

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
(COMMERCIAL LIST)**

**IN THE MATTER OF THE PROPOSAL OF RANDO DRUGS LTD.
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

PROPOSAL

KSV Restructuring Inc. (formerly KSV Kofman Inc.), in its capacity as receiver (the “**Receiver**”) of the property, assets and undertaking of Rando Drugs Ltd. (the “**Company**”) hereby submits the following Proposal under Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3.

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Proposal, capitalized terms have the following meanings:

- (a) “**Administration Fees and Expenses**” means the fees and expenses, including legal fees and disbursements of the Court Officer;
- (b) “**Affected Claims**” means all Claims other than Unaffected Claims and Preferred Claims;
- (c) “**Affected Creditor**” means a Person holding one or more Affected Claims in respect of and to the extent of such Affected Claim;
- (d) “**Applicable Law**” means, with respect to any Person, property, transaction, event or other matter, any Law relating or applicable to such Person, property, transaction, event or other matter, including, where appropriate, any interpretation of the law (or any part) by any Person, court or tribunal having jurisdiction over it, or charged with its administration or interpretation;
- (e) “**Authorization Order**” means the Order of this Court made on November 9, 2020, among other things, authorizing the Receiver to file this Proposal and appointing KSV as Proposal Trustee for the purposes of administering this Proposal and all required steps hereunder;
- (f) “**BIA**” means the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended;
- (g) “**Business Day**” means any day other than a Saturday or a Sunday or a day observed as a holiday under the laws of the Province of Ontario or the federal laws of Canada applicable therein;
- (h) “**Claim**” means any claim against the Company and includes any indebtedness, liability, action, cause of action, suit, debt, due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of the Company to any person, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, by surety or otherwise and whether or not such right is executory in nature, including, without limitation, the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the

future based in whole or in part on facts which existed prior to or at the Filing Date, including Director/Officer Indemnity Claims, but excluding Unaffected Claims;

- (i) “**Company**” has the meaning given to it in the preamble;
- (j) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (k) “**Court Officer**” means KSV in its capacities as Receiver and Proposal Trustee;
- (l) “**Creditor**” means any Person who holds one or more Claims;
- (m) “**Crown**” means Her Majesty in Right of Canada or of any Province of Canada their agents;
- (n) “**Crown Claims**” means the Claims of the Crown set out in Section 60(1.1) of the BIA outstanding as at the Filing Date against the Company, if any, payment of which will be made in priority to the payment of the Preferred Claims and to distributions in respect of the Ordinary Claims, and specifically excludes any other claims of the Crown;
- (o) “**Director/Officer Indemnity Claims**” means any existing or future right of any Director or Officer against the Company that arose or arises as a result of any Person filing a proof of claim (as contemplated by the BIA) in respect of a Director Claim or Officer Claim in respect of such Director or Officer for which such Director or Officer is entitled to be indemnified by the Company;
- (p) “**Director**” means the current director of the Company as at the Filing Date in such capacity;
- (q) “**Director Claim**” means a Claim against a Director that relates to the obligations of the Company where the Director is by law liable in his capacity as director for the payment of such obligations and, for greater certainty, excludes any claim against a Director for guarantees he made in respect of any obligations of the Company or any other Company owned directly or indirectly by him;
- (r) “**Equity Claim**” has the meaning given to it in Section 2 of the BIA;
- (s) “**Event of Default**” has the meaning given to it in Article 9 of this Proposal;
- (t) “**Filing Date**” means the date on which the Receiver filed this Proposal under the BIA;
- (u) “**Governmental Entity**” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;
- (v) “**KSV**” means KSV Restructuring Inc. (formerly KSV Kofman Inc.);
- (w) “**Law**” means any law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law, whether in Canada or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity;
- (x) “**Meeting**” means a meeting of the Ordinary Creditors of the Company called for the purpose of considering and voting in respect of this Proposal;
- (y) “**Non-Released Persons**” means any individual who is or was an Officer of the Company including, for greater certainty, Dani Diena, Grace Diena or any relative (by blood or marriage) of Dani Diena or Grace Diena;

