



December 20, 2023

**First Report of
KSV Restructuring Inc.
as CCAA Monitor of
Contract Pharmaceuticals Limited, CPL
Canada Holdco Limited, Contract
Pharmaceuticals Limited Canada,
Glasshouse Pharmaceuticals Limited
Canada, and Glasshouse
Pharmaceuticals LLC**

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Court File No.:CV-23-00706033-00CL

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

FIRST REPORT OF KSV RESTRUCTURING INC.

DECEMBER 20, 2023

1.0 Introduction

1. Pursuant to an order (the "Initial Order") issued by the Ontario Superior Court of Justice (Commercial List) (the "Court") on December 15, 2023 (the "Filing Date"), Contract Pharmaceuticals Limited ("CPL") and its wholly owned subsidiaries, CPL Canada Holdco Limited ("CPL HoldCo"), Contract Pharmaceuticals Limited Canada ("CPL Canada"), Glasshouse Pharmaceuticals Limited Canada ("Glasshouse Canada"), and Glasshouse Pharmaceuticals LLC ("Glasshouse America" and together with CPL, CPL Canada HoldCo, CPL Canada, and Glasshouse Canada, the "Applicants" or the "Company") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and KSV Restructuring Inc. was appointed monitor of the Applicants (in such capacity, the "Monitor").
2. Pursuant to the Initial Order, the Court, among other things:
 - a) granted a stay of proceedings (the "Stay of Proceedings") in favour of the Applicants to and including December 22, 2023 (the "Initial Stay Period");
 - b) granted the following charges on all of the Applicants' current and future assets, property and undertaking (collectively, the "Property"):
 - i. up to the maximum amount of \$375,000 (the "Administration Charge") to secure the fees and disbursements of the Applicants' legal counsel, Goodmans LLP ("Goodmans"), the Monitor, its independent legal counsel, Cassels Brock & Blackwell LLP ("Cassels") and the Applicants' financial advisor SSG Capital Advisors, LLC ("SSG" or the "Financial Advisor") (excluding any Transaction Fee (as defined below) payable to SSG);

- ii. up to the maximum amount of \$1,801,000 (the “Directors’ Charge”) in favour of the directors and officers of the Applicants (the “Directors and Officers”); and
 - iii. up to the maximum amount of US\$1,500,000, plus interest, fees and expenses thereon (the “DIP Lender’s Charge”), in favour of Deerfield Private Design Fund IV, LP as agent for itself and Deerfield Private Design Fund III, LP, as lender (“Deerfield” and in such capacity, the “DIP Lender”), to secure debtor-in-possession (“DIP”) advances to the Applicants made following the granting of the Initial Order and prior to the Comeback Hearing (as defined below) pursuant to a DIP facility agreement dated December 14, 2023 (the “DIP Facility”), provided that the DIP Lender’s Charge is subordinate to the pre-filing security interests of Royal Bank of Canada (“RBC”) and Export Development Canada (“EDC”); and
 - c) authorized the Applicants to pay certain pre-filing obligations to essential suppliers, subject to first obtaining consent from the Monitor and the DIP Lender.
3. The principal purpose of these CCAA proceedings is to create a stabilized environment to enable the Applicants to: (i) secure urgently required DIP financing; (ii) continue the implementation of their operational restructuring; and (iii) undertake a Court-supervised sale and investment solicitation process (the “SISP”) to either refinance the Company’s existing debt or enter into a sale or other strategic transaction in respect of the Company and/or its assets.
4. The comeback hearing is scheduled to be heard on December 22, 2023 (the “Comeback Hearing”). At the Comeback Hearing, the Applicants are seeking the following orders:
- a) an order (the “SISP Approval Order”), among other things, approving the SISP to be conducted by the Applicants, with the assistance of the Financial Advisor and under the oversight of the Monitor; and
 - b) an Amended and Restated Initial Order (the “ARIO”), among other things:
 - extending the Stay of Proceedings to and including March 22, 2024;
 - approving the retention of the Financial Advisor pursuant to an agreement dated December 12, 2023 between the Applicants and the Financial Advisor (the “SSG Engagement Letter”) and granting a charge on the Property in favour of the Financial Advisor to the maximum amount of the Transaction Fee to secure the payment of the Transaction Fee payable under the SSG Engagement Letter (the “Financial Advisor Charge”);
 - approving a Key Employee Retention Plan (the “KERP”) and granting a charge on the Property for the benefit of the KERP beneficiaries to secure the payments thereunder (the “KERP Charge” and together with the Administration Charge, the Directors’ Charge, the DIP Lenders’ Charge and the Financial Advisor Charge, the “Charges”) in the maximum aggregate amount of \$998,311;

- increasing the quantum of the Administration Charge to \$600,000;
- increasing the quantum of the Directors' Charge to \$2,306,000; and
- increasing the quantum of the DIP Lender's Charge to US\$6,000,000, plus interest, fees and expenses.

1.1 Purposes of this Report

1. The purposes of this report (the "First Report") are to:
 - a) summarize the relief being sought by the Applicants at the Comeback Hearing;
 - b) provide the Court with an update on the Monitor's activities since the granting of the Initial Order; and
 - c) provide the Monitor's recommendations regarding the relief being sought by the Applicants at the Comeback Hearing.

1.2 Restrictions

1. In preparing this First Report, the Monitor has relied upon the Applicants' unaudited financial information, books and records, information available in the public domain and discussions with the Applicants' management, legal counsel and the Financial Advisor.
2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this First Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. Future-oriented financial information relied upon in this First Report is based upon the Applicants' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

1.3 Currency

1. Unless otherwise noted, all currency references in this First Report are in Canadian dollars.

2.0 Background

1. The Applicants specialize in the development, manufacturing, packaging, filing, and testing of non-sterile liquids, semi-solid pharmaceuticals, and regulated over-the-counter-products. Non-sterile liquids include products such as prescription and non-prescription grade suspensions, solutions, and nasal sprays. Semi-solid pharmaceuticals include prescription and non-prescription grade lotions, creams, ointments, and gels. In total, the Applicants manufacture over a hundred different products for many top global pharmaceutical companies and specialty dermatology companies.

2. The Affidavit of Jan Sahai, CEO of the Applicants, sworn December 14, 2023 in support of the CCAA application (the “Sahai Affidavit”), and the pre-filing report to the Court of the Proposed Monitor dated December 14, 2023 (the “Pre-Filing Report”) both provide background information with respect to the Applicants’ business and operations, including the reasons for the commencement of these CCAA proceedings. Accordingly, that information is not repeated in this First Report.
3. Court materials filed in these proceedings, including the First Sahai Affidavit and the Pre-Filing Report, are available on the Monitor’s website at the following link: www.ksvadvisory.com/experience/case/cpl (the “Case Website”).

