



April 9, 2024

**Third 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-23-00711401-00CL

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

THIRD REPORT OF KSV RESTRUCTURING INC.

APRIL 9, 2024

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") 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; 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 (in such capacity, the “DIP Lender” or “Deerfield”), to secure debtor-in-possession (“DIP”) advances to the Applicants made following the granting of the Initial Order and prior to the comeback hearing pursuant to a DIP facility agreement dated December 14, 2023 (the “DIP Facility”), provided that the DIP Lender’s Charge was 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. On December 22, 2023, the Court issued an Amended and Restated Initial Order (the “ARIO”), which, among other things:
 - a) extended the Stay of Proceedings from December 22, 2023 until and including March 22, 2024;
 - b) granted the Applicants authority to borrow up to US\$6,000,000, plus interest, fees and expenses, under the DIP Facility;
 - c) increased the quantum of each of the priority Charges against the Property, as set out below:
 - i. the Administration Charge was increased to \$600,000;
 - ii. the Directors’ Charge was increased to \$2,306,000; and
 - iii. the DIP Lender’s Charge was increased to the maximum amount of the DIP Obligations at the relevant time, which captures the Applicants’ increased ability to borrow under the DIP Facility of up to US\$6,000,000;
 - d) approved the retention of the Financial Advisor pursuant to an agreement dated December 12, 2023 between the Applicants and the Financial Advisor (the “Financial Advisor Agreement”) and granted a charge on the Property to secure the payment of the transaction fee payable under the Financial Advisor Agreement;
 - e) approved the Key Employee Retention Plan (the “KERP”) and granted a charge on the Property for the benefit of the KERP beneficiaries to secure the payments thereunder (the “KERP Charge”) in the maximum aggregate amount of \$998,311.
4. On December 22, 2023, the Court also issued an order, which, among other things, approved the sale and investment solicitation process to be conducted by the Applicants, with the assistance of the Financial Advisor and under the oversight of the Monitor.

5. As set out in the Affidavit of Jan Sahai sworn April 3, 2024, CPL has entered into a Share Purchase Agreement (“SPA”) with AIP Elixir Buyer Inc. (the “Buyer”), an affiliate of Aterian Investment Partners IV, LP (the “Transaction”). A condition of the SPA is that the Buyer must be satisfied with the outcome of customer discussions coordinated by the Company (the “Customer Condition”). Earlier today, following discussions amongst the Applicants, the Buyer and Deerfield over the course of the past several days in which the Monitor actively participated, an agreement in principle was reached amongst the parties that will result in the Customer Condition being waived such that the Applicants can proceed to seek Court approval of the Transaction. The only anticipated substantive change to the Transaction is to convert a portion of the repayment of the amounts owing to Deerfield Private Design Fund IV, LP as agent for itself and Deerfield Private Design Fund III, LP, as secured lender to the Company to an earn-out.
6. The amendment is expected to be documented shortly, and the Company expects to return to Court on or about April 18, 2024, to seek approval of the Transaction.

1.1 Purposes of this Report

1. The purposes of this report (the “Third Report”) are to:
 - a) report on the Applicants’ cash flow projection for the period April 8, 2024 to May 3, 2024 (the “Cash Flow Forecast”); and
 - a) discuss the reasons why the Monitor believes that the Stay of Proceedings should be extended to May 3, 2024.

1.2 Restrictions

1. In preparing this Third 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 Third 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. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future-oriented financial information relied upon in this Third 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 Third 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 Third Report.
3. Court materials filed in these proceedings, including the First Sahai Affidavit, the Pre-Filing Report and the Monitor’s reports, are available on the Monitor’s website at the following link: www.ksvadvisory.com/experience/case/cpl (the “Case Website”).

3.0 Cash flow

1. The Applicants, with the assistance of the Monitor, have prepared the Cash Flow Forecast for the period April 8, 2024 to May 3, 2024 (the “Forecast Period”). The Cash Flow Forecast has been prepared for all of the Applicants on a consolidated basis. The Cash Flow Forecast and management’s report on the Cash Flow Forecast are attached hereto as Appendix “A”.
2. The Cash Flow Forecast reflects that the Applicants have sufficient liquidity to continue operating during the Forecast period.
3. As of the date of this Report, the Applicants have remaining availability of USD\$2 million under the DIP Facility and approximately \$5.3 million of cash on hand.
4. Based on the Monitor’s review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. The Monitor’s statutory report on the Cash Flow Forecast is attached hereto as Appendix “B”.

