



Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT
ACT, R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CONTRACT PHARMACEUTICALS LIMITED,
CPL CANADA HOLDCO LIMITED, CONTRACT PHARMACEUTICALS
LIMITED CANADA, GLASSHOUSE PHARMACEUTICALS LIMITED
CANADA, AND GLASSHOUSE PHARMACEUTICALS LLC**

Applicants

NOTICE OF APPLICATION

(CCAA Application Returnable December 15, 2023)

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following page.

THIS APPLICATION will come on for a hearing

- In person
- By telephone conference
- By video conference

On December 15, 2023 at 10:00am (Toronto time) before the Honourable Justice Penny of the Ontario Superior Court of Justice (Commercial List), at the below Zoom link:

<https://ca01web.zoom.us/j/65400327305?pwd=WC91RjNENjNnZlQ2NHpvdDlzaUNldz09>

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date December 15, 2023

Issued by _____

Local Registrar

Address of court office: 330 University Avenue
Toronto, Ontario M5G 1E6

APPLICATION

THE APPLICANTS MAKE THIS APPLICATION FOR¹:

1. Contract Pharmaceuticals Limited (“**CPL**”), CPL Canada Holdco Limited (“**CPL Canada Holdco**”), Contract Pharmaceuticals Limited Canada (“**CPL Canada**”), Glasshouse Pharmaceuticals Limited Canada (“**Glasshouse Canada**”), and Glasshouse Pharmaceuticals LLC (“**Glasshouse America**” and, collectively with CPL, CPL Canada HoldCo, CPL Canada, and Glasshouse Canada, the “**Applicants**” or the “**Company**”) make an Application for an initial order (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), substantially in the form attached at Tab “3” of the within Application Record, *inter alia*:

- (a) abridging the time for and validating the service of this Notice of Application and the Application Record;
- (b) declaring that the Applicants are parties to which the CCAA applies;
- (c) appointing KSV Restructuring Inc. (“**KSV**”) as officer of this Court to monitor the assets, business and affairs of the Applicants (the “**Monitor**”) in these CCAA proceedings;
- (d) staying all proceedings and enforcement processes taken or that might be taken in respect of the Applicants, their business or property, the former, current or

¹ All capitalized terms used herein and not otherwise defined have the meaning ascribed to them in the Affidavit of Jan Sahai sworn December 14, 2023 (the “**Sahai Affidavit**”). Unless otherwise stated, all monetary amounts referenced herein are in U.S. dollars.

future directors and officers of the Applicants, or the Monitor, until and including December 22, 2023, or such later date as this Court may order (the “**Initial Stay Period**”);

- (e) approving the execution by the Applicants of a DIP Financing Term Sheet (the “**DIP Term Sheet**”) entered into on December 14, 2023, with Deerfield Private Design Fund IV, L.P. and Deerfield Private Design Fund III, L.P. (“**Deerfield**”, and acting in such capacity as the “**DIP Lender**”), pursuant to which the DIP Lender has agreed to advance to CPL Canada a total amount of up to \$6,000,000 (the “**DIP Loan**”), of which an initial amount of \$1,500,000 will be advanced during the Initial Stay Period;
- (f) authorizing the Applicants to pay certain expenses incurred prior to, on or after the date of the Initial Order, subject to the provisions of the Initial Order;
- (g) authorizing the Applicants to continue to utilize their cash management system and to maintain the banking arrangements already in place for the Applicants;
- (h) granting the following charges over the assets and property of the Applicants, and ordering that such charges, as among them, shall have the following relative priorities:
 - (i) *first* – a charge in favour of the Monitor (KSV), counsel to the Monitor (Cassels, Brock & Blackwell LLP), counsel to the Applicants (Goodmans LLP) and the Financial Advisor (solely as it relates to its monthly work fee and disbursements) in respect of their fees and

disbursements (the “**Administration Charge**”), to a maximum amount of CA\$375,000, pending further Order of the Court;

(ii) *second* – a charge in favour of the directors and officers of the Applicants (the “**Directors’ Charge**”), to a maximum amount of CA\$1,801,000, pending further Order of the Court; and

(iii) *third* – a charge in favour of the DIP Lender (the “**DIP Lender’s Charge**”), to a maximum amount of \$1,500,000, pending further Order of the Court;

(i) authorizing CPL to act as the foreign representative and apply for foreign recognition and approval of these CCAA proceedings, as necessary, in any jurisdiction outside of Canada, including the United States; and

(j) granting such further and other relief as this Court deems just.