3.0 SISP¹

3.1 Pre-Filing Marketing Process

1. In February 2023, the Applicants engaged a financial advisor to explore strategic alternatives. As discussed in the Sahai Affidavit, a party was identified that would refinance EDC and RBC, but the party required Deerfield to extend its loan and agree to new intercreditor terms, which was not acceptable to Deerfield.
2. In October 2023, the Applicants engaged SSG to further explore strategic alternatives, including refinancing transactions and, ultimately, DIP financing options. Several parties expressed an interest in refinancing the Applicants’ debt, although the Applicants could not fully explore these transactions given their liquidity situation.
3. The Applicants intend to use the SISP to build on the work completed during the pre-filing marketing process.

3.2 SISP

1. The purpose of the SISP is to identify the highest or otherwise best offer for a refinancing, sale or other strategic investment or transaction involving the business, assets and/or equity of the Applicants. The SISP will enable the Applicants, with the assistance of the Financial Advisor, and under the oversight of the Monitor, to test the market and pursue a transaction that delivers the best value for the Applicants’ stakeholders.
2. The proposed SISP was developed by the Applicants in consultation with the Financial Advisor, the Monitor and its counsel and the DIP Lender and its counsel.
3. The key aspects of the proposed SISP are summarized below; however, interested parties are strongly encouraged to review the full terms of the SISP attached as Schedule “A” to the proposed SISP Approval Order.

¹ Capitalized terms in this section have the meaning provided to them in the SISP unless otherwise defined herein.

4. A summary of the SISP timeline is as follows:

Milestone	Deadline²
Anticipated Court approval of SISP	December 22, 2023
Commence solicitation process	January 8, 2024
Submission of LOIs	February 8, 2024
Submission of Qualified Bids	February 29, 2024
Selection of Successful Bid(s) (if any)	March 12, 2024
Approval Order hearing ³	March 22, 2024
Outside Date for Closing of Successful Bid(s)	April 30, 2024

5. Each of the SISP milestones can be extended by the Applicants, in consultation with the Monitor (provided that in the case of any extension by more than three days for any individual milestone, or seven days in the aggregate, or for any extension of the Outside Date, the consent of the DIP Lender shall also be required).
6. In order to provide the Applicants with the maximum amount of time to generate interest in the SISP (and having regard to the upcoming holiday period), following consultation with the Monitor, the Financial Advisor commenced preliminary marketing efforts on December 19, 2023 by sending out a teaser and form of non-disclosure agreement (collectively, the “Marketing Materials”) to approximately 410 potentially interested parties. It is anticipated that the Financial Advisor will continue to provide the Marketing Materials and engage with potentially interested parties over the holiday period pending the formal commencement of the solicitation process after the holiday period.

3.3 Solicitation of Interest

1. The Applicants and the Financial Advisor will, under the oversight of the Monitor:
- a) provide interested parties who have executed an NDA in a form acceptable to the Applicants with a Confidential Information Memorandum and access to a virtual data room containing diligence information;
 - b) request that any parties wishing to submit a letter of intent (“LOI”) must comply with the requirements as set out in the SISP, which includes such LOI being submitted by the LOI Deadline of 2:00 p.m. (Toronto time) on February 8, 2024; and
 - c) advise any parties wishing to submit a binding bid that such binding bid must comply with the requirements for a Qualified Bid, which includes being submitted by the Qualified Bid Deadline of 2:00 p.m. (Toronto time) on February 29, 2024.

² To the extent any dates would fall on a non-business day, they shall be deemed to be the first business day thereafter.

³ The Court dates are subject to Court availability.

3.4 Qualified Bids

1. To be a “Qualified Bid”, a bid must, among other things, meet the following requirements:
 - a) provide the aggregate consideration payable in full on closing (the “Consideration Value”), along with a detailed sources schedule that identifies with specificity the composition of the Consideration Value and any assumed or included liabilities that could alter the Consideration Value;
 - b) the Consideration Value must provide for cash consideration sufficient to pay: (i) any obligations in connection with the Charges and any obligations in priority thereto; and (ii) an amount necessary to fund a wind-up of these CCAA proceedings and any further proceedings or wind-up costs;
 - c) provide for a closing date of not later than April 30, 2024, with such date being the “Outside Date”;
 - d) include:
 - i. duly executed and binding definitive transaction documents, including a redline of the submitted transaction document against any template transaction document that is made available in the virtual data room;
 - ii. the legal name and identity (including jurisdiction of existence) and contact information of the bidder, full disclosure of its direct and indirect principals, and the name(s) of its controlling equityholder(s);
 - iii. evidence of authorization and approval from the Qualified Bidders’ board of directors or equityholders, if applicable;
 - iv. disclosure of any connections or agreements with the Applicants or any of their affiliates, or any known, potential bidder; and
 - v. such other information reasonably requested by the Applicants or the Monitor;
 - e) include a letter stating that the bid is submitted in good faith, is binding and is irrevocable until closing of the bid designated in accordance with the SISP as the successful bid (the “Successful Bid”);
 - f) confirm that the bid will serve as the next highest and best Qualified Bid (the “Back-Up Bid”) if it is not selected as the Successful Bid and if selected as the Back-Up Bid, it will remain irrevocable until the earlier of: (i) closing of the Successful Bid; or (ii) closing of the Back-Up Bid;
 - g) provide evidence of the bidder’s ability to finance the transaction prior to the Outside Date and satisfy the obligations under the transaction documents;
 - h) not include any request for a break fee, expense reimbursement or similar type of payment/bid protections;

- i) contain no conditions with respect to:
 - i. approval from the Qualified Bidder's board of directors or equityholders;
 - ii. the outcome of any unperformed due diligence by the bidder; or
 - iii. the Qualified Bidder obtaining financing;
 - j) include acknowledgments and representations that the bidder:
 - i. has had an opportunity to conduct its due diligence and relied solely on its independent review;
 - ii. is not relying upon any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express or implied (by operation of law or otherwise), made by any person or party, including the Applicants, the Financial Advisor, the Monitor and their respective employees, officers, directors, agents, advisors and other representatives, regarding the proposed transaction(s), the SISP, or any information (or the completeness of any information) provided in connection therewith, except as expressly stated in the proposed transaction documents;
 - iii. is making its bid on an "as is, where is" basis;
 - iv. is bound by the SISP and the SISP Approval Order; and
 - v. is subject to the exclusive jurisdiction of the Court with respect to any disputes with respect to the SISP or its bid;
 - k) document any regulatory or other third-party approvals, and timing for same, the party anticipates would be required to complete the transaction;
 - l) be accompanied by a cash deposit equal to at least 10% of the Consideration Value (the "Deposit"), which Deposit shall be paid to and held by the Monitor in an interest-bearing trust account, to be applied or returned in accordance with the SISP, as the case may be;
 - m) include a statement that the bidder will bear its own costs and expenses (including legal and advisor fees) in connection with the proposed transaction, without request for reimbursement; and
 - n) be received by the Applicants, with a copy to the Financial Advisor and Monitor, by the Qualified Bid Deadline.
2. The Applicants, in consultation with the Monitor, the Financial Advisor and the DIP Lender, may waive compliance with any one or more requirements specified above, provided that the Applicants shall not waive compliance with the requirements described in the foregoing subparagraphs (b) or (c) without the consent of the DIP Lender.

