-owned subsidiary of Holdings.
- 13) 1508686 operates as a methadone dispensing pharmacy based out of the Leased Premises. As at the Date of Receivership, there were four (4) active employees. 1508686 operates as Macleod Guardian Pharmacy pursuant to a drug trading banner agreement (the "**Banner Agreement**") with McKesson Canada Corporation ("**McKesson**") which owns the "Guardian" pharmacy banner.
- 14) PLC is a private company that was incorporated in the Province of Alberta in May 1993. Lackan is the sole director and shareholder of PLC. Lackan advised the Receiver that PLC ceased operations prior to the Date of Receivership but previously provided accounting and consulting services to 1508686 and the Transferred Entities while they were under the possession and control of Holdings until late 2016. The Receiver understands that there may be employees of PLC, but Lackan has not substantiated the nature of their services or provided any further details in this regard.

### RECEIVER'S ACTIVITIES

- 15) The Receiver has undertaken the following activities in accordance with the terms of the Receivership Order:
  - a) Attended at the Leased Premises of 1508686 and took possession and control of the property located on site;
  - b) Met with four active employees of 1508686, of which two were licensed pharmacists, to notify them of the receivership and to retain their continued services on an hourly basis;
  - c) Issued termination letters to individuals who the Receiver understood may be employees of the Debtors as the books and records were not complete;
  - d) Notified McKesson of the receivership of the Pharmacy and arranged through its Calgary regional manager to temporarily engage two licensed pharmacists (the "Contract Pharmacists") from a neighbouring Guardian pharmacy to assist the Receiver in taking possession and to perform an inventory count with Pharmacy staff at the Leased Premises. The Contract Pharmacists had prior work experience at the Pharmacy and were familiar with the Pharmacy's patients;
  - e) Notified the Alberta College of Pharmacists (the "College") of the receivership of the Pharmacy, obtained confirmation that both the retained pharmacists and the Contract Pharmacists were licensed members of the College in good standing, coordinated an assessment of the Pharmacy by the College, arranged for the completion of the transfer of a new pharmacy licensee which had commenced prior to the Date of Receivership, and developed an expedited timeline to facilitate a sales process and a potential wind-down and safe transition of patient care;
  - f) Met with Lackan and made repeated requests for the books and records and access to the accounting system of the Debtors, which requests remain substantially outstanding as described later in this First Report;
  - g) In consultation with the College, Pharmacy staff and the Contract Pharmacists, established a daily reporting protocol for the Pharmacy;
  - h) Made arrangements for the continued supply of medicine, as necessary;
  - i) Arranged for a locksmith to attend at the Leased Premises to rekey the locks;

- j) Arranged for an information technology consultant to back up electronic data from the computers located at the Leased Premises, update security settings to restrict remote access, and change passwords to all systems containing patient records;
- k) Provided notice of the Receiver's appointment to the existing insurance broker for the Debtors and arranged for continued insurance coverage;
- l) Arranged for continued service of required utilities and leased equipment located at the Leased Premises;
- m) Coordinated with Canada Post to facilitate the redirection of 1508686's mail to the Receiver;
- n) Prepared a cash budget and arranged to borrow \$25,000 by way of Receiver's Certificate (the "Receiver Borrowings") from BMO to fund receivership operating costs to avoid disruptions to patient care;
- o) Issued a statutory Notice and Statement of the Receiver to all known creditors of the Companies (the "Notice to Creditors") pursuant to subsections 245(1) and 246(1) of the Bankruptcy and Insolvency Act (Canada) (the "BIA");
- p) Informed the Canada Revenue Agency ("CRA") of the receivership, requested new tax accounts for the period subsequent to the Date of Receivership, and requested audits of the pre-receivership accounts of the Debtors;
- q) Arranged for the continued occupation of the Leased Premises;
- r) Made inquiries to other third parties who may have access to or knowledge of the books and records of the Debtors;
- s) Conducted a marketing and sales process as described in more detail in the First Report and the Confidential Report, including negotiating terms of the APA; and
- t) Addressed additional matters as they arose from time to time.