4.0 Stay Extension

1. The Applicants are requesting an extension of the Stay of Proceedings to and including May 3, 2024, to provide time for the Applicants to finalize certain amendments to the proposed Transaction and return to Court to seek approval of the Transaction.
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) in the Monitor's view, the Applicants have been acting, and continue to act, in good faith and with due diligence, including in pursuing the SISP and Transaction in accordance with its terms;
 - b) the proposed extension should provide sufficient time to allow the Applicants to finalize the amendment and to seek approval of the Transaction;
 - c) the Monitor does not believe that any creditor will be materially prejudiced by the proposed extension of the Stay of Proceedings;
 - d) as of the date of this Third Report, the Monitor is not aware of any party opposed to an extension of the Stay of Proceedings; and
 - e) the Cash Flow Forecast reflects that the Applicants are projected to have sufficient liquidity to fund their business until May 3, 2024.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make the order granting the extension of the Stay of the Proceedings sought by the Applicants.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**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”

Contract Pharamaceuticals Limited
Projected Statement of Cash Flows
For the Period Ending May 3, 2024
(Unaudited; C\$000s)

	Note	12-Apr-24	19-Apr-24	26-Apr-24	03-May-24	Total
Receipts	1					
Collection of Accounts Receivable	2	620	1,915	2,121	1,324	5,980
Total Receipts		620	1,915	2,121	1,324	5,980
Disbursements						
Production costs	3	1,014	817	894	837	3,563
Payroll	4	27	992	67	1,134	2,219
Rent	5	-	-	-	154	154
Other operating expenses	6	684	405	207	232	1,528
Contingency		50	50	50	50	200
Total Operating disbursements		1,775	2,264	1,218	2,407	7,664
Net Cash Flow before the Undernoted		(1,155)	(349)	903	(1,083)	(1,684)
Professional Fees	7	354	282	214	262	1,112
Net Cash Flow		(1,509)	(631)	689	(1,345)	(2,795)
Opening Cash balance	8	5,297	3,788	3,157	3,846	5,297
Net Cash Flow		(1,509)	(631)	689	(1,345)	(2,795)
DIP proceeds	9	-	-	-	-	-
Closing cash balance		3,788	3,157	3,846	2,501	2,501

The above financial projections are based on management's assumptions detailed in Appendix "1-1".
The note references correspond to the assumption numbers shown in Appendix "1-1".

Notes to Projected Statement of Cash Flows

For the Period Ending May 3, 2024

(Unaudited; C\$000s)

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash flow of Contract Pharmaceuticals Limited, CPL Canada Holdco Limited, Contract Pharmaceuticals Limited Canada, Glasshouse Pharmaceuticals Limited Canada, and Glasshouse Pharmaceuticals LLC (collectively, the "Applicants") for the period April 8 to May 3, 2024 (the "Period").

Hypothetical

2. Represents projected collections of current and future accounts receivable.

Most Probable

3. Includes costs related to the production and manufacturing of pharmaceutical products.
4. Includes payroll and benefits for all of the Applicants' employees.
5. Represents occupancy costs, including rent, for the Applicants' leased premises in Mississauga, ON.
6. Represents general operating costs, including sales and marketing, software, administrative costs, overhead costs, DIP Facility fees and interest, and other sundry items.
7. Includes the estimated payments to the Monitor, its legal counsel, the Applicants' Canadian and US legal counsel, the Financial Advisor, the DIP Lender's legal counsel, and the DIP Lender's financial advisor.
8. Opening cash reflected as of April 8, 2024.
9. Reflects projected DIP funding to be provided by the DIP Lender, as defined and pursuant to the terms of the DIP Term Sheet, converted at a rate of \$1.36.

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
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PHARMACEUTICALS LIMITED CANADA, AND GLASSHOUSE
PHARMACEUTICALS LLC

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The management of Contract Pharmaceuticals Limited, CPL Canada Holdco Limited, Contract Pharmaceuticals Limited Canada, Glasshouse Pharmaceuticals Limited Canada, and Glasshouse Pharmaceuticals LLC (collectively, the "Applicants") has developed the assumptions and prepared the attached consolidated statement of projected cash flow as of the 9th day of April, 2024 for the period April 8, 2024 to May 3, 2024 ("Cash Flow Forecast"). All such assumptions are disclosed in the notes to the Cash Flow Forecast.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Cash Flow Forecast as described in Note 1 to the Cash Flow Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow Forecast.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow Forecast has been prepared solely for the purpose outlined in Note 1 using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Toronto, ON this 9th day of April, 2024.

**CONTRACT PHARMACEUTICALS LIMITED, CPL CANADA HOLDCO LIMITED, CONTRACT
PHARMACEUTICALS LIMITED CANADA, GLASSHOUSE PHARMACEUTICALS LIMITED
CANADA, AND GLASSHOUSE PHARMACEUTICALS LLC**



Per: John Wilkening

Appendix “B”

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

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PHARMACEUTICALS LIMITED CANADA, AND GLASSHOUSE
PHARMACEUTICALS LLC

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached consolidated statement of projected cash-flow of Contract Pharmaceuticals Limited, CPL Canada Holdco Limited, Contract Pharmaceuticals Limited Canada, Glasshouse Pharmaceuticals Limited Canada, and Glasshouse Pharmaceuticals LLC (collectively, the "Applicants") as of the 9th day April, 2024, consisting of a weekly projected cash flow statement for the period April 8, 2024 to May 3, 2024 (the "Cash Flow Forecast") has been prepared by the management of the Applicants for the purpose described in Note 1, using probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management of the Applicants. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow Forecast has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, ON this 9th day of April, 2024.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
solely 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**