3. The Applicants, with the written consent of the Monitor, may deal with one or more bidders to the exclusion of others, accept a Qualified Bid for different parts of the business and assets of the Applicants, or accept multiple Qualified Bids and enter into definitive agreements in respect of all such bids.
4. Except to the extent otherwise authorized by the Court, no bid may be designated as a Successful Bid or Back-Up-Bid unless it will pay out in full all principal, interest, fees and costs outstanding under the Deerfield Term Loan (as defined in the Pre-Filing Report) or is consented to by Deerfield.
5. The Applicants and the Monitor shall be permitted, in their discretion, to provide general updates and information in respect of the SISP to any creditor (including any advisor thereto) on a confidential basis, upon: (a) the irrevocable confirmation in writing from such creditor that it will not submit any bid in the SISP; and (b) such creditor executing an NDA or undertaking with the Applicants in form and substance satisfactory to the Applicants and the Monitor. Deerfield has confirmed that it will not submit any bid in the SISP (provided that it may credit bid following the termination of the SISP), and as such the Applicant and Monitor shall consult and provide all information in respect of the SISP to Deerfield.
6. Once a Successful Bid is selected and the necessary definitive agreements are finalized, the Applicants shall apply to the Court for an order or orders approving the Successful Bid(s) and authorizing the Applicants to complete the transactions. If the Successful Bid is not consummated in accordance with its terms, the Applicants shall be authorized, but not required, to elect that the Back-Up Bid is the Successful Bid.
7. Any secured lender of the Applicants shall have the right to credit bid their secured debt for the full-face value of the secured lender's claims, including principal, interest and other owing obligations. In the event a credit bid is received, the secured lender shall be required to: (i) pay in full in cash any obligations of the Applicants ranking in priority to its secured debt; and (ii) pay appropriate consideration for any assets of the Applicants which are not subject to the secured lender's security (provided, however, that Deerfield has confirmed it shall not credit bid unless and until the SISP is terminated).

3.5 SISP Recommendation

1. The Monitor recommends that this Court issue the SISP Approval Order for the following reasons:
 - a) the SISP provides for a marketing of Applicants' business by the Financial Advisor, which is a highly qualified financial advisory and investment banking firm with extensive experience in distressed mergers and acquisitions;
 - b) the SISP provides an opportunity to complete a transaction that will benefit all stakeholders;

- c) in the Monitor’s view, the duration of the SISP is sufficient to allow interested parties to perform the required diligence and submit Qualified Bids. The Monitor notes that the duration of the SISP reflects a balance between ensuring that sufficient time is available to attempt to identify a value-maximizing transaction and ensuring that there is cash available to fund these proceedings. Further, the Monitor notes that the Qualified Bid Deadline can be extended by the Applicants, in consultation with the Monitor, based on the activity levels generated by the SISP and whether sufficient cash is available (and, in certain circumstances, subject to the consent of the DIP Lender);
- d) as at the date of this First Report, the Monitor is not aware of any objections to the SISP; and
- e) Deerfield, the DIP Lender and the Applicants’ largest secured lender, supports the SISP. In that regard, the SISP requires that no bid can be accepted without Deerfield’s consent, unless it repays the Deerfield Term Loan in full.

4.0 Financial Advisor⁴

4.1 SSG Capital Advisors, LLC

1. The Applicants are seeking the Court’s approval to retain SSG as its financial advisor to assist in implementing and conducting the proposed SISP. The Financial Advisor will be responsible for all aspects of the marketing of the Applicants’ business and assets to identify a transaction pursuant to the proposed SISP, if approved.
2. The Financial Advisor is an independent boutique investment bank that assists middle-market companies and their stakeholders in completing special situation transactions.

4.2 Financial Advisor Agreement

1. A copy of the SSG Engagement Letter is attached as Appendix “A”. The relevant financial terms of the SSG Engagement Letter are as follows:
 - a) **Monthly Fee:** The Financial Advisor is entitled to a fixed cash fee of US\$35,000 (the “Monthly Fee”) payable monthly;
 - b) **Financing Fee:** In the event of a refinancing transaction, the Financial Advisor will earn a fee equal to the greater of: (i) 3.25% of the total committed financing value; or (ii) US\$750,000 (the “Financing Fee”). The Financial Advisor will only be entitled to 50% of the Financing Fee in the event the refinancing transaction is consummated with Great Rock Capital Partners, a party previously interested in refinancing the Applicants’ debt. SSG is also entitled to a 1% fee of the funds raised under the DIP Facility (the “DIP Financing Fee”);

⁴ Capitalized terms in this section have the meaning provided to them in the Financial Advisor Agreement, unless otherwise defined herein.

- c) **Sale Fee:** In the event of a sale transaction, the Financial Advisor will earn a fee equal to the greater of: (i) 3.25% of the total consideration value; or (ii) US\$750,000 (the "Sale Fee"). In the event of a transaction that involves a credit bid by Deerfield, the Sale Fee will be US\$650,000 (subject to certain exceptions as specified in the SSG Engagement Letter).
 - d) **Restructuring Fee:** On the closing of a restructuring transaction, being a transaction that restructures the Applicants' balance sheet with its existing lenders, the Financial Advisor will be entitled to a fee of US\$650,000 (the "Restructuring Fee").
2. The Financing Fee, together with the Sale Fee and Restructuring Fee are collectively defined in the SSG Engagement Letter as the "Transaction Fee". The DIP Financing Fee will be 100% credited against any Transaction Fee payable. Fifty percent (50%) of the first two months of the Monthly Fees paid to the Financial Advisor shall also be credited against any Transaction Fee payable. Under no circumstances will more than one Transaction Fee be paid, however, the Financial Advisor shall receive the greater of the applicable Transaction Fees payable, in circumstance where multiple Transaction Fees may have been earned.
3. The Financial Advisor's Monthly Fee is secured by the Administration Charge, whereas any Transaction Fee is not. The proposed ARIO provides for an increase in the quantum of the Administration Charge to the maximum amount of \$600,000 which provides additional security for the Monthly Fee (among other professional obligations). The proposed ARIO separately provides for a Financial Advisor Charge to secure the payment of the Transaction Fees ultimately payable (which charge is proposed to rank subordinate to each of the Administration Charge, Directors' Charge and KERP Charge).
4. The Monitor recommends that the Court approve the SSG Engagement Letter and grant the Financial Advisor Charge for the following reasons:
- a) the Financial Advisor is highly qualified and has extensive knowledge of the Applicants' business as a result of its mandate for the Applicants prior to the commencement of these CCAA proceedings;
 - b) in the Monitor's view, the Monthly Fee of US\$35,000 and the Transaction Fee payable to the Financial Advisor are commercially reasonable and consistent with the market for compensation of this nature;
 - c) Deerfield, the Applicants' most significant secured creditor and DIP Lender, supports the retention of SSG pursuant to the SSG Engagement Letter; and
 - d) in the Monitor's view, it is appropriate and consistent with existing practice in CCAA proceedings for the Financial Advisor to have the benefit of a Court-approved charge to secure both its Monthly Fee and the Transaction Fee.