## PHARMACY OPERATIONS

- 16) At the Date of Receivership, 1508686 operated as a regulated methadone dispensary serving highly dependent patients with dedicated prescriptions corresponding to the Pharmacy. In consultation with the College, operations have continued with licensed pharmacy staff for the benefit of patient safety due to the particular sensitivity and inherent reservations in abruptly closing down a methadone dispensary.
- 17) The designated pharmacist licensee for the Pharmacy at the Date of Receivership was listed as Mr. Emery Ostrosky ("**Ostrosky**"). The Receiver was informed that Ostrosky had resigned and ceased working at the Pharmacy prior to the Date of Receivership and was no longer residing in Canada. To date the Receiver has not been able to contact Ostrosky and has not obtained further details on his whereabouts. Lackan advised that he had commenced the process to appoint another existing pharmacist as the new manager and licensee in-charge (the "**Pharmacy Manager**"). The Receiver made arrangements with the Pharmacy Manager and the College to effect this transfer.
- 18) Based on discussions with Lackan and parties with knowledge of the Pharmacy's operations, and the Receiver's review of third-party insurance sales reports, there was a significant decline in the volume of patients and prescriptions commencing in early 2017 as compared to 2016.

- 19) The Receiver was informed that a neighbouring clinic had been diverting patients to its pharmacies with common ownership, as well as to other pharmacies, by stating that 1508686 was no longer in business or capable of operating. The Receiver was informed that Lackan and/or the Debtors had a commercial dispute with principals of this clinic in connection with other business dealings which deteriorated the relations. The Receiver has issued cease and desist letters to the clinic in regards to this issue.
- 20) In consultation with the College and the Pharmacy Manager, the Receiver maintained the regular hours of operation of the Pharmacy in order to ensure access for patients, notwithstanding the overall reduced volume of prescriptions. Further, the Receiver approved additional staff hours to ensure regulatory reporting and administrative duties were completed in a timely manner.
- 21) At the Date of Receivership, there was minimal inventory on-hand at the Pharmacy and substantially all of the over-the-counter drug shelves were empty. The Receiver understands that McKesson ceased supplying inventory to the Pharmacy prior to the Date of Receivership as 1508686 was in violation of the Banner Agreement. To facilitate ongoing patient care in the immediate period following the Date of Receivership, the Receiver arranged to purchase inventory through a neighbouring Guardian pharmacy. Subsequently, the Receiver established an account with McKesson for ongoing purchases.
- 22) Following the Date of Receivership, the Receiver prepared a form of daily reporting to be completed by the Pharmacy Manager with respect to daily sales, required inventory purchases, compliance with security protocol, and other operational matters.

#### **PRELIMINARY REVIEW OF FINANCIAL STATEMENTS**

- 23) Notwithstanding repeated requests to Lackan, only very limited information and books and records have been provided to the Receiver to date. Lackan has not provided access to the Debtors' accounting system and advises that he is no longer in possession of such information. Lackan advised that a party involved with the Transferred Entities also "took over" all of the financial information, records and accounting systems of the three entities comprising the Debtors in 2016. The Receiver subsequently contacted that party who has indicated he is not in possession of any such records.
- 24) With respect to the period from January 1, 2017 to the Date of Receivership, Lackan was unable to explain who maintained accounting records of the Debtors and the location of such information.
- 25) The Receiver has obtained copies of unaudited financial statements of 1508686 and PLC for the fiscal years ended December 31, 2015 and 2016 (the "**Financial Statements**").
- 26) An extract from the Notice to Creditors prepared by the Receiver summarized the assets of the Companies, as set out in the Financial Statements, is as follows:

<b>Description</b>	<b>1508686 (Book Value as at 12/31/2016)</b>	<b>PLC (Book Value as at 12/31/2016)</b>	<b>Holdings</b>
<b>Accounts receivable</b>	\$ 57,280	\$ 342,744	Unknown
<b>Inventory</b>	76,777	NIL	Unknown
<b>Prepaid expenses</b>	15,000	NIL	Unknown
<b>Taxes recoverable</b>	14,260	NIL	Unknown
<b>Notes receivable</b>	NIL	570,060	Unknown
<b>Amounts and loans due from related parties</b>	520,966	731,701	Unknown
<b>Property, plant and equipment</b>	633,960	180,069	Unknown
<b>Other assets</b>	NIL	135,511	Unknown
<b>Total</b>	<b>\$1,318,243</b>	<b>\$1,960,085</b>	<b>Unknown</b>

- 27) The Receiver met with Lackan to discuss the Financial Statements and sought explanations for individual accounts, including assets which were not consistent with the Receiver's observations at the Leased Premises and Lackan's representation that PLC had ceased operations. Lackan acknowledged that the Financial Statements were inaccurate and that the significant balances included in the Financial Statements for notes and other related party amounts receivable resulted from the funds advanced by 1508686 to the Transferred Entities in connection with the construction of other methadone dispensaries and clinics. Further Lackan acknowledged that the balance of \$633,960 for property, plant and equipment recorded in the financial statements for 1508686 did not relate to assets at the Leased Premises, but were purchases made for the other methadone dispensaries and clinics relating to the Transferred Entities. Lackan was unable to produce a trial balance, general ledger and subledger detail to support any of these accounts. Accordingly, the Receiver has found the available financial statements of the Companies to be incomplete, inaccurate, and to contain material misstatements.
- 28) The only known saleable assets of 1508686 consisted of goodwill, intangible assets (e.g. patient list and records), transferable leasehold improvements, and residual inventory that are included in the APA.
- 29) Based on discussions with Lackan, PLC's sole purpose was to provide accounting services to several pharmacies and clinics of the Transferred Entities previously owned by Holdings. These Transferred Entities were subject to various agreements and promissory notes when they were purchased and financed by Lackan and were effectively transferred back to the original owner for no proceeds when Lackan defaulted on the repayment terms. The Receiver is of the view that there is likely no prospect of any recovery from the accounts and notes receivable outstanding to PLC and 1508686; however, the Receiver continues to review this matter. Lackan also commented that there was no recoverable value from any of the other assets of PLC, 1508686 or Holdings, other than the remaining value in the operations of the Pharmacy.
- 30) No financial statements for Holdings were made available to the Receiver.



## **CREDITORS**

- 31) As noted previously, BMO is the principal secured creditor of the Debtors and was owed approximately \$986,000 at the Date of Receivership.
- 32) Based on a review of the personal property searches for the Companies, there are other secured creditors and numerous leasing companies who hold specific security over certain pieces of medical equipment, computer equipment, and accessories. The Receiver is reviewing certain lease documentation and is of the view that a significant majority of the leased assets are not located at the Leased Premises.
- 33) The Receiver was advised by Lackan that all accounts with CRA were current and in good standing in relation to payroll source deductions and GST. The Pharmacy also uses a third-party payroll processing company and the Receiver understood that payroll source deductions were current. The Receiver made requests to CRA for access to the Debtors' tax information and to schedule audits following the Date of Receivership. Subsequently, CRA sent a letter to the Receiver dated July 28, 2017 indicating that there are approximately \$59,000 of outstanding payroll source deductions owing from 1508686 and \$67,000 of outstanding payroll source deductions and GST owing from PLC. CRA is in the process of commencing payroll and GST trust audits on the Debtors as at the date of this First Report, and additional liabilities may be assessed. The Receiver has recently written to CRA to request that it allow the Receiver Borrowings and certain operating costs of the receivership to be paid in priority to any CRA deemed trust claims but there has been no response from CRA as at the date of this First Report.
- 34) Due to the lack of books and records, the Receiver continues to compile information to facilitate the issuance of T4's, records of employment and packages in connection with the Wage Earner Protection Program. At the Date of Receivership, the Receiver understands that there may be thirty (30) potential employee claims for unpaid wages, vacation pay and termination pay. As at the date of the First Report, the Receiver has been unable to ascertain whether these potential parties were employed by 1508686 or by other related entities given the size and nature of the operations.
- 35) The Receiver also understands there are certain litigation creditors in respect of various Court actions brought against some or all of the Debtors.
- 36) The Receiver is not aware of the nature and extent of any other unsecured creditor claims.
- 37) The Receiver anticipates that there will be no funds available for distribution to any secured or unsecured creditors after settlement of the Receiver Borrowings, CRA claims, outstanding operating expenses and direct disbursements in connection with the sales process and APA.