THE GROUNDS FOR THE APPLICATION ARE:

2. Headquartered in Mississauga, Ontario with nearly 300 employees, the Company is in the business of developing, manufacturing, packaging and testing non-sterile liquid and semi-solid pharmaceutical and regulated over-the-counter products. The Company’s core business is that of CPL Canada, an industry-leading contract development and manufacturing organization.

3. For years, the Company achieved consistent revenue and profitability from the CPL Business. However, in 2016, the Company shifted its business strategy to focus on top line revenue growth and began exploring new product lines such as generic drugs. Glasshouse was

established to operate the Company's generic pharmaceuticals business. Unfortunately, Glasshouse suffered losses since its inception, which eroded the Company's margins, distracted from its core business and has left the Company with a significant legacy debt burden.

4. Despite operational restructuring efforts (including winding-down the Glasshouse Business and divesting related assets) and the financial support of its shareholders (who injected \$7.05 million of additional equity financing in 2022 and 2023), the Company remains burdened by the interest expense of its debt obligations and suppressed availability under its operating line of credit, which has led to increasingly constrained liquidity. In addition, the Company has funded debt obligations totaling in excess of \$38 million, most of which have now either matured, are in default or are payable on demand.

5. In light of these circumstances, beginning in February 2023, the Company, with the assistance of its financial advisors, began to explore strategic alternatives. To date, the Company's efforts have not resulted in a transaction satisfactory to the Company's stakeholders, or one that could be implemented in the timeframe available to the Company having regard to its liquidity position.

6. Accordingly, the Company, following consultation with its professional advisors and with the support of Deerfield as proposed DIP Lender, determined that the best path to maximize stakeholder value and preserve the Company as a going-concern was for the Applicants to commence these CCAA proceedings, and in connection with these proceedings, for the Applicants to (a) enter into a refinancing, sale and investment solicitation process to be conducted in these CCAA proceedings (the "**SISP**"), and (b) enter into the DIP Term Sheet

with Deerfield (as the DIP Lender) providing for the \$6,000,000 million DIP Loan, of which \$1,500,000 will be available for borrowing during the Initial Stay Period.

7. If the proposed Initial Order is granted, the Applicants intend, at a hearing to be held within the Initial Stay Period (the “**Comeback Hearing**”), to seek (i) an amended and restated Initial Order, and (ii) the SISP Approval Order, among other things, approving the SISP.

Appointment of KSV as Monitor

8. KSV has consented to act as the Court-appointed Monitor of the Applicants, subject to Court approval.

9. KSV is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the “**BIA**”) and is not subject to any of the restrictions on who may be appointed as Monitor as set out in subsection 11.7(2) of the CCAA.

10. KSV has extensive experience in matters of this nature, including in sale and investment solicitation processes in the context of the CCAA, and is therefore well-suited to this mandate.

Stay of Proceedings

11. The Applicants require a stay as part of the Initial Order for the Initial Stay Period and intend to seek the extension thereof at the Comeback Hearing.

12. The Initial Stay Period is necessary and in the best interests of the Applicants and their stakeholders as it will allow the Applicants to stabilize their operations, continue operating the business, advance restructuring efforts with a view to pursuing the SISP, and ultimately

implement a refinancing, sale or other strategic investment or transaction which will preserve and maximize the value of the Applicants.

DIP Loan and DIP Charge

13. The cash flow forecast indicates that the Applicants are expected to have insufficient liquidity to operate during 13-week period following commencement of these CCAA proceedings.

14. In connection with the commencement of these CCAA proceedings, the Applicants entered into the DIP Term Sheet with the DIP Lender, pursuant to which the DIP Lender has agreed to provide to the Applicants a DIP Loan in the maximum principal amount of \$6,000,000.