5.0 Employee Retention Plan

1. The Applicants employ nearly 300 individuals at CPL's facilities in Mississauga, Ontario.
2. The KERP was developed by the Applicants, with the assistance of the Monitor, to incentivize key employees to remain with the Applicants through the completion of a transaction.

5.1 Key Employee Retention Plan

1. The retention of key employees is vital to maintaining the ongoing business operations of the Applicants, pursuing the SISP, and completing a transaction for the benefit of all stakeholders.
2. The primary purpose of the KERP is to retain the Applicants' key employees (the "KERP Employees") who may otherwise seek other employment opportunities given the circumstances of these CCAA proceedings by offering them a cash payment (the "Retention Bonus") if they remain employed with the Company through the closing of a transaction. If a transaction is consummated, the Retention Bonus will become payable to a KERP Employee, less applicable withholdings and deductions, on the closing date of a transaction, subject to the terms and conditions of the KERP Letter (as defined below).
3. The KERP Employees include senior executives, managers and certain other designated employees with key responsibilities (collectively, the "KERP Employees"). A confidential summary of the KERP is attached as Confidential Appendix "1" (the "Confidential KERP Summary") and the form of letter agreement that will govern a KERP Employee's entitlement to a Retention Bonus is attached as Appendix "B". The total estimated maximum cost of the KERP is \$998,311.

5.2 Key Employee Retention Plan Recommendation

1. The Applicant is seeking approval of the KERP and a corresponding KERP Charge in the maximum amount of \$998,311 to secure the Retention Bonus payments under the KERP.
2. The Monitor supports the KERP and the corresponding KERP Charge for the following reasons:
 - a) the continued involvement and cooperation of the KERP Employees is critical to the overall success of the Applicants' restructuring, and the proposed payments under the KERP are required to increase the likelihood that the KERP Employees will continue to facilitate the Applicants' operations and the conduct of the SISP during the pendency of these CCAA proceedings;

- b) each of the KERP Employees will contribute to these CCAA proceedings by using their existing company knowledge and expertise in their respective roles to continue normal course operations and preserve value. In certain cases, the KERP Employees are also critical to the conduct of the SISP and restructuring efforts generally. The involvement of these KERP Employees should assist to reduce professional fees, particularly as relates to involvement in the SISP and restructuring matters;
- c) in the Monitor's view, the Retention Bonus payments under the KERP are reasonable and in line with the quantum of retention payments approved in other CCAA proceedings;
- d) the DIP Lender has consented to the KERP and the DIP Facility provides for sufficient funding of the Retention Bonus payments; and
- e) the KERP Charge is appropriate to provide the KERP Employees with comfort that the amounts payable to them under the KERP will be paid.

6.0 Sealing

1. The Applicants are requesting a sealing order for the Confidential KERP Summary, which includes personal compensation information. The Monitor believes it is appropriate to seal the Confidential KERP Summary indefinitely, subject only to further Court order. The sealing of this type of sensitive and personal information is consistent with the approach taken in other CCAA proceedings for sensitive information of this nature, protects the privacy of the KERP Employees and will help to avoid any unnecessary disruption or distraction to the Applicants' business that such disclosure may cause. The Monitor does not believe that any stakeholder will be prejudiced if the information in the Confidential KERP Summary is sealed.

7.0 Stay Extension and Related Relief

1. Pursuant to the Initial Order, the Court granted the Initial Stay Period to and including December 22, 2023. The Applicants are requesting an extension of the Stay of Proceedings to and including March 22, 2024, to align the expiry of the Stay of Proceedings with the timeline of the SISP.
2. The Monitor supports the request for an extension of the Stay of Proceedings and believes that it is appropriate in the circumstances for the following reasons:
 - a) the Applicants are acting in good faith and with due diligence;
 - b) the proposed extension will allow the Applicants the necessary time to conduct and complete the SISP;
 - c) the Monitor does not believe that any creditor will be materially prejudiced by the proposed extension of the Stay of Proceedings;
 - d) the DIP Lender supports the extension of the Stay of Proceedings;

- e) as of the date of this First Report, the Monitor is not aware of any party opposed to an extension of the Stay of Proceedings; and
 - f) the cash flow forecast included in the Pre-Filing Report (the “Cash Flow Forecast”) reflects that the DIP Facility will provide the Applicants with sufficient liquidity to fund their operations and the costs of these CCAA proceedings through the proposed extension period.
3. The Applicants are also requesting a provision be included in the ARIO which restricts setoff of pre-filing obligations against post-filing obligations without the consent of the Applicants and the Monitor, or further order of the Court.
 4. The Monitor believes the proposed setoff provision in the ARIO is appropriate in the circumstances to provide clarity to suppliers, customers and other stakeholders regarding their rights of setoff in these CCAA proceedings, with a view to ensuring that the Applicants can continue to conduct their business and that no setoff rights will be exercised in a manner that may disrupt the business or the SISF. The Monitor understands that such setoff provisions have been previously approved by this Court in other recent cases.

8.0 Court Ordered Charges

8.1 Proposed Charges and Priority of the Charges

1. As detailed below, the Applicants are seeking increases to the quantum of the Administration Charge, Directors’ Charge, and the DIP Lender’s Charge, and also seeking approval of the KERP Charge and the Financial Advisor Charge.
2. Each of the Administration Charge and Directors’ Charge, previously granted in these CCAA proceedings, rank in priority to all other encumbrances against the Property, other than any Person that was not served with notice of the application for the Initial Order.
3. If the Court grants the ARIO and approves the KERP Charge and the Financial Advisor Charge, and the proposed increases to the other Charges previously granted, the priority and amount of the Charges as among them would be as follows:

Priority	Charge	Current	Proposed
First	Administration Charge	375,000	600,000
Second	Directors’ Charge	1,801,000	2,306,000
Third	KERP Charge	-	998,311
Fourth	Financial Advisors Charge ⁵	-	Amount of Transaction Fee
Fifth	DIP Lender’s Charge (USD) ⁶	1,500,000	6,000,000

⁵ The Financial Advisors Charge will reflect the maximum amount of Transaction Fees payable to the Financial Advisor.

⁶ Plus interest, fees and expenses. The DIP Lender’s Charge is subordinate to the pre-filing security interests of RBC and EDC.

8.2 Administration Charge Increase

1. The Initial Order granted an Administration Charge in an amount not to exceed \$375,000 to secure the fees and disbursements of the Monitor, Goodmans, Cassels, and the Financial Advisor (excluding any Transaction Fee) from the date of the Initial Order to the Comeback Hearing.
2. The Applicants are seeking to increase the Administration Charge to \$600,000. The Monitor is of the view that the increased Administration Charge is required and reasonable in the circumstances given the complexities of the Applicants' CCAA proceedings and the services to be provided by the professionals, each of whom is necessary to further the restructuring efforts of the Applicants.