## **TRANSFER AND SALE OF RELATED ENTITIES**

- 38) As noted earlier in the First Report, Lackan advised the Receiver that the Transferred Entities were sold by Holdings for no consideration. Further, any recoveries from amounts owing from the Transferred Entities to the Debtors are considered highly speculative.
- 39) The Receiver held discussions with a party that represented himself to be a consultant to the Transferred Entities. This party advised that Lackan consented to no consideration following security enforcement measures in connection with promissory notes owing to certain other creditors as part of the original purchases of the Transferred Entities.
- 40) This consultant advised the Receiver that Lackan provided very limited financial information or assistance, but has attempted to prepare opening balance sheet amounts for the Transferred Entities which remain in draft form and are unaudited. The consultant does not believe that any amounts are payable to the Debtors.

## **BANKRUPTCY ASSIGNMENTS**

- 41) Based on the anticipated future realizations from the Property, the Receiver has concluded that the net proceeds of the Property will not be sufficient to satisfy the secured and unsecured claims against the Debtors, nor any of the professional fees of the Receiver.
- 42) Since the Date of Receivership, the Receiver has made requests of Lackan for financial information with respect to the Debtors and has only received limited cooperation and insufficient explanations to date. The Debtors' books and records and accounting system have not been provided to the Receiver at the date of this First Report.
- 43) Based on a preliminary review of available bank statements, there are certain transactions which could be reviewed and investigated to assist in the tracing of funds or potential settlements of property and preferential transactions.
- 44) Accordingly, the Receiver is of the view that it may be advantageous to assign the Debtors into bankruptcy for the purposes of permitting the trustee in bankruptcy to efficiently exercise its statutory investigatory and recovery rights pursuant to the BIA.
- 45) The Debtors have committed an act of bankruptcy in the most recent six-month period by, among other things, ceasing to meet their liabilities as they generally become due.
- 46) The Receiver may request that Lackan, in his capacity as the sole Director of the Debtors, execute the documents necessary for the Debtors to file an assignment in bankruptcy under the BIA. In the event that Lackan refuses to execute the assignment documents, the Receiver seeks the Court's authorization and direction to file, on behalf of the Debtors, assignments into bankruptcy pursuant to the BIA to potentially facilitate, among other things, the following:
  - a) an investigation into the affairs of the bankrupt Debtors, including the examination of Management and any person reasonably thought to have knowledge of the affairs of the Debtors; and
  - b) the setting aside of any preferences and other potential questionable transactions so that all ordinary creditors may share equally in the value realized through administration of the bankrupt's assets, subject to the rights of secured creditors and the priorities of preferred creditors.
- 47) In the event that such a bankruptcy assignment is made, and subject to reasonable terms acceptable to Deloitte for the funding of a bankruptcy administration and an independent legal opinion of the validity and enforceability of security, Deloitte may consent to act as the bankruptcy trustee of the Debtors if such an assignment is made.

## **MARKETING AND SALES PROCESS FOR THE PHARMACY**

- 48) Given that the Pharmacy lost a significant volume of patients in the months preceding the Date of Receivership resulting in negative daily operating income, the need for certainty of delivering treatment and safe transition of patient care, and an expedited timeline as required by the College, an extensive sales process was not possible or economic in the circumstances. The Receiver was of the view that a short, focussed sale process that targeted strategic parties (e.g. competitors/other methadone dispensaries, and current and prior pharmacists of 1508686) would be appropriate to sufficiently market the assets and maximize proceeds in a reasonable timeframe.