- (z) **“Officer”** means any past or present officer of the Company;
- (aa) **“Officer Claim”** means a Claim against an Officer that relates to the obligations of the Company where the Officer is by law liable in his capacity as an officer for the payment of such obligations and, for greater certainty, excludes any claim against the Officer for guarantees he made in respect of any obligations of the Company or any other Company owned directly or indirectly by him;
- (bb) **“Ordinary Claims”** means all Claims other than Preferred Claims, Secured Claims and Unaffected Claims;
- (cc) **“Ordinary Creditor”** means a Person holding one or more Ordinary Claims;
- (dd) **“Ordinary Creditors’ Pool”** means the pool of funds in the amount of \$125,000 to be transferred by the Receiver to the Proposal Trustee for the purposes of distribution to Ordinary Creditors holding Ordinary Claims;
- (ee) **“Person”** means any individual, corporation, firm, limited or unlimited liability company, general or limited partnership, association (incorporated or unincorporated), trust, unincorporated organization, joint venture, trade union, government authority or any agency, regulatory body or officer thereof or any other entity, wherever situate or domiciled, and whether or not having legal status;
- (ff) **“Preferred Claims”** means the Claims set out in Subsection 136(1) of the BIA, outstanding as at the Filing Date against the Company, if any, the payment of which will be made in priority to distributions in respect of the Ordinary Claims;
- (gg) **“Proposal”** means this Proposal made pursuant to the BIA, as further amended or supplemented from time to time;
- (hh) **“Proposal Approval Motion”** has the meaning given to it in Section 10.01 hereof;
- (ii) **“Proposal Approval Order”** has the meaning given to it in Section 10.02;
- (jj) **“Proposal Implementation Date”** means the date on which this Proposal is implemented as evidenced by the service of the Proposal Trustee’s certificate as contemplated by Section 10.04;
- (kk) **“Proposal Implementation Time”** means 12:01am on the Implementation Date (or such other time as the Court Officer and the Sponsor may designate);
- (ll) **“Proposal Trustee”** means KSV in its capacity as proposal trustee as appointed pursuant to the Authorization Order;
- (mm) **“PSA”** means the Proposal Sponsorship Agreement dated as of September 16, 2020 between the Sponsor and the Receiver, as the same has been or may be further amended from time to time;
- (nn) **“Receiver”** has the meaning given to it in the preamble;
- (oo) **“Receivership”** means the receivership proceedings pursuant to the Receivership Order;
- (pp) **“Receivership Order”** means the Order of the Court appointing KSV as Receiver made on December 4, 2019;
- (qq) **“Released Parties”** has the meaning given to it in Section 7.01;
- (rr) **“Reorganization Approval Order”** means the Order of this Court in the Receivership and these proceedings approving the Reorganization as contemplated by the PSA on the terms and conditions set out therein;

- (ss) **“Required Majority”** means the required majority of Affected Creditors entitled to vote on the Proposal as contemplated by Section 54 of the BIA;
- (tt) **“Respondents”** has the meaning given to it in the title of proceedings in the Receivership;
- (uu) **“Sponsor”** means 2775506 Ontario Inc.;
- (vv) **“Trustee”** means KSV, in its capacity as proposal trustee in this Proposal;
- (ww) **“Unaffected Claims”** means any Claims of ECN Financial Inc. under its security including any borrowings by the Receiver pursuant to the Receivership Order, all Administration Fees and Expenses;
- (xx) **“Unaffected Creditor”** means a Person holding one or more Unaffected Claims in respect of and to the extent of such Unaffected Claim.

1.02 PSA Defined Terms

Capitalized terms used herein and not otherwise defined have the meaning given to them in the PSA.

1.03 Headings

The division of this Proposal, into parts, paragraphs and subparagraphs, and the insertion of headings, is for convenience only and is not to affect the construction or interpretation of this Proposal.

1.04 Business Days

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

1.05 Successors and Assigns

This Proposal will be binding upon and will enure to the benefit of all persons named or referred to herein including, without limitation, all Creditors and their heirs, estate administrators, personal representatives, successors and assigns as the case may be.

ARTICLE 2 - PURPOSE AND EFFECT OF THIS PROPOSAL

2.01 Purpose

The purpose of this Proposal is to effect a proposal for the distribution of funds from the Ordinary Creditors' Pool.