8.3 Directors' Charge Increase

1. The Initial Order approved a Directors' Charge in the amount of \$1,801,000 to secure the indemnity in favour of the Directors and Officers in the Initial Order based on potential exposure for the Directors and Officers during the initial 10-day stay period. The Applicants are now seeking to increase the Directors' Charge to \$2,306,000.
2. As provided in the table below, the amount of the Directors' Charge was estimated by the Applicants in consultation with the Monitor, taking into consideration the current vacation pay liability plus the estimated maximum amount at any point in time of the Directors' and Officers' exposure for unpaid payroll and sales taxes, all in accordance with applicable legislation.

(unaudited)	Amount (\$000s)
Payroll, including source deductions	1,515
Vacation pay	491
Unremitted HST	300
Total Directors' Charge	2,306

3. The Monitor has reviewed the backup provided by the Applicants in respect of the potential obligations to be covered by the Directors' Charge and is of the view that the proposed increase to the Directors' Charge is reasonable in the circumstances as the continued involvement of the Directors and Officers is beneficial to the Applicants and these proceedings. The basis of these obligations, including the calculation of the Directors' Charge, was described in further detail in the Pre-Filing Report.
4. At the initial application, RBC advised it may challenge the priority of the Directors' Charge ranking ahead of RBC's security at the Comeback Motion. In that respect, RBC requested, and the Applicants provided on a confidential basis, a copy of the Applicants' directors and officers insurance policy. In addition, with the assistance of the Monitor, the Applicants have provided additional financial information requested by RBC to assist in RBC's review and consideration of the Directors' Charge as well as the other relief sought by the Applicants at the Comeback Hearing. Recourse to the Directors' Charge is only available to the extent that the Directors and Officers do not have insurance coverage, or to the extent such coverage is insufficient.

5. Directors' charges ranking ahead of pre-filing lenders' security is usual and customary in CCAA proceedings. The Directors' Charge is required to assure the involvement of the Directors and Officers throughout these CCAA proceedings. The Monitor understands that the DIP Lender supports the proposed ranking of the Directors' Charge (which is in priority to the DIP Lender's Charge) as the DIP Lender requires the Directors and Officers' involvement during the CCAA proceedings. Moreover, as discussed in the Pre-Filing Report, there is significant suppressed availability under RBC's borrowing base calculations, which provides it with additional security.

8.4 DIP Lender's Charge Increase

1. The Applicants are seeking to increase the maximum amount of the DIP Lender's Charge to the maximum amount of funds available under the DIP Facility, increasing the Applicants ability to borrow up to US\$6 million.
2. The Monitor is of the view that an increased DIP Lender's Charge is required, as: (i) the Applicants are in need of additional liquidity to fund the business; (ii) the Cash Flow Forecast reflecting the liquidity needs under the DIP Lender's Charge appears reasonable; (iii) the terms of the DIP Facility are reasonable for the reasons set out in the Pre-Filing Report; and (iv) the DIP Lender is not prepared to provide further advances above and beyond the initial advance under the DIP Facility without the benefit of the increased DIP Lender's Charge.
3. As set out in the Pre-Filing Report, the Applicants, with the assistance of the Financial Advisor and the Monitor, canvassed the market for DIP loans prior to the commencement of these proceedings. Based on the feedback from other prospective lenders and the term sheets received as well as a comparison to DIP loans approved in other CCAA cases, the Monitor is of the view that the terms of the DIP Facility are fair and reasonable in the circumstances.

9.0 Cash Flow

1. Pursuant to the terms of the Initial Order, the Applicants were authorized to borrow up to a maximum of US\$1.5 million under the DIP Facility until the Comeback Motion. At present, based on positive timing variances in the collection of certain receipts and the payment of certain disbursements, the Monitor understands the Applicants do not anticipate drawing on the DIP Facility until the week ending December 29, 2023.
2. A copy of the Cash Flow Forecast prepared by the Applicants, with the assistance of the Monitor, was attached to the Pre-Filing Report. The Cash Flow Forecast reflects that the Applicants will have sufficient liquidity to operate their business during the Stay Period, provided that they have access to the full DIP Facility.

10.0 Monitor's Activities since the Filing Date

1. Since the Filing Date, the Monitor has, among other things:
 - a) corresponded regularly with the Applicants' legal counsel, Financial Advisor and management team and its own legal counsel regarding all aspects of these CCAA proceedings;
 - b) corresponded with counsel to the Applicants' secured creditors;

- c) worked with the Applicants and their advisors to develop and execute a stakeholder communication strategy;
- d) attended calls with representatives of the Applicants and their vendors regarding the commencement of these CCAA proceedings and the SISP;
- e) mailed the CCAA notice to the Applicants' known creditors and filed Forms 1 and 2 with the Office of Superintendent of Bankruptcy, as required under the CCAA and the Initial Order, as applicable;
- f) posted the CCAA notice, list of creditors and other Court materials on the Case Website;
- g) arranged for notice of these CCAA proceedings to be published in the *Globe and Mail* as required under the Initial Order;
- h) monitored the Applicants' receipts and disbursements and worked with management to develop a daily cash management monitoring process;
- i) reviewed the components of the proposed increased Directors' Charge;
- j) reviewed and commented on the Applicants' materials filed in support of the relief to be sought at the Comeback Hearing;
- k) responded to service list addition requests; and
- l) prepared this First Report.

11.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the relief sought by the Applicants at the Comeback Hearing.

* * *

All of which is respectfully submitted,



**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR OF
CONTRACT PHARMACEUTICALS LIMITED,
CPL CANADA HOLDCO LIMITED,
CONTRACT PHARMACEUTICALS LIMITED CANADA,
GLASSHOUSE PHARMACEUTICALS
LIMITED CANADA, AND GLASSHOUSE
PHARMACEUTICALS LLC
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”



December 12, 2023

Jan Sahai
Chief Executive Officer
Contract Pharmaceuticals Limited
7600 Danbro Crescent
Mississauga, ON L5N 6L6

Dear Jan:

This agreement (“Engagement Agreement”) will serve as the contract between Contract Pharmaceuticals Limited and its affiliates (collectively, “CPL” or the “Company”) and SSG Advisors, LLC (“SSG” or “Advisor”) regarding the retention of SSG as investment banker to CPL for the purposes outlined in this Engagement Agreement. This Engagement Agreement supersedes the Engagement Agreement between the Company and SSG signed and dated November 9, 2023 in its entirety. SSG’s responsibilities hereunder involve providing investment banking services to the Company, on an exclusive basis, focusing on: (i) the review of private placement alternatives to CPL, if any, including raising debt and/or equity capital (the “Financing”); and/or (ii) the sale of all or part of CPL (the “Sale”) to any party; and/or (iii) the restructuring of CPL’s balance sheet with existing stakeholders (“Restructuring”).