- 49) The marketing and sales process established by the Receiver was commenced on June 30, 2017 and was designed to solicit letters of intent ("**LOI**") on a very timely basis (the "**Request for LOI's**") and was issued to 17 prospective parties. Included with the Request for LOI's package was a template form of LOI which set out certain terms and conditions for the sale of the pharmacy. A form of confidentiality agreement ("**CA**") was provided to interested parties who sought information in connection with the Pharmacy. The Request for LOI's contemplated the following timeline:
- a) Non-binding LOI's to be submitted to the Receiver by July 7, 2017 (the "LOI Deadline");
  - b) Additional due diligence period for qualified parties and submission of a final offer to the Receiver on July 14, 2017 (the "Offer Deadline");
  - c) Negotiate and execute a Sale Agreement by July 20, 2017; and
  - d) Seek Court approval for the transaction pursuant to a sale agreement and closing of the transaction by August 4, 2017.
- 50) The Receiver provided interested parties who executed a CA with certain available information and notified them of the very limited books and records and uncertainty as to the ownership of the fixed assets, and that any assets offered for sale were on an "as-is, where-is" basis. The Receiver ensured that any reports issued to prospective purchasers did not contain confidential patient information. The Receiver met with prospective purchasers who conducted due diligence at the Leased Premises. As noted earlier in this report, goodwill and intangible assets (e.g. patient list) represented the most significant assets for sale with respect to the Pharmacy.
- 51) As described more particularly in the Confidential Report, the Receiver identified an offer (the "**Qualifying Offer**") as being appropriate in terms of price, conditions and ability to facilitate a safe and efficient transfer of patient care upon closing of a contemplated transaction by continuing operations from the Leased Premises. The successful offeror (the "**Purchaser**") also advised the Receiver that it intended to retain certain existing staff on a contract basis to facilitate such a transition.
- 52) The Purchaser required a new lease or assignment and assumption of the existing lease (the "**Lease Assignment**") with the landlord (the "**Landlord**") in connection with the Leased Premises. Following protracted discussions and negotiations, a form of Lease Assignment acceptable to the parties was executed by the Purchaser on July 28, 2017 and fully executed by the Landlord on August 3, 2017.
- 53) The Sale Agreement is subject to, among other things, the Court issuing an Approval and Vesting Order that approves the APA and vests in and to the Purchaser, all of the Debtor's right, title and interest in and to the purchased assets free and clear of all encumbrances (save for those encumbrances that the Purchaser agrees to assume) on and subject to the terms and conditions set out in the APA, in the form to be agreed to between the Purchaser and Receiver, acting reasonably.
- 54) The APA contemplates a closing date within five (5) days of Court approval or such other date as agreed to by the parties. For the transaction to close, the Receiver is to deliver a Receiver's Certificate (in the form as appended to the Approval and Vesting Order) which certifies that the conditions to closing the transaction have been satisfied or waived and that the balance of funds owing from the Purchaser have been paid to the Receiver.
- 55) The Receiver is of the view that the Qualifying Offer is the best transaction in the circumstances, will help to ensure a safe and efficient transfer of patient care and will prevent further operating losses caused by further delays. Additional support is included in the Confidential Report and, accordingly, the Receiver is requesting the Court's approval for the issuance of the Approval and Vesting Order.

## STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 56) Attached as Appendix "B" is an interim Statement of Receipts and Disbursements (the "Interim R&D") reflecting the administration of the receivership for the period from June 23, 2017 to August 8, 2017.
- 57) As at August 8, 2017, the Receiver is holding \$50,182.53 of funds in trust which includes the \$20,000.00 deposit from the Purchaser and the Receiver's Borrowings.

## CONCLUSIONS AND RECOMMENDATIONS

- 58) Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant the relief detailed in Section 6) c) of this First Report.