15. The Applicants require the DIP Loan to, among other things, finance their working capital requirements and other general corporate purposes, post-filing expenses, and restructuring expenses during the Initial Stay Period.

16. The DIP Loan is conditional upon, among other things, the issuance of the proposed Initial Order and granting the DIP Lender's Charge over the Applicants' Property, which charge is proposed to rank junior to the existing first priority indebtedness of the Company.

Administration Charge and Directors' Charge

17. The Applicants are seeking the Court's approval of an Administration Charge and a Directors' Charge as part of the proposed Initial Order in order to secure, respectively, the

professional services required to advance these CCAA proceedings and ensure the continued assistance and oversight of the Applicants' directors and officers.

18. The Applicants require the continuing commitment of the professionals who will benefit from the Administration Charge as well as their directors and officers in order to pursue their restructuring efforts.

Authorization to Pay to Suppliers Pre-Filing Obligations

19. The Applicants are seeking authorization pursuant to the proposed Initial Order to make certain pre-filing payments, including in respect of pre-filing goods or services supplied to the Applicants if, in the opinion of the Applicants and with the consent of the Monitor and the DIP Lender, such payment is necessary to maintain the operation of the Applicants' business.

20. The Applicants require the continued supply of goods and services to continue their business and preserve key relationships with suppliers, certain of whom are the sole supplier of a particular input the Company requires. Any disruptions to the supply of goods and services to the Company will impact the provision of pharmaceutical products to customers which will, in addition to harming the Company's business and the viability of the SISF, risk delaying patient access to important prescription medication.

Authorization for CPL to Act as Foreign Representative

21. The Applicants are seeking authorization for (i) CPL to act as foreign representative for the purpose of having these CCAA proceedings recognized and approved in a jurisdiction outside of Canada, and (ii) for CPL, in its capacity as foreign representative, to apply for foreign recognition and approval of these CCAA proceedings, including in the United States, to the

extent considered necessary by the Applicants. The Applicants are seeking this relief as a precautionary measure in the event that unexpected actions are taken against the two Applicants incorporated in the United States, being CPL and Glasshouse America.

General

22. The Applicants meet the statutory requirements to be eligible for protection under the CCAA.

23. The Applicants are insolvent.

24. The claims against the Applicants exceed CA\$5 million.

25. The Applicants require the protection of this Court in order to avoid serious harm and material prejudice, and ultimately allow them to pursue the SISP to identify a going concern transaction for the benefit of their stakeholders, for which the Applicants expect to seek Court-approval at the Comeback Hearing.

26. Without the protection of the CCAA and the relief contemplated by the proposed Initial Order, including the DIP Loan, the Applicants will not be able to continue operations in the normal course.

Other Grounds:

27. The circumstances that exist make the Initial Order sought by the Applicants appropriate.

28. Such other grounds as set out in the Sahai Affidavit.

29. The provisions of the CCAA and this Court's equitable and statutory jurisdiction thereunder.

30. Rules 1.04, 1.05, 2.03, 3.02, 14.05(2), 16 and 38 of the Ontario *Rules of Civil Procedure*, R.S.O. 1990, Reg. 194, as amended.

31. Such further and other grounds as counsel may advise and this Court may permit.

32. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the Application:

- (a) the Sahai Affidavit and the exhibits attached thereto;
- (b) the consent of KSV to act as Monitor dated December 14, 2023;
- (c) the Pre-Filing Report of the Monitor; and
- (d) such further and other materials as counsel may advise and this Court may permit.

Date: December 14, 2023

GOODMANS LLP

Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Christopher Armstrong LSO#: 55148B
carmstrong@goodmans.ca

Erik Axell LSO#: 853450
eaxell@goodmans.ca

Jennifer Linde LSO#: 86996A
jlinde@goodmans.ca

Tel: (416) 979-2211
Fax: (416) 979-1234

Lawyers for the Applicants

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Proceeding commenced at Toronto

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Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Christopher Armstrong LSO# 55148B
carmstrong@goodmans.ca

Erik Axell LSO# 85345O
eaxell@goodmans.ca

Jennifer Linde LSO#86996A
jlinde@goodmans.ca

Tel: (416) 979-2211
Fax: (416) 979-1234

Lawyers for the Applicants