A. **SSG’s Role**

1. Advisor’s role in connection with the Financing will include the following:
 - Prepare an information memorandum describing CPL, including but not limited to its historical performance and prospects, existing contracts, marketing and sales, labor force, management, and financial projections;
 - Compile a data room of any necessary and appropriate documents related to the Financing;
 - Develop and maintain a list of suitable potential lenders and investors who will be contacted on a discreet and confidential basis after approval by the Company;
 - Coordinate the execution of confidentiality agreements for potential lenders and investors wishing to review the information memorandum;
 - Assist the Company in coordinating site visits for interested lenders and investors and work with the management team to develop appropriate presentations for such visits;
 - Solicit competitive offers from potential lenders and investors;

- Advise and assist the Company in structuring the Financing and negotiating the lending agreements; and
 - Otherwise assist the Company and its other professionals, as necessary, through closing on a best efforts basis.
2. Advisor's role in connection with the Sale will include the following:
- Prepare an information memorandum describing CPL, including but not limited to, its historical performance and prospects, including existing contracts, marketing and sales, labor force, management, financial projections involving starting up the business;
 - Compile a data room of any necessary and appropriate documents related to the Sale;
 - Develop and maintain a list of suitable potential buyers who will be contacted on a discreet and confidential basis after approval by the Company;
 - Coordinate the execution of confidentiality agreements for potential buyers wishing to review the information memorandum;
 - Assist the Company in coordinating site visits for interested buyers and work with the management team to develop appropriate presentations for such visits;
 - Solicit competitive offers from potential buyers;
 - Advise and assist the Company in structuring the sale and negotiating the transaction agreements; and
 - Otherwise assist the Company and its other professionals, as necessary, through closing on a best efforts basis.
3. Advisors' role in connection with a Restructuring will include the following:
- SSG, on a best efforts basis, shall assist the Company in the negotiation with various stakeholders in the Company (the "Existing Stakeholders"), including, but not limited to any of the Company's shareholders, lenders (including Deerfield Capital Management Company or any of its affiliates, affiliated funds or funds under management (collectively, "Deerfield")), and unsecured creditors in regard to a possible Restructuring Transaction of existing claims and equity as well as corporate governance.

In performing the services described above, the Company will furnish or cause to be furnished to SSG such information as SSG reasonably believes appropriate to the execution

of its engagement hereunder (all such information so furnished being the “Information”). CPL represents to SSG that all Information furnished by it or its agents will be complete and correct in all material respects, to the best of its knowledge, and that until the expiration of SSG’s engagement hereunder, it will advise the Company and SSG as soon as practicable of the occurrence of any event or any other change known by it or its agents that results in the Information ceasing to be complete and correct in all material respects. The Company recognizes and confirms that SSG: (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated hereby without having independently verified any of the same; (b) does not assume responsibility for accurateness or completeness of the Information and such other information, provided such Information is not materially modified by SSG; and (c) will not make an appraisal of any of the assets or liabilities of CPL.

The Company and SSG agree that SSG shall be its exclusive investment banker in connection to any Transaction undertaken with respect to CPL during the Engagement Term, as defined below, of the Engagement Agreement. The Company agrees that, during the Engagement Term, SSG shall have the exclusive authority to initiate and conduct discussions and assist and advise the Company in its negotiations with all prospective lenders, investors and purchasers. In that regard, the Company agrees to identify to SSG: (a) all prospective lenders, investors and purchasers, who have been in contact with CPL prior to the date hereof; and (b) all prospective lenders, investors and purchasers who come in contact with the Company during the Engagement Term.

SSG will consult with and advise the Company with respect to the financial aspects of any proposed Transaction, including price, terms and conditions of a Transaction. SSG will not, however, have any authority to bind the Company with respect to any proposed Transaction. Likewise, nothing contained herein shall require the Company to accept the terms of any proposal and the Company shall at all times have the right in its sole and absolute discretion to reject any proposed Transaction regardless of the terms proposed.

B. SSG’s Compensation – All Amounts in US Dollars

As compensation for providing the foregoing services, SSG shall receive the following:

1. Monthly Fees. Monthly fees (the “Monthly Fees”) of \$35,000 per month payable beginning on upon the execution of this Engagement Agreement and payable on the 15th of each month thereafter during the Engagement Term. SSG will credit fifty percent (50%) of the first two (2) Monthly Fees paid against any Transaction Fees collected as provided herein.
2. Financing Fee. Upon the closing of a Financing Transaction to any party, SSG shall be entitled to a fee (“Financing Fee”) payable in cash, in federal funds via wire transfer or certified check, at and as a condition of closing of such Financing equal to the greater of (a) three and one quarter percent (3.25%) of the committed Financing, regardless of whether the Company chose to draw down the full amount of the committed Financing or (b) \$750,000.

However, in the event that Debtor-in-Possession (“DIP”) financing is raised, SSG shall be entitled to a one percent (1.0%) Financing Fee (“DIP Financing Fee”). SSG shall credit one hundred percent (100%) of the DIP Financing Fee against a Transaction Fee.

Further, in the event the Financing is provided by Great Rock Capital, SSG shall only be entitled to a Financing Fee equal to fifty percent (50%) of the Financing Fee, as calculated above.

3. **Sale Fee.** Upon the Closing of a Sale Transaction to any party, SSG shall be entitled to a fee (the “Sale Fee”), payable in cash, in federal funds via wire transfer or certified check, at and as a condition of closing such Sale, equal to the greater of (a) three and one quarter percent (3.25%) of the Total Consideration (as such term is hereafter defined) or (b) \$750,000.

In the event that Deerfield (or an entity under Deerfield’s direct or indirect control) is the purchaser in a Sale Transaction via a credit bid of the secured indebtedness owing by the Company to Deerfield (a “Credit Bid”), the Sale Fee shall be reduced to \$650,000; provided, however, that if a third party bidder makes a binding offer for a Sale Transaction in excess of the Credit Bid and Deerfield elects to proceed with an increased Credit Bid, then the Sale Fee shall be payable in full in accordance with Section B 3., above, without discount.

4. **Restructuring Fee.** Upon the closing of a Restructuring Transaction, SSG shall be entitled to a fee (“Restructuring Fee”) payable in cash, in federal funds via wire transfer or certified check, at and as a condition of closing of such Restructuring Transaction equal to \$650,000.
5. For the avoidance of doubt, under no circumstances will a Transaction result in more than one Transaction Fee being payable, even if a Financing Transaction or Restructuring Transaction results in a change of control of the Company or vice versa. However, the Company shall be obligated to pay SSG the greater of all of the Transaction Fees, as calculated above.
6. In addition to the foregoing Monthly Fees and Transaction Fees noted above, irrespective of whether or not a Transaction is consummated, SSG will be entitled to reimbursement for all of SSG’s reasonable and documented out-of-pocket expenses, incurred in connection with the subject matter of this Engagement Agreement during the Engagement Term, provided that such expenses will not exceed \$1,500 per month without the written authorization of the Company.

C. **Definitions**

For the purpose of this Engagement Agreement:

Financing Transaction means funds received by CPL from any senior debt, secured subordinated debt, unsecured subordinated debt or non-control equity from any lender or

investor including Deerfield, provided that it shall not include funds received by CPL from any existing equity holder of the Company.