2.02 Persons Affected

At the Proposal Implementation Time, this Proposal will become effective on and, subject to the fulfillment by the Company of its obligations hereunder, shall be binding on the Company, the Directors and Officers, the Affected Creditors and the Existing Equity Holders.

2.03 Effect of Proposal Implementation

Effective on the Proposal Implementation Time, all Claims of Affected Creditors shall be discharged, and the Company shall thereupon be released from all Claims of Affected Creditors, other than the obligation to make payment in the manner and to the extent described in this Proposal or as otherwise described.

2.04 Unaffected Claims

Unaffected Claims will not be affected by this Proposal and are to continue in the ordinary course under their present arrangements unless otherwise agreed to by an Unaffected Creditor.

ARTICLE 3 – TREATMENT OF CLAIMS

3.01 Preferred Claims and Mandatory Payments

(a) Crown Claims

Within five Business Days of the Proposal Implementation Date, the Crown Claims, if any, will be paid by the Trustee, in full with related interest and penalties as prescribed by the applicable laws, regulations and decrees.

(b) Preferred Claims

Within five Business Days of the Proposal Implementation Date, the Preferred Claims, if any, will be paid in full by the Trustee.

(c) The Levy

The levy payable to the Superintendent of Bankruptcy under the BIA shall be paid in respect of the Preferred Claims and Ordinary Claims.

3.02 Ordinary Claims

(a) Subject to the amounts required to be paid in Section 3.01(c), the Proposal Trustee shall make one or more distributions to Ordinary Creditors of 100% of the funds from the Ordinary Creditors' Pool on a pro rata basis in accordance with the proofs of claims that are filed by Ordinary Creditors and the BIA.

(b) Ordinary Creditors will accept the payment provided for in this Section 3.02 in complete satisfaction of all their Claims and all liens, certificates of pending litigation, executions or any other similar charges or actions or proceedings in respect of such Claims will have no effect in law or in equity against the Company's property or the Company. Upon the making of the payments provided for in this section, any and all such claims and all such liens, certificates or pending litigation, executions or other similar charges or actions will be discharged, dismissed or vacated without cost to the Company.

3.03 Equity Claims

All Equity Claims, and all Director/Officer Indemnity Claims that are based on or related to Equity Claims, shall and shall be deemed to be fully, finally and irrevocably and forever compromised, released, discharged, settled, extinguished, cancelled and barred on the Proposal Implementation Date. Holders of Equity Claims shall not receive any consideration or distributions under this Proposal and shall not be entitled to vote on this Proposal at the Meeting.

ARTICLE 4 - VOTING ON THE PROPOSAL

4.01 For the purpose of voting on the Proposal, there shall be one class of Ordinary Creditors.

4.02 In order to be eligible to vote at the meeting of Ordinary Creditors, each Ordinary Creditor shall file a proof of claim with the Trustee in accordance with the applicable provisions of the BIA and thereafter the Trustee shall determine the claims in accordance with the provisions of section 135 of the BIA.

4.03 In order to receive a distribution from the Proposal, an Ordinary Creditor must submit a proof of claim prior to the time the Trustee distributes funds in accordance with the Proposal.

4.04 For greater certainty, Unaffected Creditors and Existing Equity Holders shall not be entitled to vote on the Proposal.

ARTICLE 5 - CLAIMS AGAINST DIRECTORS

5.01 In accordance with Section 50(13) of the BIA, effective on receipt of the Proposal Approval Order, the Proposal shall be deemed, for all purposes whatsoever, to constitute the complete compromise, release and discharge of all Affected Claims, of any nature or source whatsoever, of all Creditors and any other persons against the Director, which arose before the Filing Date and which relate to obligations of the Company where the Director is by law liable in his capacity as Director for payment of such obligations, provided however that nothing herein shall release or discharge or be deemed to have released or discharged any Affected Claims against the Director that cannot be released or discharged pursuant to Section 50(14) of the BIA and provided further nothing herein shall release any Affected Claim against the Non-Released Persons.

5.02 Nothing in the Proposal shall be deemed, in any manner whatsoever, to constitute any acknowledgement of any liability or obligations of the Director.

ARTICLE 6 - PREFERENCES, TRANSFERS AT UNDER VALUE, ETC.