\* \* \*

All of which is respectfully submitted at Calgary, Alberta this 11<sup>th</sup> day of August, 2017.

**DELOITTE RESTRUCTURING INC.,**  
solely in its capacity as  
Receiver and Manager of 1508686 Alberta Ltd.  
o/a Macleod Guardian Pharmacy, Paul Lackan  
Consulting Inc, and PMBRK Holdings Ltd.,  
and not in its personal capacity

Per:



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Jeff Keeble, CPA, CA, CIRP, LIT, CBV  
Senior Vice-President

# APPENDIX A

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**IN THE MATTER OF THE RECEIVERSHIP OF  
1508686 ALBERTA LTD. O/A  
MACLEOD GUARDIAN PHARMACY**

**REQUEST FOR LETTERS OF INTENT  
METHADONE DISPENSING PHARMACY  
CALGARY, ALBERTA**

**June 30 2017**

By Order of the Court of Queen's Bench of Alberta (the "**Court**") dated June 23, 2017 (the "**Appointment Order**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as the receiver and manager (the "**Receiver**") of all current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situated, including all proceeds (the "**Property**") of 1508686 Alberta Ltd. o/a Macleod Guardian Pharmacy (the "**Pharmacy**"), Paul Lackan Consulting Inc., and PMBRK Holdings Ltd. (collectively the "**Debtors**" or the "**Lackan Group of Companies**"). A copy of the Appointment Order is available on the Receiver's website at [www.insolvencies.deloitte.ca/en-ca/Lackan](http://www.insolvencies.deloitte.ca/en-ca/Lackan).

The Pharmacy operates from the premises located at 1018 Macleod Trail SE, Calgary, Alberta.

The Receiver is seeking preliminary non-binding letters of intent (each an "**LOI**") for the Pharmacy until 5:00 PM (MTS) on **Friday, July 7, 2017** (the "**LOI Deadline**"). A form of the LOI is attached hereto as Appendix 1.

If you would like to make arrangements to view the Pharmacy, please contact the Receiver's representative noted below.

LOI's shall be made to the Receiver as follows:

**Deloitte Restructuring Inc. – Receiver of 1508686 Alberta Ltd.**  
**700, 850 – 2 Street SW**  
**Calgary, AB T2P 0R8**  
**Attention: Naomi McGregor**  
**[naomcgregor@deloitte.ca](mailto:naomcgregor@deloitte.ca)**  
**403-503-1423**

An ultimate sale of the Pharmacy will be subject to Court approval and will be on an "as is, where is" basis without any representations or warranties to be provided by the Receiver, whether as to title, condition, quality, quantities, fitness for purpose, book value or realizable value of the Pharmacy. Each Offeror will need to perform its own due diligence and satisfy itself with respect to the Pharmacy.

The highest or best LOI or offer may not necessarily be accepted by the Receiver. The Receiver reserves its right not to accept any LOI or offer for the Pharmacy or to vary the terms of or terminate its request for LOI's at any time without notice to any party. The Receiver reserves the right to deal with one or more Offerors to the exclusion of others and to accept an offer or offers for some or all of the Pharmacy at any time, including prior to the LOI Deadline, without notice to any party.

**Request for Letters of Intent**

**Macleod Guardian Pharmacy**

June 30, 2017

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Please contact Ms. McGregor of the Receiver should you have any questions in this regard.

Yours sincerely,

**DELOITTE RESTRUCTURING INC.,**

Solely in its capacity as

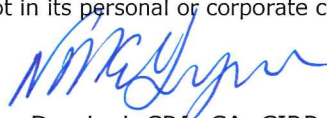
Court-appointed Receiver and Manager of

1508686 Alberta Ltd. o/a Macleod Guardian Pharmacy

and not in its personal or corporate capacity

For:

Per:



Stefano Damiani, CPA, CA, CIRP, LIT  
Vice-President

Attachment (Form of Letter of Intent)

## LETTER OF INTENT

THIS LETTER OF INTENT (the "LOI") made as of this \_\_\_\_<sup>th</sup> day of July, 2017 (the "Execution Date"),

### BETWEEN:

Purchaser

(the "Purchaser")

- AND -

Deloitte Restructuring Inc., in its capacity as Receiver and Manager of 1508686 Alberta Ltd. o/a Macleod Guardian Pharmacy, and not in its personal capacity

(the "Seller").