Sale Transaction means and includes any transaction involving the sale or transfer, directly or indirectly, of all or substantially all of the assets, secured debt or equity of CPL to any party, including Deerfield.

Restructuring Transaction means and includes any restructuring of existing and prospective Company stakeholder claims, including, but not limited to, the Company's secured lenders, unsecured claims, and equity holders.

Total Consideration shall mean the purchase price paid for the equity or assets or secured debt, or any portion of either, plus the assumption or payoff of interest-bearing indebtedness, without duplication.

For purposes of computing any fees payable to SSG hereunder, non-cash consideration shall be valued as follows: (a) publicly traded securities shall be valued at the average of their closing prices (as reported in The Wall Street Journal) for the five (5) trading days prior to the closing of the Sale Transaction; and (b) any other non-cash consideration shall be valued at the fair market value thereof as determined in good faith by the Company and SSG. If such aggregate consideration may be increased by contingent payments such as an "earnout" or other monetary agreement in the transaction, the portion of SSG's fee relating thereto shall be calculated and paid when and as such contingent payments or other monetary amounts are received.

Transaction shall mean and include a Sale or Financing or Restructuring, as determined above.

Transaction Fee shall mean and include a Sale Fee or Financing Fee or Restructuring Fee, as applicable.

D. **Term of Engagement**

This Engagement Agreement shall remain in force (the "Engagement Term") through April 30, 2024, and may thereafter be terminated by either party upon ten (10) days prior written notice to the other; provided, however, that either party may terminate this Engagement Agreement by written notice immediately upon the closing of a Transaction. Upon the termination of this Engagement Agreement, neither party shall have any further obligations to the other except that: (a) termination of the Engagement Agreement shall not affect SSG's right to indemnification under the Indemnification paragraph below; (b) the Company shall remain obligated to pay SSG any unpaid Monthly Fees and to reimburse SSG for any expenses incurred through the date of the termination of the Engagement Agreement as provided in Section D; and (c) if a Transaction is consummated with any party within nine (9) months ("Trailer Term") of the termination of this Engagement Agreement, the Company shall remain obligated to pay a Transaction Fee, as calculated above. Sections B, C, D, E, F and G (entitled Compensation, Definitions, Term of Engagement, Indemnification, Miscellaneous, and Scope of Duties, respectively) of this

Engagement Agreement shall survive the expiration or termination of this Engagement Agreement indefinitely.

E. **Indemnification**

The Company hereby acknowledges and agrees to the indemnification arrangements between the parties hereto as described on Attachment A hereto, which Attachment is incorporated herein and forms an integral part hereof.

F. **Miscellaneous**

No fee payable to any other financial advisor or finder by CPL or the Company in connection with the subject matter of this Engagement Agreement shall reduce or otherwise affect any fee payable to SSG hereunder. This Engagement Agreement sets forth the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels any prior communications, understandings and agreements between the parties hereto. This Engagement Agreement cannot be modified or changed, nor can any of its provisions be waived, except by written agreement signed by both parties. The benefits of this Engagement Agreement shall inure to the respective successors and assigns of the parties hereto and of the Indemnified Parties and their respective successors, assigns and representatives, and the obligations and liabilities assumed in this Engagement Agreement by the parties hereto shall be binding upon their respective successors and assigns. This Engagement Agreement may be executed in any number of counterparts, which counterparts, taken together, shall constitute one and the same Engagement Agreement.

G. **Scope of Duties**

The Company hereby acknowledges and agrees that: (a) it has retained SSG for the purposes set forth in this Engagement Agreement and that the rights and obligations of the parties hereto are contractual in nature; and (b) SSG has not made any warranties or guarantees of any nature with respect to the success or satisfactory conclusion of any Transaction or as to the economic, financial or other results which may be obtained or experienced by the Company as a result thereof. Both the Company and SSG disclaim any intention to impose fiduciary duties or obligations on the other by virtue of the engagement contemplated by this Engagement Agreement and no other person or entity shall have any rights or obligations hereunder except as expressly provided herein.

H. **Other Matters**

The Company agrees that SSG has the right, following the Transaction closing, to place advertisements in financial and other newspapers and journals at its own expense describing its services to the Company hereunder.

In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), SSG is required to obtain, verify and record information that identifies its clients, which information may include the name and address of the Company, CPL and its senior management team as well as other information that will allow SSG to properly identify its clients. Additionally, SSG maintains important disclosures on the web site www.ssgca.com. These disclosures may be updated periodically on an as-needed basis. The Company agrees to accept and receive all of these disclosures by electronically accessing the website referenced above and acknowledges that printed hard copies of these disclosures are available upon request by contacting SSG directly at (610) 940-1094.

I. **Restructuring Proceedings**

In the event that the Company commences a formal restructuring, including pursuant to a filing pursuant to the *Companies' Creditors Arrangement Act* (Canada) or any similar legislation, the Company agrees it shall seek approval of this Engagement Agreement by the Court and a Court-ordered priority charge (or similar analogous protection) to secure the Transaction Fee payable hereunder, such charge to rank junior to the Administration Charge, Directors' Charge and KERP Charge to be sought from the Court, but senior to any other charge to be sought and any other encumbrance on the Company's property.

J. **Securities Platform**

All transactions involving the sale or purchase of any security (as defined by the Securities Exchange Act of 1934 or the rules and regulations promulgated there under) are offered through SSG Capital Advisors, LLC. ("SCA"), an affiliated Pennsylvania corporation and registered Broker-Dealer in good standing with the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Principals of SSG are registered representatives of SCA. Therefore, SCA is included collectively as "SSG" with all the rights and obligations thereto under the terms of this Engagement Agreement.

To the extent a Transaction Fee is payable to SSG in connection with Transaction constituting the purchase or sale of any security (as defined by the Securities Exchange Act of 1934 or the rules and regulations promulgated there under), such Transaction Fee shall be specifically paid to SCA. Under no circumstance will Company be obligated to pay a fee in an aggregate amount in excess of the amount provided in this Engagement Agreement. Payment of the fee to SCA shall constitute and be deemed payment of the fee in this Engagement Agreement.

SSG and SCA represent and warrant that any and all duties performed hereunder, and all compensation to be received, in each case by SCA and/or SSG will be in accordance with applicable law, including without limitation, Canadian and United States securities laws and regulations on broker-dealers.

Any amendment, modification or other changes to this Engagement Agreement must be in writing and signed by both parties to be enforceable.

December 12, 2023

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Please indicate your acceptance of the foregoing by executing and returning the enclosed copy of this letter.