6.01 In conformity with Section 101.1 of the BIA, Sections 95-101 of the BIA and any provincial statute related to preference, fraudulent conveyance, transfer at undervalue, or the like shall not apply to this Proposal.

6.02 As a result of and in accordance with Section 6.01 hereof and all of the rights, remedies, recourses and Claims described therein:

- (a) all such rights, remedies and recourses and any Claims based thereon shall be completely unavailable to the Trustee or any Creditors against the Company, any of the Company's property, any other Creditor or any other person whatsoever; and
- (b) the Trustee and all of the Creditors shall be deemed, for all purposes whatsoever, to have irrevocably and unconditionally waived and renounced such rights, remedies and recourses and any Claims based thereon against the Company, the Company's property any other Creditor or any other persons.

ARTICLE 7- RELEASES

7.01 Release

At the Proposal Implementation Time, the Company, the Company's present and former employees and contractors and each of their respective financial advisors, legal counsel and agents (collectively, the "**Released Parties**") shall be released and discharged from any and all rights and claims of any Person against a Released Party ("**Released Claims**"), including without limitation any Affected Claim, whether or not any such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present or future, known or unknown, where such right or claim is based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place (x) on or prior to the Proposal Implementation Date, or (y) after the Proposal Implementation Date in furtherance of the Proposal and that is in any way relating to, arising out of, or in connection with: (i) Affected Claims; (ii) the PSA; (iii) this

Proposal; (iv) the Receivership; or (v) the Subscription Agreement; provided, however, that nothing in this Section 7.01 will release or discharge:

- (a) Any Affected Claim against any of the other Respondents or the Non-Released Persons;
- (b) Any Claim of ECN Financial Inc.;
- (c) The Company of, or from, its obligations under this Proposal, under any Order, or under any document delivered by the Company on the Proposal Implementation Date pursuant to this Proposal; or
- (d) a Released Party if the Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed fraud or wilful misconduct.

7.02 Injunctions

All Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Proposal Implementation Time, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever against the Released Parties, as applicable; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties; (iii) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (iv) taking any actions to interfere with the implementation or consummation of this Proposal; provided, however, that the foregoing shall not apply to the enforcement of any obligations under this Proposal.

7.03 Non-Released Parties

For greater certainty, the compromise and release of Affected Claims hereunder do not in any way affect, compromise, release or impair the Claims of any Creditor against any other Respondent, the Non-Released Persons or any other Person other than specifically set out herein.

7.04 Timing of Releases and Injunctions

All releases and injunctions set forth in this Article shall become effective on the Proposal Implementation Date at the time or times and in the manner set forth in Article 7 of the PSA.

7.05 Knowledge of Claims

Each Person to which Section 7.01 hereof applies shall be deemed to have granted the releases set forth in Section 7.01 notwithstanding that it may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such party expressly waives any and all rights that it may have under any Applicable Law which would limit the effect of such releases to those claims including Claims or causes of action known or suspected to exist at the time of the granting of the release.

ARTICLE 8 - EVENT OF DEFAULT

8.01 The non-payment of amounts under ARTICLE 3 within ten (10) Business Days of the date on which such payment is due will constitute an event of default for the purposes of Section 62.1 of the BIA and otherwise under this Proposal.

8.02 Any event of default under the PSA which is not remedied or waived within the time provided for in the PSA shall also constitute an event of default hereunder.

ARTICLE 9 – COURT OFFICER

9.01 KSV Restructuring Inc. is the Court Officer under this Proposal. The Court Officer is acting in its capacities as Trustee and Receiver under this Proposal, and not in its personal capacity, and shall not incur any personal liabilities or obligations in connection with this Proposal or in respect of the business, liabilities, obligations of the Company, whether existing as at the Filing Date or incurred subsequent thereto.

9.02 The Court Officer will continue to monitor the Company's cash receipts and disbursements and perform all other obligations until this Proposal is either accepted by the Creditors and implemented or rejected by the Creditors.

9.03 All notices sent by the Trustee or to be sent to the Trustee pursuant to the BIA may be sent by email or ordinary prepaid, first class mail.