### BACKGROUND:

- A. The Seller has possession or control of certain assets that are available for sale.
- B. The Purchaser wishes to purchase the assets from the Seller.

This LOI will establish the material terms to be used in a future asset purchase agreement between the Seller and the Purchaser (the "Asset Purchase Agreement"). The terms contained in this LOI are not comprehensive and it is expected that additional terms may be added, and existing terms may be changed or deleted. The basic terms are as follows:

#### **Non-Binding**

- 1. This LOI does not create a binding commitment between the Purchaser and the Seller and will not be enforceable, save and except paragraphs 6, 7 and 10 in relation to the Deposit (as subsequently defined). The terms and conditions of any Asset Purchase Agreement will supersede any terms and conditions contained in this LOI.

#### **Transaction Description**

- 2. The assets to be included in this contemplated transaction include all of the assets of 1508686 Alberta Ltd. o/a Macleod Guardian Pharmacy (the "Assets") at a mutually acceptable value (the "Proposed Purchase Price"). The Assets are hereinafter defined as the inventory, patient lists and any other assets owned by 1508686 Alberta Ltd. o/a Macleod Guardian Pharmacy.



3. The Proposed Purchase Price of \$\_\_\_\_\_ is subject to any due diligence that may be completed by the Purchaser in its own discretion by no later than July 14, 2017.
4. The Seller will prepare a draft Asset Purchase Agreement for review by the Purchaser and the Asset Purchase Agreement will be finalized and executed on or before July 20, 2017. If the Asset Purchase Agreement is not executed by that date, the offer contemplated by this LOI shall be null and void.
5. A cash deposit of ten percent (10%) of the consideration being paid in respect of the Pharmacy will be paid by the Purchaser to the Seller upon the execution of this LOI (the "Deposit") by way of cash deposit payable to "Deloitte Restructuring Inc.". Upon approval of the Asset Purchase Agreement by the Court of Queen's Bench of Alberta, the Deposit shall be returned to the Purchaser and the Proposed Purchase Price shall be paid as structured and provided for in the Asset Purchase Agreement.
6. The Deposit is refundable to the Purchaser in the event that no Asset Purchase Agreement is executed by July 20, 2017. The Seller and Purchaser acknowledge and agree to negotiate the terms and conditions of the Asset Purchase Agreement in good faith, including terms and conditions in relation to whether the deposit may be retained by the Seller in the event that the transaction does not close by August 4, 2017 or such earlier date at the sole discretion of the Receiver (the "Closing Date") through no fault of the Seller.
7. The closing of the transaction shall occur on or before the Closing Date.
8. The Seller shall make best efforts to obtain, prior to the Closing Date, a vesting order from the Court of Queen's Bench of Alberta, vesting the Assets free and clear in the Purchaser of any liens, charges, encumbrances or rights of others. If such a Vesting Order is not obtained prior to the Closing Date, the Purchaser may terminate the transaction contemplated by the Asset Purchase Agreement and shall be entitled to a refund of the Deposit, and the transaction contemplated by the Asset Purchase Agreement shall be null and void.
9. The transaction contemplated by any Asset Purchase Agreement arising out of this LOI is subject to the approval of the Court of Queen's Bench of Alberta.
10. The Seller and Purchaser acknowledge and agree that a Non-Disclosure/Confidentiality Agreement pertaining to the within transaction and Asset Purchase Agreement shall be executed by both parties prior to acceptance of the LOI.
11. The Purchaser acknowledges and agrees that the Assets are being sold on an "as is where is" basis and that the Receiver will have made no representation, warranty, statement or promise of any kind, except as set out in any Asset Purchase Agreement.
12. The Seller and Purchaser agree that each party shall bear its own costs associated with this LOI and subsequent Asset Purchase Agreement.