SSG ADVISORS, LLC

By: Mark E. Chesen
Mark E. Chesen
Managing Director

By: Matthew P. Karlson
Matthew P. Karlson
Managing Director

ACCEPTED:

CONTRACT PHARMACEUTICALS LIMITED

By: Jan Sahai
Jan Sahai
Chief Executive Officer

Date: Dec 13. 2023

**ATTACHMENT A
INDEMNIFICATION PROVISIONS**

The Company agrees to indemnify, defend and hold harmless SSG, SCA, their affiliates, the respective partners, members, directors, officers, agents and employees of SSG, SCA, and their affiliates and each other person, if any, controlling SSG, SCA, and their affiliates (the foregoing being referred to herein individually as an "Indemnified Party" and collectively as the "Indemnified Parties") from and against any and all losses, claims, damages, liabilities or costs, as and when incurred, to which such Indemnified Party may become subject to or which are asserted against any Indemnified Party asserted by third parties to the Engagement Agreement, directly or indirectly, in any way related to SSG performing services for or on behalf of the Company under the Engagement Agreement of which this Attachment A forms a part, including, without limitation, in connection with: (a) any act or omission by the Company or any act or omission taken by an Indemnified Party at the specific direction of the Company or (b) an Indemnified Party's reliance on materials furnished by the Company to SSG or SCA.

Notwithstanding the foregoing paragraph, the Company shall have no obligation to indemnify the Indemnified Parties, or provide contribution or reimbursement to the Indemnified Parties, for any claim or expense that is either: (i) judicially determined (the determination having become final) to have arisen from any of the Indemnified Parties' gross negligence, fraud, willful misconduct, breach of fiduciary duty, if any, bad faith, or self-dealing; (ii) for a contractual dispute in which the Company alleges the breach of the Indemnified Parties' contractual obligations, unless a Court of competition jurisdiction (the "Court") determines that indemnification, contribution, or reimbursement would be permissible under applicable law; or (iii) settled prior to a judicial determination as to the exclusions set forth in clauses (i) and (ii) above, but determined by the Court, after notice and a hearing, to be a claim or expense for which the Indemnified Parties should not receive indemnity, contribution, or reimbursement under the terms of the Engagement Agreement.

The Company agrees that reliance by SSG on any publicly-available information, which SSG verifies with the Company, the information supplied by the Company to SSG in connection with said Engagement Agreement, or any directions furnished by the Company, on which SSG wholly relies, shall not constitute negligence, bad faith or willful misconduct by SSG.

The provisions of this Attachment A shall survive any termination of said Engagement Agreement.

Appendix “B”

Confidential

Date: December [●], 2023
From: [●]
To: [●]
Re: Strictly Confidential – Key Employee Retention Program

I would like to take this opportunity to recognize and thank you for your efforts at Contract Pharmaceuticals Limited Canada (“CPL” or the “Company”).

As you know, CPL is currently engaged in a process to identify and pursue strategic options and alternatives with respect to its business and assets to maximize value for the benefit of all stakeholders (the “**Strategic Process**”). The Company has obtained protection under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated December 15, 2023 in order to continue and complete the Strategic Process.

The Company has approved a Key Employee Retention Program (the “**Program**”) for certain key employees of the Company, and the Court has approved such Program and ordered a charge securing the obligations of the Company to make the retention payments contemplated thereunder. In recognition of your importance to CPL and with a view to retaining your services through the completion of the Strategic Process and a transaction resulting therefrom (a “**Transaction**”), you have been identified for inclusion in the Program as an enhancement to your current employment terms and conditions. Accordingly, subject to your signed acceptance of this agreement, the Company confirms the following:

1. Payment of Retention Bonus

- (a) As a participant in the Program, subject to the conditions set out below, you will be eligible to receive a total bonus amount of \$[●], less applicable withholdings and deductions required by law (the “**Retention Bonus**”). The Retention Bonus will become payable to you upon the successful closing of a Transaction (the “**Retention Date**”), subject to the conditions set out below.
- (b) You will not have any entitlement to and you will forfeit the Retention Bonus in the event that:
 - (i) prior to the Retention Date, your employment is terminated by your own voluntary resignation;
 - (ii) prior to the Retention Date, you are terminated by the Company for just cause; or
 - (iii) you are in breach of your obligations under Section 3 of this agreement.
- (c) In the event that your employment with the Company is terminated by the Company without just cause prior to the Retention Date, you will be paid a prorated amount of the Retention Bonus based on the number of days you were employed from the date of execution of this agreement to the Retention Date, subject to the conditions set out herein. Your Retention Bonus will also be prorated based on the foregoing formula for any period of time prior to the Retention Date during which you are on leave or otherwise not in active employment, including, for greater certainty, as a result of disability.

- (d) If for any reason a Transaction is not completed, you will not be eligible for a Retention Bonus.

2. Extraordinary Compensation

The Retention Bonus is designed to be extraordinary and not a part of your regular compensation. Accordingly, and for greater certainty, this agreement, the Program and any Retention Bonus payable to you will not be considered earnings for the purpose of determining any earnings-based employee benefits or any other bonus or incentive plan of the Company and, for greater certainty, the Retention Bonus shall not be included in the determination of your annual base salary or annual compensation or in the calculation of any termination/severance or other payments which may become owing in the event of any termination of your employment howsoever caused (which shall be determined without reference to this agreement, the Program or the Retention Bonus hereunder).

3. Confidentiality

You agree that it is a condition of this agreement and of any of your entitlements hereunder that you keep the existence of the Program and the terms and conditions of this agreement strictly confidential and that, other than as required by law, you shall not disclose them to anyone, with the exception of being able to disclose, on a confidential basis, to any applicable taxing authorities, members of your immediate family and your professional advisors. Improper disclosure of this agreement or its terms will be considered a breach of the terms and conditions of your employment with the Company and may amount to just cause for dismissal, and will also be a breach of this agreement and may disentitle you to the Retention Bonus (in addition to any other damages for which you may be responsible to the Company).

4. Continuation of Employment

Save and except as set out in this agreement, the Company confirms the continuation of your employment on the same terms and conditions as are currently in place. Nothing in this agreement guarantees your continuing employment or constitutes a contract or any specific fixed term of employment or otherwise limits the Company's employment relationship with you for any reason for any time in accordance with law.

5. Independent Legal Advice

You acknowledge that you have been advised to obtain, and that you have obtained or have been afforded the opportunity to obtain, independent legal advice with respect to this agreement and that you understand the nature and consequences of this agreement.

6. Miscellaneous

This agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Neither this agreement nor the rights or obligations hereunder shall be assignable by you. This agreement shall enure to the benefit of, and shall be binding upon, the parties and their respective heirs, executors and administrators or successors and permitted assigns, as the case may be. This agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior oral or written negotiations and understandings. This agreement may be amended only in writing signed by the Company and you. This agreement may be signed in counterparts by electronic transmission.

* * *

If you have any questions regarding the Program or your Retention Bonus, please contact me.

On behalf of CPL, thank you again for your continued efforts and your valued contributions. Your commitment and continued focus on the business of the Company is a key factor in the success of CPL.

To confirm your agreement with the terms and conditions set out in this agreement, please sign in the space provided below and return this letter to me by no later than **[December ●, 2023]**.

Yours very truly,

**CONTRACT PHARMACEUTICALS
LIMITED CANADA**

Per: _____
[●]

Accepted and Agreed, this _____ day of _____, [2023].

Witness

[Name]