ARTICLE 10 - COURT APPROVAL, CONDITIONS PRECEDENT AND IMPLEMENTATION

10.01 Application for Approval Order

Each of the Affected Creditors, Equity Holders and the Official Receiver (as defined in and appointed under the BIA) are hereby given notice that, after acceptance of this Proposal by the requisite majority of Ordinary Creditors in accordance with the relevant provisions of the BIA, the Trustee will present a motion (the “**Proposal Approval Motion**”) to the Court seeking the Proposal Approval Order before the court on February 19, 2021 at 12 o'clock p.m. or soon thereafter.

10.02 Proposal Approval Order

The order approving the Proposal (the “**Proposal Approval Order**”) shall, among other things:

- (a) declare that this Proposal is fair and reasonable;
- (b) declare that this Proposal has been approved pursuant to Section 60 of the BIA and will be binding and effective as herein set out on the Company, all Affected Creditors, all holders of Equity Claims (including Existing Equity Holders) and all other Persons as provided for in this Proposal or in the Proposal Approval Order;
- (c) grant to the Trustee in addition to its rights and obligations under the BIA and any other Court Order, the powers, duties and protections contemplated by and required under the Proposal;
- (d) order that the commencement or prosecution, whether directly, indirectly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgment, or other remedy or recovery as described in Section 7.02 hereof shall be permanently enjoined;
- (e) compromise, discharge and release the Released Parties from any and all claims of any nature in accordance with the Proposal, and declare that the ability of any Person to proceed against the Released Parties in respect of or relating to any such claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to such claims be permanently stayed.

10.03 Conditions to Implementation

The implementation of this Proposal shall be conditional upon the fulfillment, satisfaction or waiver (to the extent permitted by this Proposal) of the following conditions:

- (a) the Proposal shall have been approved by the Required Majority at the Meeting;
- (b) the Court shall have granted the Authorization Order, Proposal Approval Order and Reorganization Approval Order, the operation and effect of which shall not have been stayed, reversed or amended, or in the event of an appeal or application for leave to appeal, final determination shall have been made by the applicable appellate court;
- (c) the Capitalization Amount shall have been funded by the Sponsor;
- (d) all conditions precedent to the implementation of the Reorganization under the PSA shall have been satisfied or waived;
- (e) no Applicable Law shall have been passed and become effective, the effect of which makes the consummation of this Proposal illegal or otherwise prohibited;
- (f) all documents necessary to give effect to all material provisions of this Proposal shall have been executed and/or delivered by all relevant Persons; and
- (g) all required stakeholder, regulatory and Court approvals, consents, waivers and filings shall have been obtained or made, as applicable, and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated.

10.04 Proposal Trustee's Certificate of Plan Implementation

Upon written notice from the Receiver and the Sponsor to the Trustee that the conditions to Implementation set out in Section 10.03 have been satisfied or waived, the Trustee shall, as soon as possible following receipt of such written notice, serve on the service list in the Receivership Proceedings, and file with the Court, a certificate which states that all conditions precedent set out in Section 10.03 have been satisfied or waived and that the Proposal Implementation Date has occurred or will occur on a future date specified in the certificate.

ARTICLE 11 - MISCELLANEOUS

11.01 On receipt of the Proposal Approval Order, all Creditors will be deemed to have consented and agreed to all of the provisions of this Proposal in its entirety, including, without limitation the terms of the Proposal Approval Order. For greater certainty, each such Creditor will be deemed to have waived any default by the Company in any provision, express or implied, in any agreement existing between the Creditors and the Company that has occurred on or prior to the Filing Date, and to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of this Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

11.02 The payment, compromise or other satisfaction of any Claim under this Proposal will be binding on the Creditors and their respective heirs, executors, administrators, successors and assigns for all purposes.

11.03 The Proposal shall be governed by and construed in accordance with the Laws of Ontario and the federal laws of Canada applicable therein. Any disputes as to the interpretation or application of the

Proposal and all proceedings taken in connection with the Proposal shall be subject to the exclusive jurisdiction of the Court.

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Dated at Toronto this 7th day of January, 2021.

**RANDO DRUGS LTD.,
by KSV RESTRUCTURING INC., receiver of
the property, assets and undertaking of the
Company**

Per:



We have the authority to bind the Company