This LOI accurately reflects the understanding between the Seller and the Purchaser, signed on this \_\_\_\_<sup>th</sup> day of July \_\_\_\_, 2017.

Per: \_\_\_\_\_ (Seal)  
(Purchaser)

Per: \_\_\_\_\_ (Seal)  
Deloitte Restructuring Inc., in its capacity as  
Receiver and Manager of 1508686 Alberta Ltd.  
o/a Macleod Guardian Pharmacy, and not in its  
personal capacity (Seller)

# APPENDIX B

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**IN THE MATTER OF THE RECEIVERSHIP OF 1508686 ALBERTA LTD.,  
PAUL LACKAN CONSULTING INC., and PMBRK HOLDINGS INC.  
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD FROM JUNE 23, 2017 TO AUGUST 8, 2017**

		<b>1508686 Alberta Ltd.</b>	<b>Paul Lackan Consulting Inc.</b>	<b>PMBRK Holdings Ltd.</b>	<b>Total</b>
<b>Receipts:</b>					
Prescription sales		\$ 65,072.63			\$ 65,072.63
Receiver borrowings from Bank of Montreal	Note 1	25,000.00			25,000.00
Deposit in Trust	Note 2	20,000.00			20,000.00
WCB refunds		289.63			289.63
Cash on hand		1,762.05			1,762.05
Transfer of funds from related Estates	Note 3	-	70.00	70.00	140.00
<b>Total receipts</b>		<b>112,124.31</b>	<b>70.00</b>	<b>70.00</b>	<b>112,264.31</b>
<b>Disbursements:</b>					
Payroll and contract labour costs	Note 4	37,035.08			37,035.08
Rent - leased premises		7,976.23			7,976.23
Equipment leases		1,750.32			1,750.32
Purchases of medicine	Note 5	10,806.83			10,806.83
Insurance		1,808.44			1,808.44
Other operating and administrative expenses		885.87			885.87
Post-receivership GST paid		579.01			579.01
Transfer of funds to related Estates	Note 3	140.00			140.00
Filing fees to the Official Receiver		70.00	70.00	70.00	210.00
<b>Total disbursements</b>		<b>61,941.78</b>	<b>70.00</b>	<b>70.00</b>	<b>62,081.78</b>
<b>Funds on hand at August 8, 2017</b>		<b>\$ 50,182.53</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,182.53</b>

**Notes:**

- 1 The Receiver executed a Receiver's Certificate in the amount of \$25,000.00 on June 30, 2017. The funds were received from BMO on July 6, 2017 to facilitate ongoing operations and patient safety.
- 2 The Receiver has entered into an asset purchase agreement dated July 28, 2017 and as further amended (the "Sale Agreement") in connection with the Macleod Guardian Pharmacy of 1508686 Alberta Ltd., subject to Court approval. The purchaser's deposit of \$20,000.00 is being held in trust by the Receiver pursuant to the terms of the Sale Agreement. The Receiver is in the process of having the Sale Agreement approved by the Court.
- 3 At the date of the receivership, Paul Lackan Consulting Inc. and PMBRK Holdings Ltd. had ceased operations. 1508686 Alberta Ltd. was the operating entity and effectively possessed the only known realizable assets to date. The Court Order appointing the Receiver dated June 23, 2017 refers to the companies collectively as the Debtors and the Receiver attributes any realizations for the debtors to be for the benefit of all companies. For efficiency, the Receiver has used the Receivership account of 1508686 Alberta Ltd. as the general operating account for the entities of the Receivership and will from time-to-time transfer funds to cover the general administrative costs of the receivership estate of Paul Lackan Consulting Inc., and PMBRK Holdings Ltd. as necessary.
- 4 Payroll of licensed pharmacists, pharmacy assistants and contract pharmacists.
- 5 Purchases of medicine from a licensed supplier and other pharmacies, as necessary.

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